



# MFS<sup>®</sup> COVERDELL EDUCATION SAVINGS ACCOUNT

Disclosure statement and trust agreement



# **MFS® COVERDELL EDUCATION SAVINGS ACCOUNT DISCLOSURE STATEMENT**

## **(An Education Savings Account described in Internal Revenue Code Section 530)**

The following summary is being provided to you by MFS® Heritage Trust Company<sup>SM</sup> (the "Trustee") in accordance with the requirements of the Internal Revenue Code of 1986 and regulations thereunder, as amended (the "Code"). This Statement should be read in conjunction with the MFS Coverdell Education Savings Account Agreement ("Agreement") and the MFS Education Account Application ("Application"), and the prospectus for each investment option you have selected. The provisions of the Agreement, the Application, and prospectus(es) control as to all aspects of the MFS Coverdell Education Savings Account and govern over this Statement in any instance where there are conflicting provisions or where this Statement is incomplete or unclear.

This Statement summarizes the requirements for establishing an MFS Coverdell Education Savings Account (the "Education Account") and provisions of federal tax law applicable to education savings accounts within the meaning of Code Section 530(b)(1). The state tax treatment of your Education Account may be different; state tax information should be available from your state taxing authority or your own tax advisor.

## **Right to Revoke**

You may revoke your Education Account for any reason within seven calendar days after the date you signed the Application by mailing or delivering a written request that your Education Account be revoked to:

MFS Service Center, Inc.  
P.O. Box 55824  
Boston, MA 02205-5824

If you revoke your Education Account, the entire amount of your contribution, without adjustment for items such as administrative expenses, fees, interest, or fluctuation in market value, will be returned to you. If you have any questions concerning this revocation procedure, you may phone MFS at 1-800-637-1255.

## **Responsible Person**

As the person establishing the Education Account (the "Responsible Person"), you will be solely responsible for making decisions regarding the investment of Education Account assets as well as for any decisions regarding amendments to the Agreement. The Responsible Person will also be responsible for determining whether a particular contribution is acceptable to the Education Account, whether a particular distribution may be made from the Education Account, and to what extent any portion of a distribution or transfer of assets from the Education Account is considered a taxable event.

## **Contributions**

You should be aware that there are several important conditions and restrictions imposed by the Code on contributions to education savings accounts.

### **1. Who Can Contribute?**

Any individual or corporation or other business entity (including a tax-exempt organization), including the Responsible Person and the Beneficiary, may make a contribution to the Education Account, subject to the limits on adjusted gross income discussed in Paragraph 3 below. Where all contributors are referred to, they will be referred to collectively as "Donors."

### **2. Age of Beneficiary**

Contributions may be made only on behalf of a Beneficiary who has not yet attained the age of 18; except in the case of

- (i) a contribution to the Education Account on behalf of a Beneficiary who has "special needs," as determined under the regulations issued pursuant to Code Section 530(b)(1); or
- (ii) a Rollover Contribution, or transfer of assets, to the Education Account, as described in Paragraph 8 below.

### **3. Amount of Contributions**

The total aggregate contributions from all Donors (not including Rollover Contributions, as defined in Paragraph 8 below) to all education savings accounts, including the MFS Education Account, maintained on behalf of the Beneficiary may not exceed \$2,000 for a taxable year, or such amount as may from time to time be permitted under Code Section 530(b)(1).

The maximum aggregate contribution that a Donor may make to all education savings accounts on behalf of any one Beneficiary in any taxable year is subject to the following rules if the Donor involved is an individual (these rules do not apply to Donors who are corporations or other business entities, including tax-exempt organizations). The contribution amount is phased out for Donors (other than married Donors who file joint federal income tax returns) who have modified adjusted gross income (AGI) between \$95,000 and \$110,000 for the taxable year of the contribution. The phase-out range for married Donors who file joint federal income tax returns is modified AGI between \$190,000 and \$220,000 for the taxable year of the contribution. The result is that individual Donors with modified AGI above \$110,000, and married Donors who file joint returns and have modified AGI above \$220,000, as applicable, for the taxable year, may not make a contribution for that year. Modified AGI phase-out ranges for this purpose are those defined in Code Section 530(c)(2), as amended from time to time. Therefore, these ranges may change in the future.

### **4. Return of Excess Contributions**

To the extent that any Donor makes a contribution to the Education Account that exceeds the amount allowed under Paragraph 3 above for any taxable year, that contribution will be considered an Excess Contribution. The Responsible Person is required to determine whether an Excess Contribution has been made for any year and to notify the Trustee of any such Excess Contribution. Upon notice to the Trustee of an Excess Contribution from the Responsible Person, the Trustee will pay that Excess Contribution (together with any net income attributable thereto) to the Responsible Person. The Responsible Person has the obligation to transmit or direct any return of an Excess Contribution to the Donor who made the contribution, if the Donor is not the Responsible Person.

### **5. Timing of Contributions**

All contributions, other than Rollover Contributions as defined in Paragraph 8 below, must be made no later than the date that individual's federal income tax return is due (not including extensions).

### **6. Nature and Investment**

All contributions must be made in cash. Securities or other property cannot be contributed directly to the Education Account, but may be liquidated and the cash proceeds may then be contributed. In addition, an Education Account cannot be invested in life insurance or collectibles, nor may Education Account assets be commingled with other property except in a common trust fund or common investment fund. The assets in your Education Account will be invested as you direct the Trustee in MFS Fund Shares available for investment under the terms of your Agreement, or if approved by the Trustee in its sole discretion, other investments, subject to the minimum initial or additional investment, minimum balance, and other exchange rules set forth by the Trustee from time to time. You should read all information (e.g., prospectuses) about the permissible investments that must be provided to you, so that you can make an informed investment decision. All fees and other charges that must be paid from your Education Account assets in connection with each investment and the method for computing and allocating earnings for each investment is described in those informational materials. Growth in the value of your account invested in MFS Fund Shares cannot be guaranteed or projected.

### **7. Beneficiary Designations**

The Responsible Person may at any time designate a different individual as the Beneficiary of the Education Account by executing a new designation of Beneficiary, in such form actually received by the Trustee as the Trustee prescribes, and which designation shall supercede any prior designation. In addition, the Responsible Person may make a Rollover Distribution (as described in Paragraph 8 below) from the Education Account to any other education savings account maintained by or on

behalf of a "Member of the Family" (as defined in Paragraph 8 below). Finally, to the extent permitted by law, a trustee-to-trustee transfer of the assets in the Education Account may be made to any other eligible education savings account established on behalf of the Beneficiary or any other individual.

## 8. Rollover Contributions

A cash Rollover Contribution may be made to your Education Account. A "Rollover Contribution" means any amount distributed from any other eligible education savings account within the meaning of Code Section 530(b)(1), as amended from time to time, if the education savings account making the Rollover Contribution to your Education Account (i) is maintained by or on behalf of the Beneficiary or a Member of the Family; (ii) the Beneficiary of the Rollover Education Account has not yet attained age 30 (unless the Beneficiary has special needs), and (iii) the education savings account making the Rollover Contribution has not made any other Rollover Contributions during the preceding twelve-month period. In addition, the amount distributed from the other education savings account must be paid into your Education Account not later than sixty (60) days after the date of the distribution. The term "Member of the Family" has the meaning prescribed by Code Section 529(e)(2), which currently includes any individual who has not yet attained the age of thirty (30) (or who has special needs) and who bears one of the following relationships to the Beneficiary:

- (a.) The father or mother of the Beneficiary, or an ancestor of either;
- (b.) A son or daughter of the Beneficiary, or a descendant of either;
- (c.) A brother, sister, stepbrother, or stepsister of the Beneficiary;
- (d.) A stepfather or stepmother of the Beneficiary;
- (e.) A stepson or stepdaughter of the Beneficiary;
- (f.) A son or daughter of the brother or sister of the Beneficiary;
- (g.) A brother or sister of the father or mother of the Beneficiary;
- (h.) A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the Beneficiary;
- (i.) The spouse of any of the individuals described in Subparagraphs (a) through (h) above; or
- (j.) A first cousin of the Beneficiary.

## 9. Transfers

To the extent permitted by applicable law, regulations, and rulings, and subject to procedures established by the Trustee from time to time, the Trustee, upon receipt of documentation and written instruction of the Responsible Person may make or accept contributions transferred to or from an education savings account, or other eligible account, as agreed to by the Trustee in its sole discretion, and in accordance with Code Section 530, as amended from time to time.

## Distributions

### 10. General

Aggregate distributions for a calendar year from your Education Account in an amount not exceeding the Beneficiary's qualified education expenses for that year are not subject to Federal income tax.

"Qualified higher education expenses" include tuition, fees, books, supplies, and equipment required for the Beneficiary's enrollment and/or attendance at any eligible higher educational institution. For purposes of the above expenses, it does not matter whether the Beneficiary is enrolled full-time or part-time. However, if the Beneficiary is enrolled on at least a "half-time" basis, qualified education expenses may also include room and board. Qualified higher education expenses also include special needs services in the case of a special needs beneficiary that are incurred in connection with such enrollment or attendance.

Qualified education expenses also include "qualified elementary and secondary education expenses." An elementary or secondary school means a public, private, or religious school that provides elementary or secondary education (kindergarten

through grade 12) under state law. "Qualified elementary and secondary education expenses" are expenses for tuition, fees, academic tutoring, special needs services (in the case of a special needs Beneficiary), books, supplies, and other equipment incurred in connection with enrollment or attendance at an elementary or secondary school, expenses for room and board, uniforms, transportation, and supplementary items and services (including extended day programs) that are required or provided by such a school in connection with enrollment or attendance, and expenses for the purchase of any computer technology or equipment or Internet access and related services if certain requirements are satisfied.

The Beneficiary's qualified education expenses must be reduced by certain scholarships, educational assistance allowances, and other non-taxable payments, and the amount of room and board expenses that may be treated as qualified education expenses may be limited.

Qualified education expenses may also include certain amounts paid or contributed to a qualified state tuition program for the benefit of the Beneficiary.

## **11. Forms of Distributions**

Subject to the required distribution rules discussed in Paragraph 13 below, you may elect that distributions from your Education Account be made to the Responsible Person, or any other individual or entity, for the benefit of the Beneficiary, in any form that is deemed acceptable by the Trustee.

## **12. Required Distributions**

Amounts in an Education Account must be distributed within thirty (30) days after the date on which the Beneficiary attains age 30 (unless the Beneficiary is a special needs Beneficiary, as determined under regulations issued pursuant to Code Section 530(b)(1)), or rolled over to another education savings account in a Rollover Distribution (see Paragraph 14 below). The earnings portion of the required distribution that is not rolled over may be subject to federal income tax as well as to a 10% penalty tax (see further discussion in the section entitled "Tax Considerations" below). It is therefore critically important that the Responsible Person notify the Trustee that the Beneficiary reaches age 30 and is not a special needs Beneficiary in order to avoid the above-described penalty taxes.

Except as provided below, if the Beneficiary should die before all funds held in the Education Account have been distributed, the Responsible Person expressly directs the Trustee to transfer the remaining funds to an Education Account for an eligible Beneficiary within thirty (30) days of the Beneficiary's date of death, or if there is no other eligible Beneficiary, then to distribute the funds to the Beneficiary's estate. The earnings portion of the required distribution may be subject to federal income tax, but the 10% penalty tax will not apply.

If a Member of the Family is designated as the Contingent Beneficiary of the Education Account, the assets of this Education Account will not be deemed to be distributed and will not be subject to federal income tax. The Member of the Family will become the "New Beneficiary" of the Education Account. (See further discussion in the section entitled "Tax Considerations" below).

## **13. Rollover Distributions**

A "Rollover Distribution" means any amount distributed from your Education Account and contributed within sixty (60) days after the date of the distribution to another eligible education savings account within the meaning of Code Section 530(b)(1), as amended from time to time, that is maintained by or on behalf of the Beneficiary or a Member of the Family (as defined in Paragraph 8 above).

## **Tax Considerations**

### **14. Taxation Consequences of Contributions**

No federal income tax deduction is available to any Donor making a contribution to an Education Account. The Beneficiary of an Education Account does not include amounts contributed (or transferred) to the Education Account maintained on his or her behalf (or earnings with respect to those contributed amounts) in his or her taxable income.

For federal gift and generation-skipping transfer tax purposes, any contribution to an Education Account represents a taxable gift of a present interest. Donors should consult with their personal tax advisors regarding the eligibility of a particular

contribution for the present interest exclusion (\$13,000 for 2009 in the case of an individual Donor; \$26,000 if the Donor is married and his or her spouse consents and elects to “split” gifts). A Rollover Contribution to a Member of the Family (as defined in Paragraph 8) will not be treated as a taxable gift if the new beneficiary and the prior beneficiary are members of the same generation for federal generation-skipping transfer tax purposes.

For federal estate tax purposes, the amount held in an Education Account is generally not included in the gross estate of any individual, except for amounts distributed on the death of the Beneficiary, except as discussed in Paragraph 13 above.

## **15. Tax Consequences of Distributions**

Distributions of earnings from the Education Account in excess of the Beneficiary’s qualified education expenses (as defined in Paragraph 11 above) are subject to both federal income tax and an additional 10% penalty tax. The 10% penalty tax will not apply if the distribution is payable as a result of the Beneficiary’s death or disability, or the Beneficiary’s receipt of a scholarship or allowance, provided that the amount distributed does not exceed the amount of the scholarship or allowance.

The designation of another individual as the new Beneficiary will not be treated as a taxable distribution if that individual is a Member of the Family as defined in Paragraph 8 above.

Both the federal income tax and the 10% penalty tax can be avoided by a making a timely Rollover Distribution from the Education Account.

Distributions from the Education Account are not treated as taxable gifts for federal gift or generation-skipping transfer tax purposes.

In addition, the Beneficiary may claim a Hope Scholarship or Lifetime Learning Credit for any taxable year amounts that are distributed from an education savings account as long as the distribution is not used for the same educational expenses for which that credit was claimed.

## **16. Taxation of Excess Contributions**

A 6% nondeductible penalty tax will be imposed annually on all Excess Contributions, as defined in Paragraph 4 above, until the excess is corrected.

This 6% penalty tax, as well as the 10% penalty tax otherwise attributable to distributions not used for educational expenses, may be avoided with respect to Excess Contributions by distributing all Excess Contributions (and any earnings attributable to those Excess Contributions) before the first day of the sixth month of the next following tax year.

Net earnings attributable to an Excess Contribution that has been subjected to the 6% penalty tax described above are includible in income for federal income tax purposes for the tax year in which the Excess Contribution was made. In addition, a 10% penalty tax will be due on the amount of net earnings distributed. However, the Excess Contribution amount already subjected to the 6% penalty tax will not be included in taxable income and will not be subject to the additional 10% penalty tax.

## **17. Prohibited Transactions**

If you or the Beneficiary engage in any transaction prohibited by Code Section 4975 (such as any sale, exchange or leasing of any property, lending of money or extension of credit, or furnishing of goods or services between you or your Beneficiary and the Education Account) (a “Prohibited Transaction”), the Education Account will be disqualified and the entire balance of the Education Account will be treated as having been distributed to the Beneficiary as of the first day of the calendar year in which the Prohibited Transaction occurs. The result of the disqualification is that the tax-favored status of the Education Account will be lost and the earnings on the contributions to the Education Account will be taxed to the Beneficiary as ordinary income. In addition, amounts distributed as the result of the disqualification may also be subject to a 10% penalty tax.

## **18. Penalty Taxes Applicable to Amounts Pledged**

If the assets of an Education Account are pledged as security for a loan, the amount so pledged is considered by the Internal Revenue Service to have been distributed and a portion of the amount will be taxed as ordinary income during the year in which the pledge activity occurs. The amount subject to federal income tax will also be subject to the 10% penalty tax.

## **19. IRS Approval**

The MFS Coverdell Education Savings Account has not been submitted to the Internal Revenue Service for approval because there currently is no such approval process available. In the event that the Internal Revenue Service in the future institutes an approval program for Education Savings Accounts under Code Section 530, MFS will submit the MFS Coverdell Education Savings Account for approval in due course. Internal Revenue Service approval generally is only an approval as to the form of the approved documents, and may not be considered a determination of the merits of the program.

## **20. Additional Information**

You may obtain further information concerning your Education Account from any district office of the Internal Revenue Service, or you may contact MFS at 1-800-637-1255.

**NOTE:** Although MFS may provide general information concerning your Education Account, MFS does not provide personal tax or other financial, legal, or technical advice. You are urged to contact your own advisor for such guidance.

## **21. Governing Law**

This Education Account is established exclusively to pay for the qualified education expenses of the Beneficiary. This Education Account is established with the intent that it qualifies as a "Coverdell Education Savings Account" under Code Section 530, and the provisions hereof shall be construed in accordance with such intent. This Agreement shall be governed by the laws of the State of New Hampshire, to the extent not superceded by federal law.

# **MFS® COVERDELL EDUCATION SAVINGS ACCOUNT TRUST AGREEMENT**

**(An Education Savings Account described in Internal Revenue Code Section 530)**

This AGREEMENT (the "Agreement"), entered into as of the date of the related Application, by and between the individual whose signature appears on that Application (the "Responsible Person") and MFS® Heritage Trust CompanySM (the "Trustee"),

WITNESSES THAT:

WHEREAS, the Responsible Person desires to establish with the Trustee an education savings account ("Education Account") described in Section 530 of the Internal Revenue Code of 1986, as amended (the "Code") for the benefit of the individual named as the designated beneficiary ("Beneficiary"), exclusively to pay for the qualified education expenses, within the meaning of Code Section 530(b)(2), of such Beneficiary; and

WHEREAS, the Trustee accepts its appointment as Trustee of such Education Account trust;

NOW, THEREFORE, by executing the Application, the Responsible Person and the Trustee agree as follows:

## **Article I General**

### **1.1. Creation of the Education Account.**

The Trustee shall, in accordance with the terms of this Agreement, and subject to the minimum initial or additional investment, minimum balance, and other exchange rules set forth by the Trustee from time to time, establish and maintain an Education Account exclusively to pay for the qualified education expenses of the Beneficiary. The Education Account will be established when (i) the Responsible Person has completed and signed the Application and has transmitted that Application and contribution to MFS Fund Distributors, Inc., its agent, or any successor thereto ("MFS Fund Distributors, Inc.") and (ii) the Trustee has accepted that Application and contribution. If that Application and contribution are accepted by the Trustee, the Education Account will be deemed established on the date they were transmitted. (If the contribution and Application are transmitted separately, the Education Account will be deemed established on the date of the contribution or, if later, of the Application.) The Trustee shall hold in trust for the purposes hereinafter set forth, and shall manage and administer in accordance with the terms and conditions hereof, contributions to the Education Account and any income or gain therefrom.

### **1.2. Responsible Person.**

The Responsible Person shall be solely responsible for ensuring that all contributions made to the Education Account satisfy the applicable limits set forth in Section 2.1 and the Trustee shall have no duty to determine whether such contributions are in excess of such limits.

In the event that the Responsible Person dies or becomes incapable of performing his or her duties, or resigns as Responsible Person (as documented to the Trustee's satisfaction), the Responsible Person shall be (i) the Successor Responsible Person (as named in the Application or subsequently named upon written notification to the Trustee), (ii) the Executor of the Responsible Person's Estate, or if clause (i) or (ii) does not apply, (iii) the Beneficiary, if the Beneficiary has reached the age of majority in accordance with the laws of the State in which the Beneficiary resides, or if clause (i), (ii), or (iii) does not apply, (iv) the legal guardian of the Beneficiary upon written notification to the Trustee in accordance with Section 7.1 of his or her ability to serve as such. The Responsible Person or, if applicable, the successor Responsible Person is deemed to have consented to the provisions of this Agreement and accepts such appointment upon the exercise of any rights or responsibilities of the Responsible Person.

Furthermore, the Responsible Person shall be responsible:

- (1) for the selection of investments for the Education Account assets pursuant to the terms of the fund(s), prospectus(es) and the minimum initial or additional investment, minimum balance, and other exchange rules set forth by the Trustee;
- (2) for making decisions relating to the amendment of this Agreement;
- (3) for determining the allowability under Code Section 530, as amended from time to time, and any regulations and rulings issued thereunder, of any contribution to and distribution from the Education Account;

- (4) for designating a beneficiary (or successor) to receive the Beneficiary's interest in the Education Account upon such Beneficiary's death ("Contingent Beneficiary");
- (5) for notifying the Trustee of a change in Beneficiary of the Education Account;
- (6) for determining to what extent a distribution is for the purpose of paying qualified education expenses within the meaning of Code Section 530(b)(2) and for notifying the Trustee to what extent any portion of this distribution is considered a taxable transfer;
- (7) for notifying the Trustee in a timely manner in accordance with Section 7.1 of any required distribution from the Education Account (See Section 5.3) in order to avoid any penalty taxes;
- (8) for determining the tax consequences of any distribution, for determining the tax consequences for the failure to correct an Excess Contribution (as defined in Section 2.2), or for the election of any distribution from the Education Account;
- (9) for designating or re-designating, from time to time, in accordance with this Agreement, the:
  - (a) Successor Responsible Person (see this Section 1.2);
  - (b) Beneficiary (see Section 1.3); and
  - (c) Contingent Beneficiary (see Section 1.3);
- (10) for all other designations, determinations, and actions that are not the responsibility of the Trustee; and
- (11) for determining whether a change of Beneficiary of the Education Account (the "New Beneficiary") shall be treated as a taxable distribution within the meaning of this Article V. Such change of Beneficiary shall be made in the manner prescribed by the Trustee and in accordance with Section 7.1. Thereafter, the New Beneficiary shall be treated as the Beneficiary for all purposes under this Agreement.

### 1.3. Beneficiary.

The Beneficiary shall mean any person currently designated as such by the Responsible Person, in such form actually received by the Trustee as the Trustee prescribes or, if no such Beneficiary is in existence at the time of distribution, the executor or other legal representative of the Beneficiary. The initial Beneficiary shall be the person designated as such on the Application. The Responsible Person may modify the designation of Beneficiary at any time by executing a new designation of Beneficiary, in such form actually received by the Trustee as the Trustee prescribes, which designation shall supercede any prior designation. In addition, the Responsible Person may designate one or more Contingent Beneficiaries to receive any undistributed amounts remaining in the Education Account at the time of the Beneficiary's death. In the event that the Responsible Person designates more than one Contingent Beneficiary, the Education Account shall be segregated in accordance with Section 5.3(c).

## Article II Regular Contributions

- 2.1. Permitted Contributions. All regular contributions to the Education Account made under this Section 2.1 by an individual, entity, or other person, including the Responsible Person, (collectively known as "Donors") for the benefit of the Beneficiary, shall meet the following conditions:
  - (a) the contribution must be made in cash;
  - (b) the Beneficiary of the Education Account must not yet have attained the age of 18 (unless the Beneficiary has special needs, as determined under regulations issued pursuant to Code Section 530(b)(1)) as of the date the contribution is made (other than a Rollover Contribution described in Article III, below);
  - (c) the total aggregate contributions to all education accounts described in Code Section 530 on behalf of the Beneficiary from all Donors (not including Rollover Contributions described in Article III, below) must not exceed \$2,000 or such other amount as may from time to time be permitted under Code Section 530(b)(1) for the taxable year; and

(d) the contribution for a taxable year must be made if the contribution is made by an individual no later than the time prescribed by law for filing the Donor's federal income tax return for that taxable year (not including extensions thereof).

In addition, the maximum aggregate contribution that any individual Donor may make to the Education Account in any taxable year is phased out for Donors (other than married Donors who file joint federal income tax returns) who have modified adjusted gross income (AGI) between \$95,000 and \$110,000 for the year of the contribution. The phase-out range for married individual Donors who file joint returns is modified AGI between \$190,000 and \$220,000 for the taxable year of the contribution. Individual Donors with modified AGI above \$110,000 for the taxable year, and married Donors who file joint returns and have modified AGI above \$220,000, as applicable, for the taxable year, may not make a contribution for that year. AGI phase-out ranges shall be the ranges stated in Code Section 530(c)(1), as amended from time to time. Modified AGI is defined in Code Section 530(c)(2).

## 2.2 Return of Excess Contributions.

To the extent that the Responsible Person determines that a contribution to the Education Account exceeds the amount allowed under Section 2.1 for any taxable year (an "Excess Contribution"), the Trustee shall pay such Excess Contribution (together with any net income attributable thereto) to such Responsible Person upon appropriate direction from the Responsible Person in accordance with Section 7.1. The Responsible Person has the obligation to transmit or direct any return of an Excess Contribution to the Donor who made the contribution, if the Donor is not the Responsible Person.

## Article III Rollover and Transfer Contributions

### 3.1 Rollover Contributions.

In addition to contributions permitted under Section 2.1 above, a cash Rollover Contribution may be made to the Education Account. A "Rollover Contribution" shall mean any amount paid or distributed from another Education Savings Account, or other eligible account, within the meaning of Code Section 530(b)(1), as amended from time to time, which is maintained by or on behalf of the Beneficiary or a Member of the Family to the extent that no amounts have previously been rolled over from such Education Savings Account during the preceding twelve-month period, the amount received from the other Education Savings Account is paid into the Education Account not later than sixty (60) days after such payment or distribution, and the Beneficiary of the rollover Education Account has not yet attained age 30 (unless the Beneficiary has special needs, as determined under regulations issued pursuant to Code Section 530(b)(1)). The term "Member of the Family" shall have the meaning prescribed by Code Section 529(e)(2), and shall mean any individual who bears one of the following relationships to the Beneficiary:

- (a) The father or mother of the Beneficiary, or an ancestor of either;
- (b) A son or daughter of the Beneficiary, or a descendant of either;
- (c) A brother, sister, stepbrother, or stepsister of the Beneficiary;
- (d) A stepfather or stepmother of the Beneficiary;
- (e) A stepson or stepdaughter of the Beneficiary;
- (f) A son or daughter of the brother or sister of the Beneficiary;
- (g) A brother or sister of the father or mother of the Beneficiary;
- (h) A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the Beneficiary;
- (i) The spouse of any of the individuals described in Subsections (a) through (h) above; or
- (j) A first cousin of the Beneficiary.

### 3.2 Transfers.

To the extent permitted by applicable law, regulations, and rulings, and subject to procedures established by the Trustee from time to time, the Trustee, upon receipt of documentation and written instruction of the Responsible Person in accordance

with Section 7.1, may make or accept contributions transferred to or from an Education Savings Account, or other eligible account, as agreed to by the Trustee in its sole discretion, and in accordance with Code Section 530, as amended from time to time.

## **Article IV Investment of Education Account Assets**

### **4.3. Cash Contributions.**

The Trustee shall apply each cash contribution to the Education Account to the purchase of MFS® Fund Shares (or other investments as approved by the Trustee) in accordance with the Responsible Person's instructions provided to the Trustee in accordance with Section 7.1 and subject to the minimum initial or additional investment, minimum balance, and other exchange rules set forth by the Trustee from time to time. "MFS Fund Shares" means shares of any regulated investment company within the meaning of Code Section 851(a) for which Massachusetts Financial Services Company, or any successor thereto, or any affiliate thereof, serves as investment advisor.

The Trustee may, from time to time, and in its sole discretion, approve other investments for the Education Account.

### **4.4. Dividends and Other Payments.**

Dividends, capital gain distributions, and any other cash payments attributable to MFS Fund Shares held in the Education Account shall be invested in the same shares to which such payments are attributable.

### **4.5. Change in Investment.**

The Responsible Person or designee may direct the Trustee at any time and from time to time: (i) to exchange the MFS Fund Shares held in the Education Account for other MFS Fund Shares in accordance with the then current prospectuses relating to such shares; and (ii) to liquidate any investments then held in the Education Account and invest the net proceeds in any form of investment permitted under this Article IV. By giving such investment direction, the Responsible Person or designee shall be deemed to have acknowledged receipt of the then current prospectus relating to such MFS Fund Shares.

### **4.6. Appointment of Investment Manager.**

The Responsible Person may appoint an agent or designee to act on his or her behalf to direct the Trustee as to the investment and reinvestment of the Education Account under Sections 4.1, 4.2, and 4.3 above, whose directions the Trustee shall follow upon the Trustee's receipt of notice satisfactory to the Trustee of such agent's or designee's authority, until such time as the Trustee receives notice, given in accordance with Section 7.1, that such authority is revoked.

### **4.7. Prohibited Investments.**

No part of the Education Account assets shall be invested in life insurance contracts; nor may the assets of the Education Account be commingled with other property except in a common trust fund or a common investment fund.

## **Article V Distributions**

### **5.1. Distributions.**

Subject to the provisions below, and procedures established by the Trustee, as amended from time to time, the Trustee shall make distributions pursuant to the instructions of the Responsible Person in accordance with the provisions of Section 7.1 below. It is the responsibility of the Responsible Person to determine that any such distribution is made in accordance with Code Section 530(d) and any rulings, provisions, notices, or regulations promulgated thereunder.

### **5.2. Forms of Distribution.**

Subject to the required distribution rules discussed in Section 5.3 below, the Responsible Person may, by providing distribution instructions pursuant to Section 7.1 and such other documentation as the Trustee may reasonably require, elect that distributions from the Education Account be made to the Responsible Person, any other individual or entity, for the benefit of the Beneficiary, in any form that is deemed acceptable by the Trustee.

### **5.3. Required Distributions.**

The distribution of the Beneficiary's interest in the Education Account shall be made in accordance with the requirements of Code Section 530(b)(1)(E), as described in Subsections (a) through (c) below. In the case where a distribution required to be made under this Section 5.3 is not made within the thirty (30) day period specified for making such distribution, the distribution shall be deemed distributed under Code Section 530(d)(8).

#### 5.4. Automatic Distribution to the Beneficiary.

The Responsible Person is required to notify and direct the Trustee to make a distribution to the Beneficiary. Any amounts credited to the Education Account of the Beneficiary on the date on which the Beneficiary attains age 30 (unless the Beneficiary has special needs, as determined under regulations issued pursuant to Code Section 530(b)(1)) shall be distributed upon such direction of the Responsible Person within thirty (30) days after such date to the Beneficiary.

- (a) In order to protect the Beneficiary with special needs, if the Responsible Person does not notify the Trustee of this required distribution, the Trustee shall assume that the Beneficiary has not yet attained the age of 30 and/or the Beneficiary has special needs and no such required distribution need be made. Therefore, it is critically important that the Responsible Person notify the Trustee in the event that the Beneficiary reaches age 30 and does not have special needs so that penalty taxes for failure to distribute the account funds in accordance with Code Section 530 can be avoided.
- (b) Distributions upon the Death of Beneficiary. Except as provided in Section 5.3(c) below, if the Beneficiary should die before reaching the age of thirty (30) (unless the Beneficiary has special needs, as determined under regulations issued pursuant to Code Section 530(b)(1)), any amounts credited to the Education Account of the Beneficiary shall be transferred to an Education Account for an eligible beneficiary within thirty (30) days of the Beneficiary's date of death, or if there is no eligible Beneficiary, distributed to the Beneficiary's estate; provided, however, the Trustee shall not be required to act pursuant to this Subsection 5.3(b) until the Trustee has been notified in a manner acceptable to the Trustee of the Beneficiary's death.
- (c) Two or More Contingent Beneficiaries. If there are two or more Contingent Beneficiaries who are simultaneously entitled to receive a benefit upon the death of the Beneficiary, that benefit shall be segregated into separate accounts representing each Contingent Beneficiary's separate interest in that benefit. Following such segregation of benefits, each Contingent Beneficiary's separate account shall be maintained as though it were a benefit payable solely to that Contingent Beneficiary, and no beneficiary shall have any interest in or claim to any portion of the original benefit other than the separate account representing his or her interest in that benefit.

#### 5.5. Change of Beneficiaries.

A transfer of the Beneficiary's interest in the Education Account to a New Beneficiary, as defined in Section 1.3 of this Agreement, shall not be considered a taxable distribution, provided that the New Beneficiary is a Member of the Family, as defined in Section 3.1 of this Agreement, and has not yet attained the age of 30 (unless the Beneficiary has special needs, as determined under regulations issued pursuant to Code Section 530(b)(1)).

#### 5.6. Transfer Pursuant to Divorce Decree.

A transfer of the Beneficiary's interest in the Education Account to the Beneficiary's spouse or former spouse pursuant to a divorce or separation instrument as described in Code Section 71(b)(2)(A) shall not be considered a taxable distribution.

## Article VI Amendment and Termination

#### 6.1. Amendment.

This Agreement may be amended by written instrument signed by the Trustee and by the Responsible Person. In addition, the Responsible Person expressly agrees that MFS Fund Distributors, Inc. has the power to amend this Agreement on his or her behalf. MFS Fund Distributors, Inc. shall notify the Responsible Person of any such amendment. The Responsible Person expressly agrees that he or she consents to any such amendment made by the Trustee or MFS Fund Distributors, Inc. if he or she fails to object thereto, in accordance with Section 7.1, within 30 calendar days from the date a notice of such amendment is transmitted.

6.2. Termination.

This Agreement shall terminate upon:

- (i) the complete distribution of the assets held in the Education Account;
- (ii) a determination made by the Internal Revenue Service that the Education Account does not qualify as an education savings account within the meaning of Code Section 530; or
- (iii) a determination by the Trustee that the assets held in the Education Account do not meet the requirements set forth by the Trustee in accordance with Section 1.1.

In the event the Education Account is terminated, the balance in the Education Account shall be distributed to the Beneficiary.

## Article VII Trustee

7.1. Communications to Trustee; Limited Responsibility of Trustee.

All notices, elections, declarations, requests, applications, forms, designations (including Beneficiary, Successor Responsible Person, and Contingent Beneficiary designations), instructions, and directions (including investment, distribution, and other directions), as well as all other communications (collectively, "communication" or "communications") to or from the Trustee shall be made by such method as the Trustee may from time to time prescribe or permit, which methods include in writing, telephonically, or electronically, to the extent such method is in accordance with applicable law. The Trustee shall be entitled to rely on any such communication filed with or otherwise received by it and believed by it to be genuine or properly given, including but not limited to any such communication from an agent or designee appointed in accordance with Section 4.4 and shall have no duty of inquiry with respect to any of the matters stated therein or the consequences to the Responsible Person, or Beneficiary thereof, and shall be fully protected in acting or omitting to take any action in reliance upon such Authorized Communication. If any dispute arises, the Trustee shall follow the direction of the Responsible Person, in accordance with the terms of this Agreement. The Trustee shall have the right, but not any obligation, to apply to a court of competent jurisdiction for a determination of the relative rights and obligations of the affected persons and resolution of such dispute.

7.2. Voting.

MFS Fund Shares held in the Education Account shall be voted by, or in accordance with the instructions of, the Responsible Person or his or her designee, delegee, or agent. The Trustee shall deliver, or cause to be delivered, to the Responsible Person all notices, financial statements, prospectuses, contracts, proxies, and proxy materials relating to the MFS Fund Shares in the Education Account. The Trustee shall vote MFS Fund Shares held in the Education Account in accordance with proper voting instructions from the Responsible Person or his or her designee. Absent such instructions, the Trustee is hereby directed to and shall vote such MFS Fund Shares for or against any proposition in the same proportion as all MFS Fund Shares of the relevant MFS Fund for which instructions have been received.

7.3. Powers of Trustee.

Except as otherwise limited under the terms of this Agreement, and only upon receipt of proper direction, whenever applicable, the Trustee shall have the power and authority in the administration of the Education Account to do all acts, to execute and deliver all instruments, and to exercise any and all powers that would be lawful were it in its own right the actual owner of the property held, including by way of illustration, but not in limitation of the powers conferred by law, the following:

- (a) To delegate to one or more agents and/or contractual service providers of the Trustee the performance of recordkeeping or other ministerial services in connection with the Education Account. Any such agent's and/or service provider's duties and responsibilities shall be confined solely to the performance of such duties;
- (b) To sell or exchange any part of the assets of the Education Account;
- (c) To register any asset held by the Trustee in its own name, or in nominee or bearer form that will pass by delivery;
- (d) To consent to or participate in dissolutions, reorganization, mergers, sales, transfers, or other changes in securities held by the Trustee, and in such connection to delegate the Trustee's powers and to pay assessments, subscriptions, and other charges;

- (e) To make distributions from the Education Account in cash or in kind pursuant to the provisions of the Agreement;
- (f) To invest and reinvest all or a part of the contributions made to the Education Account and dividends, capital gain distributions or any other income thereon in MFS Fund Shares, or other investments approved by the Trustee in its sole discretion from time to time (including fractional shares carried to the third decimal place) and to retain such Shares without any duty of further diversification;
- (g) To determine the acceptability of a transfer, either into or out of the Education Account, of a rollover contribution; and
- (h) To accept and follow directions to invest, reinvest, or liquidate assets or to roll over or transfer assets from this MFS Education Account to any other education savings account if such directions are properly received from the Responsible Person, or from any agent or delegee appointed in accordance with Section 4.4.

7.4. Compensation and Expenses.

The Trustee shall receive such compensation for its services hereunder as may be agreed upon from time to time by the Trustee and the Responsible Person. The Application contains a statement of the Trustee's compensation. The Responsible Person expressly agrees that he or she shall be deemed to consent to such Trustee compensation, and any amendment to such compensation, if he or she fails to object thereto, in accordance with Section 7.1, within 30 calendar days from the date such notice of any increase in compensation is transmitted to the Responsible Person. Any compensation of the Trustee, and any expenses, liabilities, or other charges incurred by the Trustee in the administration of the Education Account (including but not limited to attorney's fees, filing fees, and other such expenses), shall be paid from the Education Account unless paid by the Responsible Person. In addition, the Trustee may, upon such terms and conditions (including without limitation receipt of such documentation) as the Trustee deems necessary, agree to pay directly from the Education Account certain advisory or other similar fees at the direction of the Responsible Person or his or her designee, given in accordance with Section 7.1.

7.5. Limitation of Liability and Indemnification.

The Responsible Person acknowledges and agrees that the Trustee shall neither have nor exercise any discretion, authority, or responsibility with respect to the investment of Education Account assets, that the Trustee shall act only upon the proper communication of the Responsible Person, or delegee, pursuant to Section 4.4, and that the Trustee shall be entitled to act on any such communication without any duty of further inquiry. Further, the Trustee shall not be responsible for the purpose, propriety, or tax or other consequences of any designation of Beneficiary, of any contribution or distribution, or of any other action or inaction taken pursuant to an Authorized Communication, as defined in Section 7.1. The Responsible Person or designee, as appropriate, shall be solely responsible for the investment of the Education Account assets in accordance with his or her direction. The Responsible Person shall be solely responsible for any and all designations of Beneficiary, for any and all distributions, and for any and all other actions the Trustee takes pursuant to the Responsible Person's communications, and for the consequences of any such investment or other action. The Responsible Person shall at all times, to the maximum extent permitted by law, indemnify and save harmless the Trustee, its affiliates, and their agents, successors, and assigns and their officers, directors, and employees, from any and all liability arising from the Responsible Person's communications under or with respect to the Education Account, and from any and all other liability whatsoever that may arise in connection with this Agreement, except liability arising under applicable law or liability arising from gross negligence or willful misconduct on the part of the indemnified person.

7.6. Defective, Incomplete, or Unclear Instructions.

If at any time the Education Account holds cash for which investment instructions have not been received, or if the Trustee receives instructions with respect to the selection or allocation of investments that are in the Trustee's opinion incomplete or unclear, the Trustee may request other instructions from the Responsible Person (or designee, if applicable). Pending receipt of such instructions, such uninvested cash may remain uninvested pending receipt of proper instructions, be invested in money market MFS Fund Shares, or be returned to the Responsible Person; any invested assets may remain in the most recent properly selected investment.

The Trustee shall not be liable for any loss resulting from delay in investing assets or implementing instructions pursuant to this Section 7.6.

7.7. Resignation and Removal.

The Trustee may resign at any time upon notice to MFS Fund Distributors, Inc. and may be removed by MFS Fund Distributors, Inc. at any time upon notice to the Trustee, any such notice to be given in accordance with Section 7.1. Any such notice of resignation or removal shall take effect on the date specified therein, which shall not be less than 30 days after the delivery thereof, unless such notice shall be waived by the party entitled to the notice. The Responsible Person expressly agrees that upon such resignation or removal, MFS Fund Distributors, Inc. shall appoint a successor trustee, which successor shall be a "bank" (as defined in Code Section 408(n)) or such other person who has demonstrated to the satisfaction of the Commissioner of Internal Revenue that he will administer the trust in a manner consistent with the law. In the event that MFS Fund Distributors, Inc. appoints a successor trustee, the Responsible Person shall be deemed to have consented to such change of Trustee if no objection is received by MFS Fund Distributors, Inc. within 30 days after the date notice of the change is transmitted to the Responsible Person. If within 30 days after the Trustee's resignation or removal, MFS Fund Distributors, Inc. has not appointed a successor trustee that has accepted such appointment, the Trustee may apply to a court of competent jurisdiction for appointment of a successor trustee.

Upon receipt by the Trustee of acceptance of appointment by the successor trustee, given in accordance with Section 7.1, the Trustee shall transfer and pay over to such successor the assets of the Education Account and all records pertaining thereto. The Trustee is authorized, however, to reserve such sum of money as it may deem advisable for payment of all its fees, compensation, costs and expenses, or for payment of any other liabilities constituting a charge on or against the assets of the Education Account or on or against the Trustee. Any balance remaining after payment of such items shall be paid over to the successor trustee. The successor trustee shall thereafter be deemed to be the Trustee under this Agreement.

MFS Funds Distributor, Inc. is the owner and sponsor of this MFS Coverdell Education Savings Account Agreement. This document may not be used by another entity without the express written consent of MFS Funds Distributor, Inc.

7.8. Failure to Consent.

The Responsible Person expressly agrees that he or she is deemed to consent to an appointment of a successor trustee, a change in the Trustee's compensation, or an amendment to this Agreement made or agreed to by MFS Fund Distributors, Inc. if he or she fails to object thereto within 30 days from the date such notice of any change is transmitted to the Responsible Person. If the Responsible Person objects to any such change, then this Agreement shall be deemed amended by the Responsible Person, with the result that MFS Fund Distributors, Inc. shall cease to be the sponsor of this Agreement and there will be no further reliance on the opinion letter issued by the Internal Revenue Service to MFS Fund Distributors, Inc.

Further, the Trustee shall notify the Responsible Person as soon as possible following such objection of its resignation as Trustee of this Education Account as of the thirtieth day following the date of such notice. If within thirty (30) days from the date of such notice, the Responsible Person fails to appoint a new Trustee or take other appropriate action with respect to the Education Account, the Responsible Person does now irrevocably and forever direct the Trustee to distribute all assets held under the Education Account in a lump sum as soon as administratively reasonable after the close of said thirty-day period.

## **Article VIII Returns and Reports**

8.1. Annual Accounting.

The Trustee and/or its nominee shall transmit to the Responsible Person, at least once during each calendar year and otherwise in accordance with Code Section 530(h), a report concerning the status of the Education Account, including statements of all transactions in the Education Account during the preceding calendar year (or such other period since the last such report was provided), and statements showing the value of each asset held in the Education Account as of December 31 of such preceding year (or such other period). The Responsible Person or Beneficiary, as appropriate, should give the Trustee notice, in accordance with Section 7.1, of any exception or objection to the annual accounting within 60 days after it is so transmitted.

8.2. Notice.

The annual accounting referred to in Section 8.1 hereof, and all other notices from the Trustee hereunder shall be transmitted to the Responsible Person's address appearing on the Application or to such other address as the Responsible Person, or the Beneficiary if such Beneficiary is then receiving benefits under Section 5.3, has provided to the Trustee in accordance with Section 7.1 for this purpose.

8.3. Filing of Returns and Reports.

The Trustee shall file such returns or reports with respect to the Education Account as are required to be filed by it under the Code and regulations thereunder, including reports required under Code Section 530(h), or by the U.S. Department of Labor or the U.S. Department of Treasury, and the Responsible Person shall provide the Trustee with such information as it may require to file such reports.

## **Article IX Miscellaneous**

9.1. Governing Law.

This Education Account is established exclusively to pay for the qualified education expenses of the Beneficiary. This Education Account is established with the intent that it qualifies as a "Coverdell Education Savings Account" under Code Section 530, and the provisions hereof shall be construed in accordance with such intent. This Agreement shall be governed by the laws of the State of New Hampshire, to the extent not superceded by federal law.

9.1. IRS Approval.

The MFS Coverdell Education Account has not been submitted to the Internal Revenue Service for approval because there currently is no such approval process available. In the event that the Internal Revenue Service in the future institutes an approval program for Coverdell Education Savings Accounts under Code Section 530, MFS will submit the MFS Coverdell Education Savings Account for approval in due course. Internal Revenue Service approval generally is only an approval as to the form of the approved documents, and may not be considered a determination of the merits of the program.

9.1. Spendthrift Provision.

To the extent permitted by applicable law, the Beneficiary's interest in the Education Account shall not be assignable, subject to hypothecation, pledge, or law, nor subject to attachment or receivership, nor shall it pass to any Trustee in bankruptcy or be reached or applied by the legal process for the payment of any obligation of the Donor, the Responsible Person, or any Beneficiary; provided, however, that, in the case of the Beneficiary's death, the value of this Education Account shall be paid as provided in Article V; and provided, further, the Responsible Person shall have the right to direct the transfer or distribution of the value of this Education Account as provided in Section 3.2.

9.1. Gender.

Masculine words will be read and construed in the feminine where required by the context.