

Dear Member:

Enclosed is the Simplified Employee Pension - Individual Retirement Account Employer Contribution Agreement and IRS Form 5305 - SEP and the Traditional (SEP) IRA Application to establish your Simplified Employee Pension (SEP) at Navy Federal®. A SEP allows a member employed by an employer or a self-employed member to initiate their own retirement account. The enclosed applications will assist you or your employer to properly establish a SEP plan. When the SEP Application Packet is complete, please provide your employer with all "Employer Copy" forms (or retain them for your business records if self-employed), retain all "Member Copy" forms for your financial records and deliver all "NFCUSM Copy" forms to Navy Federal to establish your SEP Plan Account.

Characteristics of a SEP include:

- Maximum annual contribution of \$46,000 for 2008 and \$49,000 for 2009 or 25% of the first \$245,000 of your earned income, whichever is less.
- Deferrals of income tax on all dividends in the account until funds are withdrawn.
- Attractive dividends and flexible investment alternatives.

For SEP Savings Accounts and SEP IRA Money Market Savings Accounts (MMSAs), some additional benefits include:

- No minimum deposit.
- No **Navy Federal** penalty for early withdrawal (although the IRS may impose a penalty for withdrawals under certain circumstances).
- Easy direct deposit contributions.

If you have a Traditional/SEP IRA at another financial institution, you can transfer it to Navy Federal by completing the enclosed form (IRA TRANSFER OR DIRECT ROLLOVER). Mail it in along with your application and we'll take care of the rest.

If you have questions, visit **Life Stages & Retirement Center** on our website at navyfederal.org/ira/, call toll-free in the U.S. 1-888-842-6328. For toll-free numbers when overseas, visit navyfederal.org/overseas/. Use 1-703-255-8837 for collect international calls. If you prefer, you may visit your local branch.

Sincerely,



Felipe Lopez
IRA/Certificate Program Administrator

SIMPLIFIED EMPLOYEE PENSION-INDIVIDUAL RETIREMENT ACCOUNTS CONTRIBUTION AGREEMENT

Form **5305-SEP** Under Section 408(k) of the Internal Revenue Code

OMB 1545-0499

DO NOT File with Internal Revenue Service

Form Rev. March 2002

Department of the Treasury
Internal Revenue Service

_____ makes the following agreement under Section 408(k) of the Internal Revenue Code and the instructions to this form.
(NAME OF EMPLOYER)

Article I-Eligibility Requirements (Check applicable boxes-SEE INSTRUCTIONS)

The employer agrees to provide discretionary contributions in each calendar year to the individual retirement account or individual retirement annuity (IRA) of all employees who are at least _____ years old (not to exceed 21 years old) and have performed services for the employer in at least _____ years (not to exceed 3 years) of the immediately preceding 5 years. This simplified employee pension (SEP) includes does not include employees covered under a collective bargaining agreement, includes does not include certain nonresident aliens, and includes does not include employees whose total compensation during the year is less than \$450*.

Article II--SEP Requirements (SEE INSTRUCTIONS)

The employer agrees that contributions made on behalf of each eligible employee will be:

- A. Based only on the first \$245,000* of compensation.
- B. The same percentage of compensation for every employee.
- C. Limited annually to the smaller of \$46,000 for 2008 or \$49,000 for 2009* or 25% of compensation.
- D. Paid to the employee's IRA trustee, custodian, or insurance company (for an annuity contract).

IMPORTANT: PLEASE READ BEFORE SIGNING:

I certify that:

- 1. I am authorized to establish this SEP plan on behalf of the employer.
- 2. The employer is eligible to establish this SEP plan.
- 3. In determining its eligibility to adopt this SEP plan, the employer has relied solely upon the advice of its own advisors.
- 4. The employer agrees not to hold the financial organization responsible for any income tax liabilities it may suffer as a result of being found ineligible to establish this SEP plan.

DATE EXECUTED (MO., DAY, YR.) — —	SIGNATURE FOR EMPLOYER
PRINT NAME AND TITLE	

**For 2009 and later years, this amount is subject to annual cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS Web Site at www.irs.gov.*

Instructions

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

Purpose of Form

Form 5305-SEP (Model SEP) is used by an employer to make an agreement to provide benefits to all eligible employees under a simplified employee pension (SEP) described in section 408(k).

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

For more information on SEPs and IRAs, see **Pub. 560**, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans), and **Pub. 590**, Individual Retirement Arrangements (IRAs).

Instructions to the Employer

Simplified employee pension. A SEP is a written arrangement (a plan) that provides you with an easy way to make contributions toward your employees' retirement income. Under a SEP, you can contribute to an employee's traditional individual retirement account or annuity (traditional IRA). You make contributions directly to an IRA set up by or for each employee with a bank, insurance company, or other qualified financial institution. When using Form 5305-SEP to establish a SEP, the IRA must be a Model traditional IRA established on an IRS form or a master or prototype traditional IRA for which the IRS has issued a favorable opinion letter. You may not make SEP contributions to a Roth IRA or a SIMPLE IRA. Making the agreement on Form 5305-SEP does not establish an employer IRA described in section 408(c).

When not to use Form 5305-SEP. Do not use this form if you:

1. Currently maintain any other qualified retirement plan. This does not prevent you from maintaining another SEP.
2. Have any eligible employees for whom IRAs have not been established.
3. Use the services of leased employees (described in section 414(n)).
4. Are a member of an affiliated service group (described in section 414(m)), a controlled group of corporations (described in section 414(b)), or trades or businesses under common control (described in sections 414(c) and 414(o)), unless all eligible employees of all the members of such groups, trades, or businesses participate in the SEP.
5. Will not pay the cost of the SEP contributions. Do not use Form 5305-SEP for a SEP that provides for elective employee contributions even if the contributions are made under a salary reduction agreement. Use Form 5305A-SEP, or a nonmodel SEP.

Note: SEPs permitting elective deferrals cannot be established after 1996.

Eligible employees. All eligible employees must be allowed to participate in the SEP. An eligible employee is any employee who: (1) is at least 21 years old, and (2) has performed "service" for you in at least 3 of the immediately preceding 5 years. You can establish less restrictive eligibility requirements, but not more restrictive ones.

Service is any work performed for you for any period of time, however short. If you are a member of an affiliated service group, a controlled group of corporations, or trades or businesses under common control, service includes any work performed for any period of time for any other member of such group, trades, or businesses.

Excludable employees. The following employees do not have to be covered by the SEP: (1) employees covered by a collective bargaining agreement whose retirement benefits were bargained for in good faith by you and their union, (2) nonresident alien employees who did not earn U.S. source income from you, and (3) employees who received less than \$450* in compensation during the year.

Contribution limits. You may make an annual contribution of up to 25% of the employee's compensation or \$46,000 for 2008 or \$49,000 for 2009*, whichever is less. Compensation, for this purpose, does not include employer contributions to the SEP or the employee's compensation in excess of \$245,000*. If you also maintain a salary reduction SEP, contributions to the two SEPs together may not exceed the smaller of \$46,000 for 2008 or \$49,000 for 2009* or 25% of compensation for any employee.

You are not required to make contributions every year, but when you do, you must contribute to the SEP-IRAs of all eligible employees who actually performed services during the year of the contribution. This includes eligible employees who die or quit working before the contribution is made.

Contributions cannot discriminate in favor of highly compensated employees. Also, you may not integrate your SEP contributions with, or offset them by, contributions made under the Federal Insurance Contributions Act (FICA).

If this SEP is intended to meet the top-heavy minimum contribution rules of section 416, but it does not cover all your employees who participate in your salary reduction SEP, then you must make minimum contributions to IRAs established on behalf of those employees.

Deducting contributions. You may deduct contributions to a SEP subject to the limits of section 404(h). This SEP is maintained on a calendar year basis and contributions to the SEP are deductible for your tax year with or within which the calendar year ends. Contributions made for a particular tax year must be made by the due date of your income tax return (including extensions) for that tax year.

Completing the agreement. This agreement is considered adopted when:

- IRAs have been established for all your eligible employees;
- You have completed all blanks on the agreement form without modification; and
- You have given all your eligible employees the following information:
 1. A copy of Form 5305-SEP.
 2. A statement that Traditional IRAs other than the Traditional IRAs into which employer SEP contributions will be made may provide different rates of return and different terms concerning, among other things, transfers and withdrawals of funds from the IRAs.
 3. A statement that, in addition to the information provided to an employee at the time the employee becomes eligible to participate, the administrator of the SEP must furnish each participant within 30 days of the effective date of any amendment to the SEP, a copy of the amendment and a written explanation of its effects.
 4. A statement that the administrator will give written notification to each participant of any employer contributions made under the SEP to that participant's IRA by the later of January 31 of the year following the year for which a contribution is made or 30 days after the contribution is made.

Employers who have established a SEP using Form 5305-SEP and have furnished each eligible employee with a copy of the completed Form 5305-SEP and provided the other documents and disclosures described in **Instructions to the Employer** and **Information for the Employee**, are not required to file the annual information returns, Forms 5500 or 5500-EZ for the SEP. However, under Title I of the Employee Retirement Income Security Act of 1974 (ERISA), this relief from the annual reporting requirements may not be available to an employer who selects, recommends, or influences its employees to choose IRAs into which contributions will be made under the SEP, if those IRAs are subject to provisions that impose any limits on a participant's ability to withdraw funds (other than restrictions imposed by the Code that apply to all IRAs). For additional information on Title I requirements, see the Department of Labor regulation at 29 CFR 2520.104-48.

Information for the Employee

The information below explains what a SEP is, how contributions are made, and how to treat your employer's contributions for tax purposes. For more information, see Pub. 590.

Simplified employee pension. A SEP is a written arrangement (a plan) that allows an employer to make contributions toward your retirement. Contributions are made to a Traditional individual retirement account/annuity (Traditional IRA). Contributions must be made to either a Model Traditional IRA executed on an IRS form or a master or prototype Traditional IRA for which the IRS has issued a favorable opinion letter.

An employer is not required to make SEP contributions. If a contribution is made, however, it must be allocated to all eligible employees according to the SEP agreement. The Model SEP (Form 5305-SEP) specifies that the contribution for each eligible employee will be the same percentage of compensation (excluding compensation greater than \$245,000*) for all employees.

Your employer will provide you with a copy of the agreement containing participation rules and a description of how employer contributions may be made to your IRA. Your employer must also provide you with a copy of the completed Form 5305-SEP and a yearly statement showing any contributions to your IRA.

All amounts contributed to your IRA by your employer belong to you even after you stop working for that employer.

Contribution limits. Your employer will determine the amount to be contributed to your IRA each year. However, the amount for any year is limited to the smaller of \$46,000 for 2008 or \$49,000 for 2009* or 25% of your compensation for that year. Compensation does not include any amount that is contributed by your employer to your IRA under the SEP. Your employer is not required to make contributions every year or to maintain a particular level of contributions.

Tax treatment of contributions. Employer contributions to your SEP-IRA are excluded from your income unless there are contributions in excess of the applicable limit. Employer contributions within these limits will not be included on your Form W-2.

Employee contributions. You may make regular IRA contributions to an IRA. However, the amount you can deduct may be reduced or eliminated because, as a participant in a SEP, you are covered by an employer retirement plan.

SEP participation. If your employer does not require you to participate in a SEP as a condition of employment, and you elect not to participate, all other employees of your employer may be prohibited from participating. If one or more eligible employees do not participate and the employer tries to establish a SEP for the remaining employees, it could cause adverse tax consequences for the participating employees.

An employer may not adopt this IRS Model SEP if the employer maintains another qualified retirement plan. This does not prevent your employer from adopting this IRS Model SEP and also maintaining an IRS Model Salary Reduction SEP or other SEP. However, if you work for several employers, you may be covered by a SEP of one employer and a different SEP or pension or profit-sharing plan of another employer.

SEP-IRA amounts—rollover or transfer to another IRA. You can withdraw or receive funds from your SEP-IRA if, within 60 days of receipt, you place those funds in the same or another IRA. This is called a "rollover" and can be done without penalty only once in any 1-year period. However, there are no restrictions on the number of times you may make "transfers" if you arrange to have these funds transferred between the trustees or the custodians so that you never have possession of the funds.

Withdrawals. You may withdraw your employer's contribution at any time, but any amount withdrawn is includible in your income unless rolled over. Also, if withdrawals occur before you reach age 59½, you may be subject to a tax on early withdrawal.

Excess SEP contributions. Contributions exceeding the yearly limitations may be withdrawn without penalty by the due date (plus extensions) for filing your tax return (normally April 15), but are includible in your gross income. Excess contributions left in your SEP-IRA after that time may have adverse tax consequences. Withdrawals of those contributions may be taxed as premature withdrawals.

Financial institution requirements. The financial institution where your IRA is maintained must provide you with a disclosure statement that contains the following information in plain, nontechnical language:

1. The law that relates to your IRA.
2. The tax consequences of various options concerning your IRA.
3. Participation eligibility rules, and rules on the deductibility of retirement savings.

4. Situations and procedures for revoking your IRA, including the name, address, and telephone number of the person designated to receive notice of revocation. This information must be clearly displayed at the beginning of the disclosure statement.
5. A discussion of the penalties that may be assessed because of prohibited activities concerning your IRA.
6. Financial disclosure that provides the following information:
 - a. Projects value growth rates of your IRA under various contribution and retirement schedules, or describes the method of determining annual earnings and charges that may be assessed.
 - b. Describes whether, and for when, the growth projections are guaranteed, or a statement of the earnings rate and the terms on which the projections are based.

In addition, the financial institution must provide you with a financial statement each year. You may want to keep these statements to evaluate your IRA's investment performance.

Paperwork Reduction Act Notice

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	1 hr., 40 min.
Learning about the law or the form	1 hr., 35 min.
Preparing the form	1 hr., 41 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Attention: Tax Products Coordinating Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **Do not** send this form to this address. Instead, keep it with your records.

*For 2009 and later years, this amount is subject to annual cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS Web Site at www.irs.gov.

TRADITIONAL IRA FINANCIAL DISCLOSURE

Deposits to an IRA are invested in a savings account and/or certificate account that earns dividends. The accompanying charts project possible growth assuming, as an example, a dividend rate of 1% per annum, compounded monthly, is paid. All values are computed with the assumption that no interim withdrawals are made. The values are only projections and are not guaranteed.

IRA Savings Accounts: Dividends are a division and distribution of earnings among members, after all expenses have been paid and the required amount has been set aside for reserves. Dividend rates are declared prospectively by the Board of Directors in the month preceding the dividend period. These prospective dividend rates may change at the determination of the Board. Navy Federal also provides the annual percentage yield (APY) for each dividend rate declared by the Board. Payment of all dividends is, of course, dependent on the availability of earnings at the end of the period. Dividends at Navy Federal are earned from day-of-deposit to day-of-withdrawal and are computed using the daily balance method by applying the daily periodic rate to the full amount in your account at the end of each day. Dividends are compounded monthly and credited the last calendar day of the month of the quarter in which they were earned. The dividend period is monthly, beginning the first calendar day of the month and ending the last calendar day of the month. The dividend rate and the annual percentage yield may be obtained by calling Navy Federal toll-free in the U.S. 1-888-842-6328 or online at navyfederal.org. Fees and charges that may be assessed are disclosed on Navy Federal's current Schedule of Fees and Charges. The first chart projects the cumulative value of an IRA at the end of each of the first five years after establishment of an IRA Savings account. Column A of Charts I and II indicates the projected value of an account assuming an annual contribution of \$1,000 at the beginning of each year. Column B of each chart reflects the projected value assuming a onetime rollover (or transfer) contribution of \$1,000 is made on the first day of the first year and no additional funds are contributed.

CHART I

COLUMN A — \$1,000 Annual Contribution CONTRIBUTORY PROJECTION 1.00% DIVIDEND RATE AND 1.0046% APY	
At End Of Year	Projected Value
1	\$1,010.05
2	2,030.24
3	3,060.68
4	4,101.47
5	5,152.72

COLUMN B — Onetime \$1,000 Contribution ROLLOVER PROJECTION 1.00% DIVIDEND RATE AND 1.0046% APY	
At End Of Year	Projected Value
1	\$1,010.05
2	1,020.19
3	1,030.44
4	1,040.79
5	1,051.25

CHART II

COLUMN A — \$1,000 Annual Contribution CONTRIBUTORY PROJECTION 1.00% DIVIDEND RATE AND 1.0046% APY			
Your Present Age	Value of Account at End of Year in Which You Reach Age:		
	60	65	70
20	\$49,424.30	\$57,109.98	\$65,189.54
21	47,932.72	55,541.96	63,541.16
22	46,455.98	53,989.54	61,909.18
23	44,993.93	52,452.55	60,293.43
24	43,546.42	50,930.86	58,693.75
25	42,113.30	49,424.30	57,109.98
26	40,694.44	47,932.72	55,541.96
27	39,289.69	46,455.98	53,989.54
28	37,898.92	44,993.93	52,452.55
29	36,521.97	43,546.42	50,930.86
30	35,158.72	42,113.30	49,424.30
31	33,809.03	40,694.44	47,932.72
32	32,472.77	39,289.69	46,455.98
33	31,149.79	37,898.92	44,993.93
34	29,839.97	36,521.97	43,546.42
35	28,543.18	35,158.72	42,113.30
36	27,259.29	33,809.03	40,694.44
37	25,988.17	32,472.77	39,289.69
38	24,729.69	31,149.79	37,898.92
39	23,483.73	29,839.97	36,521.97
40	22,250.16	28,543.18	35,158.72
41	21,028.86	27,259.29	33,809.03
42	19,819.70	25,988.17	32,472.77
43	18,622.58	24,729.69	31,149.79
44	17,437.35	23,483.73	29,839.97
45	16,263.92	22,250.16	28,543.18
46	15,102.16	21,028.86	27,259.29
47	13,951.95	19,819.70	25,988.17
48	12,813.19	18,622.58	24,729.69
49	11,685.75	17,437.35	23,483.73
50	10,569.52	16,263.92	22,250.16
51	9,464.39	15,102.16	21,028.86
52	8,370.26	13,951.95	19,819.70
53	7,287.01	12,813.19	18,622.58
54	6,214.53	11,685.75	17,437.35
55	5,152.72	10,569.52	16,263.92
56	4,101.47	9,464.39	15,102.16
57	3,060.68	8,370.26	13,951.95
58	2,030.24	7,287.01	12,813.19
59	1,010.05	6,214.53	11,685.75
60	0.00	5,152.72	10,569.52

COLUMN B — Onetime \$1,000 Contribution ROLLOVER PROJECTION 1.00% DIVIDEND RATE AND 1.0046% APY			
Your Present Age	Value of Account at End of Year in Which You Reach Age:		
	60	65	70
20	\$1,491.58	\$1,568.02	\$1,648.38
21	1,476.74	1,552.42	1,631.98
22	1,462.05	1,536.98	1,615.75
23	1,447.51	1,521.70	1,599.68
24	1,433.11	1,506.56	1,583.77
25	1,418.86	1,491.58	1,568.02
26	1,404.75	1,476.74	1,552.42
27	1,390.78	1,462.05	1,536.98
28	1,376.94	1,447.51	1,521.70
29	1,363.25	1,433.11	1,506.56
30	1,349.69	1,418.86	1,491.58
31	1,336.27	1,404.75	1,476.74
32	1,322.98	1,390.78	1,462.05
33	1,309.82	1,376.94	1,447.51
34	1,296.79	1,363.25	1,433.11
35	1,283.89	1,349.69	1,418.86
36	1,271.12	1,336.27	1,404.75
37	1,258.48	1,322.98	1,390.78
38	1,245.96	1,309.82	1,376.94
39	1,233.57	1,296.79	1,363.25
40	1,221.30	1,283.89	1,349.69
41	1,209.15	1,271.12	1,336.27
42	1,197.13	1,258.48	1,322.98
43	1,185.22	1,245.96	1,309.82
44	1,173.43	1,233.57	1,296.79
45	1,161.76	1,221.30	1,283.89
46	1,150.21	1,209.15	1,271.12
47	1,138.77	1,197.13	1,258.48
48	1,127.44	1,185.22	1,245.96
49	1,116.23	1,173.43	1,233.57
50	1,105.12	1,161.76	1,221.30
51	1,094.13	1,150.21	1,209.15
52	1,083.25	1,138.77	1,197.13
53	1,072.48	1,127.44	1,185.22
54	1,061.81	1,116.23	1,173.43
55	1,051.25	1,105.12	1,161.76
56	1,040.79	1,094.13	1,150.21
57	1,030.44	1,083.25	1,138.77
58	1,020.19	1,072.48	1,127.44
59	1,010.05	1,061.81	1,116.23
60	0.00	1,051.25	1,105.12

IRA Certificates: The IRA Certificate has a minimum balance requirement as shown on your IRA application form and will earn dividends for each monthly dividend period at the dividend rate and APY specified, if held to maturity. If the balance falls below the minimum requirement, the certificate will be closed and the funds transferred to share savings. Dividends are computed from day-of-deposit to day-of-withdrawal on the actual dollar value of the certificate using the daily balance method, compounded daily and credited to the IRA certificate monthly on the last calendar day of the month in which they were earned, unless another dividend distribution option has been chosen. The annual percentage yield assumes dividends remain in the account until maturity. Early withdrawals reduce earnings. The following charts give a projection of the growth of the value of your IRA by showing the amount available to you at the end of each year. The first chart assumes a contribution of 1,000 is made on the first day of each year to your IRA. The second chart assumes that the only contribution to your IRA is a onetime rollover (or transfer) of 1,000 made on the first day of the first year. A loss of dividend penalty may be charged on a withdrawal from an IRA certificate prior to maturity. These projections assume the penalty is either a one-month, a three-month, or a six-month loss of dividends on the entire amount withdrawn.

CHART III

REGULAR IRA FINANCIAL PROJECTIONS 1.00% DIVIDEND RATE AND 1.01% APY				
NO. YEARS	ACCOUNT VALUE	3 MO. PENALTY	6 MO. PENALTY	12 MO. PENALTY
1	\$1,010.05	\$1,007.52	\$1,005.00	\$1,000.00
2	2,030.24	2,025.16	2,020.09	2,009.94
3	3,060.68	3,053.03	3,045.38	3,030.07
4	4,101.47	4,091.22	4,080.97	4,060.46
5	5,152.72	5,139.84	5,126.96	5,101.20
6	6,214.53	6,199.00	6,183.46	6,152.39
7	7,287.01	7,268.79	7,250.57	7,214.14
8	8,370.26	8,349.34	8,328.41	8,286.56
9	9,464.39	9,440.73	9,417.07	9,369.75
10	10,569.52	10,543.10	10,516.67	10,463.82
11	11,685.75	11,656.53	11,627.32	11,568.89
12	12,813.19	12,781.15	12,749.12	12,685.05
13	13,951.95	13,917.07	13,882.19	13,812.43
14	15,102.16	15,064.40	15,026.65	14,951.14
15	16,263.92	16,223.26	16,182.60	16,101.28
16	17,437.35	17,393.76	17,350.17	17,262.98
17	18,622.58	18,576.02	18,529.46	18,436.35
18	19,819.70	19,770.15	19,720.60	19,621.51
19	21,028.86	20,976.28	20,923.71	20,818.57
20	22,250.16	22,194.53	22,138.91	22,027.66
21	23,483.73	23,425.02	23,366.31	23,248.89
22	24,729.69	24,667.87	24,606.04	24,482.39
23	25,988.17	25,923.20	25,858.23	25,728.29
24	27,259.29	27,191.14	27,123.00	26,986.70
25	28,543.18	28,471.83	28,400.47	28,257.75
26	29,839.97	29,765.37	29,690.77	29,541.57
27	31,149.79	31,071.92	30,994.04	30,838.29
28	32,472.77	32,391.58	32,310.40	32,148.04
29	33,809.03	33,724.51	33,639.99	33,470.94
30	35,158.72	35,070.83	34,982.93	34,807.14
31	36,521.97	36,430.67	36,339.36	36,156.75
32	37,898.92	37,804.17	37,709.42	37,519.93
33	39,289.69	39,191.47	39,093.24	38,896.80
34	40,694.44	40,592.71	40,490.97	40,287.50
35	42,113.30	42,008.02	41,902.74	41,692.17
36	43,546.42	43,437.55	43,328.68	43,110.95
37	44,993.93	44,881.44	44,768.96	44,543.99
38	46,455.98	46,339.84	46,223.70	45,991.42
39	47,932.72	47,812.89	47,693.06	47,453.40
40	49,424.30	49,300.74	49,177.18	48,930.06
41	50,930.86	50,803.53	50,676.21	50,421.55
42	52,452.55	52,321.42	52,190.29	51,928.03
43	53,989.54	53,854.56	53,719.59	53,449.64
44	55,541.96	55,403.11	55,264.25	54,986.54
45	57,109.98	56,967.20	56,824.43	56,538.88
46	58,693.75	58,547.01	58,400.28	58,106.81
47	60,293.43	60,142.70	59,991.96	59,690.50
48	61,909.18	61,754.41	61,599.64	61,290.09
49	63,541.16	63,382.31	63,223.46	62,905.75
50	65,189.54	65,026.57	64,863.59	64,537.65
51	66,854.48	66,687.34	66,520.21	66,185.94
52	68,536.14	68,364.80	68,193.46	67,850.78
53	70,234.70	70,059.11	69,883.53	69,532.35
54	71,950.32	71,770.45	71,590.57	71,230.82
55	73,683.18	73,498.97	73,314.76	72,946.35
56	75,433.44	75,244.86	75,056.28	74,679.11
57	77,201.29	77,008.29	76,815.28	76,429.28
58	78,986.90	78,789.43	78,591.96	78,197.03
59	80,790.44	80,588.47	80,386.49	79,982.54
60	82,612.11	82,405.58	82,199.04	81,785.98
61	84,452.07	84,240.94	84,029.81	83,607.55
62	86,310.52	86,094.74	85,878.97	85,447.41

CHART IV

ROLLOVER OR TRANSFER IRA FINANCIAL PROJECTIONS 1.00% DIVIDEND RATE AND 1.01% APY				
NO. YEARS	ACCOUNT VALUE	3 MO. PENALTY	6 MO. PENALTY	12 MO. PENALTY
1	\$1,010.05	\$1,007.52	\$1,005.00	\$1,000.00
2	1,020.19	1,017.64	1,015.09	1,009.99
3	1,030.44	1,027.87	1,025.29	1,020.14
4	1,040.79	1,038.19	1,035.59	1,030.39
5	1,051.25	1,048.62	1,045.99	1,040.74
6	1,061.81	1,059.16	1,056.50	1,051.19
7	1,072.48	1,069.80	1,067.11	1,061.75
8	1,083.25	1,080.54	1,077.83	1,072.42
9	1,094.13	1,091.40	1,088.66	1,083.19
10	1,105.12	1,102.36	1,099.60	1,094.07
11	1,116.23	1,113.44	1,110.65	1,105.06
12	1,127.44	1,124.62	1,121.80	1,116.17
13	1,138.77	1,135.92	1,133.07	1,127.38
14	1,150.21	1,147.33	1,144.46	1,138.70
15	1,161.76	1,158.86	1,155.95	1,150.14
16	1,173.43	1,170.50	1,167.57	1,161.70
17	1,185.22	1,182.26	1,179.29	1,173.37
18	1,197.13	1,194.13	1,191.14	1,185.16
19	1,209.15	1,206.13	1,203.11	1,197.06
20	1,221.30	1,218.25	1,215.19	1,209.09
21	1,233.57	1,230.49	1,227.40	1,221.23
22	1,245.96	1,242.85	1,239.73	1,233.50
23	1,258.48	1,255.33	1,252.19	1,245.89
24	1,271.12	1,267.94	1,264.77	1,258.41
25	1,283.89	1,280.68	1,277.47	1,271.05
26	1,296.79	1,293.55	1,290.31	1,283.82
27	1,309.82	1,306.54	1,303.27	1,296.72
28	1,322.98	1,319.67	1,316.36	1,309.75
29	1,336.27	1,332.93	1,329.58	1,322.90
30	1,349.69	1,346.32	1,342.94	1,336.19
31	1,363.25	1,359.84	1,356.43	1,349.62
32	1,376.94	1,373.50	1,370.06	1,363.17
33	1,390.78	1,387.30	1,383.82	1,376.87
34	1,404.75	1,401.24	1,397.72	1,390.70
35	1,418.86	1,415.31	1,411.77	1,404.67
36	1,433.11	1,429.53	1,425.95	1,418.78
37	1,447.51	1,443.89	1,440.27	1,433.04
38	1,462.05	1,458.40	1,454.74	1,447.43
39	1,476.74	1,473.05	1,469.36	1,461.97
40	1,491.58	1,487.85	1,484.12	1,476.66
41	1,506.56	1,502.79	1,499.03	1,491.49
42	1,521.70	1,517.89	1,514.09	1,506.48
43	1,536.98	1,533.14	1,529.30	1,521.61
44	1,552.42	1,548.54	1,544.66	1,536.90
45	1,568.02	1,564.10	1,560.18	1,552.34
46	1,583.77	1,579.81	1,575.85	1,567.93
47	1,599.68	1,595.68	1,591.68	1,583.68
48	1,615.75	1,611.71	1,607.67	1,599.59
49	1,631.98	1,627.90	1,623.82	1,615.66
50	1,648.38	1,644.26	1,640.14	1,631.89
51	1,664.94	1,660.78	1,656.61	1,648.29
52	1,681.66	1,677.46	1,673.26	1,664.85
53	1,698.56	1,694.31	1,690.06	1,681.57
54	1,715.62	1,711.33	1,707.04	1,698.46
55	1,732.86	1,728.52	1,724.19	1,715.53
56	1,750.26	1,745.89	1,741.51	1,732.76
57	1,767.85	1,763.43	1,759.01	1,750.17
58	1,785.61	1,781.14	1,776.68	1,767.75
59	1,803.55	1,799.04	1,794.53	1,785.51
60	1,821.66	1,817.11	1,812.56	1,803.45
61	1,839.96	1,835.36	1,830.76	1,821.56
62	1,858.45	1,853.80	1,849.16	1,839.86

NAVY FEDERAL TRADITIONAL IRA SIMPLIFIER – Individual Retirement Account Application

MEMBER'S NAME (FIRST MI LAST SUFFIX)		TRADITIONAL IRA TRUSTEE'S NAME AND ADDRESS NAVY FEDERAL CREDIT UNION PO BOX 3000 MERRIFIELD VA 22119-3000				
SOCIAL SECURITY NO. — — — — —		DATE OF BIRTH (MO., DAY, YR.) — — — —				
HOME PHONE () () () ()		BUSINESS PHONE () () () ()		CONTRIBUTION FOR TAX YEAR <input type="checkbox"/> CURRENT <input type="checkbox"/> PRIOR		
ACCESS NO.		SAVINGS NO.		NOTE: IF BOX IS NOT CHECKED, CONTRIBUTION WILL BE APPLIED TOWARD CURRENT TAX YEAR.		
CONTRIBUTION DATE (MO., DAY, YR.) — — — —		CONTRIBUTION AMOUNT \$		PLEASE ESTABLISH A: (CHECK ONLY ONE) <input type="checkbox"/> REGULAR IRA <input type="checkbox"/> SEP IRA		
CONTRIBUTION TYPE: <input type="checkbox"/> REGULAR <input type="checkbox"/> TRANSFER <input type="checkbox"/> ROLLOVER		APPLY REMITTANCE AS FOLLOWS		DOLLARS	CENTS	
PLEASE OPEN A: (Please circle the term below) <input type="checkbox"/> IRA Savings Account <input type="checkbox"/> \$100,000 Jumbo IRA Cert. (6 to 84 mos.) Term _____ <input type="checkbox"/> IRA MMSA <input type="checkbox"/> \$2,500 IRA Cert. (13, 26 wk.) <input type="checkbox"/> Jumbo IRA MMSA <input type="checkbox"/> \$10,000 IRA Cert. (13, 26 wk.) <input type="checkbox"/> \$100 IRA EasyStart (1 yr.) <input type="checkbox"/> \$100,000 IRA Cert. (13, 26, 39 wk.) <input type="checkbox"/> \$500 Variable IRA Cert. (3 yr.) <input type="checkbox"/> _____ <input type="checkbox"/> \$1,000 IRA Cert. (1, 2, 3, 4, 5 or 7 yr.) <input type="checkbox"/> \$20,000 IRA Cert. (1, 2, 3, 4, 5 or 7 yr.)		CASH/CHECK				
		TRANSFER FROM SAVINGS NO. _____				
		TRANSFER FROM CHECKING NO. _____				
		TRANSFER FROM MMSA NO. _____				
		TOTAL				
AMOUNT \$		TERM		FOR OFFICE USE ONLY		
		IRA NO.	EMPLOYEE NO.	DATE PROCESSED — — — —	EFFECTIVE DATE — — — —	
DESIGNATION OF BENEFICIARY						
<p>The following individual(s) or entity(ies) shall be my primary and/or contingent beneficiary(ies). If neither primary nor contingent is indicated, the individual or entity will be deemed to be a primary beneficiary. If more than one primary beneficiary is designated and no distribution percentages are indicated, the beneficiaries will be deemed to own equal share percentages in the IRA. Multiple contingent beneficiaries with no share percentage indicated will also be deemed to share equally.</p> <p>If any primary or contingent beneficiary dies before I do, his or her interest and the interest of his or her heirs shall terminate completely, and the percentage share of any remaining beneficiary(ies) shall be increased on a pro rata basis. If no primary beneficiary(ies) survives me, the contingent beneficiary(ies) shall acquire the designated share of my IRA. <i>If more space is needed, please attach additional sheet.</i></p>						
NO.	NAME AND ADDRESS	DATE OF BIRTH	SOCIAL SECURITY NO.	RELATIONSHIP	PRIMARY OR CONTINGENT	SHARE %
1.					<input type="checkbox"/> PRIMARY <input type="checkbox"/> CONTINGENT	%
2.					<input type="checkbox"/> PRIMARY <input type="checkbox"/> CONTINGENT	%
3.					<input type="checkbox"/> PRIMARY <input type="checkbox"/> CONTINGENT	%
4.					<input type="checkbox"/> PRIMARY <input type="checkbox"/> CONTINGENT	%
5.					<input type="checkbox"/> PRIMARY <input type="checkbox"/> CONTINGENT	%
6.					<input type="checkbox"/> PRIMARY <input type="checkbox"/> CONTINGENT	%
SPOUSAL CONSENT			SIGNATURES			
<p><i>This section should be reviewed if either the trust or the residence of the IRA holder is located in a community or marital property state and IRA holder is married. Due to the important tax consequences of giving up one's community property interest, individuals signing this section should consult with a competent tax or legal advisor. *See reverse.</i></p> <p align="center">CURRENT MARITAL STATUS</p> <p><input type="checkbox"/> I Am Not Married – I understand that if I become married in the future, I must complete a new IRA Designation Of Beneficiary form.</p> <p><input type="checkbox"/> I Am Married – I understand that if I choose to designate a primary beneficiary other than my spouse, my spouse must sign below.</p> <p>I am the spouse of the above-named IRA holder. I acknowledge that I have received a fair and reasonable disclosure of my spouse's property and financial obligations. Due to the important tax consequences of giving up my interest in this IRA, I have been advised to see a tax professional.</p> <p>I hereby give the IRA holder any interest I have in the funds or property deposited in this IRA and consent to the beneficiary designation(s) indicated above. I assume full responsibility for any adverse consequences that may result. No tax or legal advice was given to me by the Trustee.</p>			<p><i>Important: Please read before signing.</i> I understand the eligibility requirements for the type of IRA deposit I am making and I state that I do qualify to make the deposit. I have received a copy of the Application, Plan Agreement, Financial Disclosure and Disclosure Statement. I understand that the terms and conditions which apply to this Individual Retirement Account are contained in this Application and the Plan Agreement. I agree to be bound by those terms and conditions. Within seven (7) days from the date I open this IRA I may revoke it without penalty by mailing or delivering a written notice to the Trustee. I assume complete responsibility for:</p> <ol style="list-style-type: none"> determining that I am eligible for an IRA each year I make a contribution; ensuring that all contributions I make are within the limits set forth by the tax laws; and the tax consequences of any contribution (including rollover contributions and conversions) and distributions. 			
MEMBER'S SIGNATURE		DATE (MO., DAY, YR.) — — — —				
AUTHORIZED NAVY FEDERAL SIGNATURE		DATE (MO., DAY, YR.) — — — —				
		OVER AGE 50 CATCH-UP CONTRIBUTIONS CONFIRMATION				
		<input type="checkbox"/> I certify that I am eligible to make catch-up contributions.				
SIGNATURE OF SPOUSE		DATE (MO., DAY, YR.) — — — —		SIGNATURE		
				DATE (MO., DAY, YR.) — — — —		



*Community property or marital property laws govern the primary rights of married individuals in some states. In these states, Navy Federal requires spousal consent when an IRA holder wishes to name someone other than, or in addition to, their spouse as an IRA beneficiary.

The following are community property states:

- Arizona
- California
- Idaho
- Louisiana
- Nevada
- New Mexico
- Texas
- Washington

Wisconsin is presently the only marital property state.

TRADITIONAL INDIVIDUAL RETIREMENT TRUST AGREEMENT

The Grantor named on the Application is establishing a Traditional individual retirement account under section 408(a) to provide for his or her retirement and for the support of his or her beneficiaries after death.

The Trustee named on the Application has given the Grantor the disclosure statement required by Regulations section 1.408-6.

The Grantor has assigned the trust account the sum indicated on the Application.

The Grantor and the Trustee make the following agreement:

ARTICLE I

Except in the case of a rollover contribution described in section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16), an employer contribution to a simplified employee pension plan as described in section 408(k) or a recharacterized contribution described in section 408A(d)(6), the Trustee will accept only cash contributions up to \$3,000 per year for tax years 2002 through 2004. That contribution limit is increased to \$4,000 for tax years 2005 through 2007 and \$5,000 for 2008 and thereafter. For individuals who have reached the age of 50 before the close of the tax year, the contribution limit is increased to \$3,500 per year for tax years 2002 through 2004, \$4,500 for 2005, \$5,000 for 2006 and 2007, and \$6,000 for 2008 and thereafter. For tax years after 2008, the above limits will be increased to reflect a cost-of-living adjustment, if any.

ARTICLE II

The Grantor's interest in the balance in the trust account is nonforfeitable.

ARTICLE III

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

ARTICLE IV

1. Notwithstanding any provision of this Agreement to the contrary, the distribution of the Grantor's interest in the trust account shall be made in accordance with the following requirements and shall otherwise comply with section 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference.
2. The Grantor's entire interest in the trust account must be, or begin to be, distributed not later than the Grantor's required beginning date, April 1 following the calendar year in which the Grantor reaches age 70½. By that date, the Grantor may elect, in a manner acceptable to the Trustee, to have the balance in the trust account distributed in: (a) A single sum or (b) Payments over a period not longer than the life of the Grantor or the joint lives of the Grantor and his or her designated beneficiary.
3. If the Grantor dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:
 - (a) If the Grantor dies on or after the required beginning date and:
 - (i) the designated beneficiary is the Grantor's surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy as determined each year until such spouse's death, or over the period in paragraph (a)(iii) below if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by 1 for each subsequent year, or, if distributions are being made over the period in paragraph (a)(iii) below, over such period.
 - (ii) the designated beneficiary is not the Grantor's surviving spouse, the remaining interest will be distributed over the beneficiary's remaining life expectancy as determined in the year following the death of the Grantor and reduced by 1 for each subsequent year, or over the period in paragraph (a)(iii) below if longer.
 - (iii) there is no designated beneficiary, the remaining interest will be distributed over the remaining life expectancy of the Grantor as determined in the year of the Grantor's death and reduced by 1 for each subsequent year.
 - (b) If the Grantor dies before the required beginning date, the remaining interest will be distributed in accordance with (i) below or, if elected or there is no designated beneficiary, in accordance with (ii) below:
 - (i) the remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of the Grantor's death. If, however, the designated beneficiary is the Grantor's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the Grantor would have reached age 70½. But, in such case, if the Grantor's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with (ii) below if there is no such designated beneficiary.
 - (ii) the remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the Grantor's death.
4. If the Grantor dies before his or her entire interest has been distributed and if the designated beneficiary is not the Grantor's surviving spouse, no additional contributions may be accepted in the account.

5. The minimum amount that must be distributed each year, beginning with the year containing the Grantor's required beginning date, is known as the "required minimum distribution" and is determined as follows:
 - (a) the required minimum distribution under paragraph 2(b) for any year, beginning with the year the Grantor reaches age 70½, is the Grantor's account value at the close of business on December 31 of the preceding year divided by the distribution period in the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if the Grantor's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the Grantor's account value at the close of business on December 31 of the preceding year divided by the number in the joint and last survivor table in Regulations section 1.401(a)(9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the Grantor's (or, if applicable, the Grantor and spouse's) attained age (or ages) in the year.
 - (b) the required minimum distribution under paragraphs 3(a) and 3(b)(i) for a year, beginning with the year following the year of the Grantor's death (or the year the Grantor would have reached age 70½, if applicable under paragraph 3(b)(i)) is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the individual specified in such paragraphs 3(a) and 3(b)(i).
 - (c) the required minimum distribution for the year the Grantor reaches age 70½ can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.
6. The owner of two or more Traditional IRAs may satisfy the minimum distribution requirements described above by taking from one Traditional IRA the amount required to satisfy the requirement for another in accordance with the Regulations under section 408(a)(6).

ARTICLE V

1. The Grantor agrees to provide the Trustee with all information necessary to prepare any reports required by section 408(i) and Regulations sections 1.408-5 and 1.408-6.
2. The Trustee agrees to submit to the Internal Revenue Service (IRS) and Grantor the reports prescribed by the IRS.

ARTICLE VI

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through III and this sentence will be controlling. Any additional articles inconsistent with section 408(a) and the related Regulations will be invalid.

ARTICLE VII

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 persons whose signatures appear on the Application.

ARTICLE VIII

- 8.01 *Definitions:* In this part of this Agreement (Article VIII), the words "you" and "your" mean the Grantor, the words "we," "us" and "our" mean the Trustee, "Code" means the Internal Revenue Code, and "Regulations" means the Treasury Regulations.
- 8.02 *Notices and Change of Address:* Any required notice regarding this IRA will be considered effective when we send it to the intended recipient at the last address which we have in our records. Any notice to be given to us will be considered effective when we actually receive it. You, or the intended recipient, must notify us of any change of address.
- 8.03 *Representations and Responsibilities:* You represent and warrant to us that any information you have given or will give us with respect to this Agreement is complete and accurate. Further, you agree that any directions you give us, or action you take will be proper under this Agreement, and that we are entitled to rely upon any such information or directions. If we fail to receive directions from you regarding any transaction, or if we receive ambiguous directions regarding any transaction, or we, in good faith, believe that any transaction requested is in dispute, we reserve the right to take no action until further clarification acceptable to us is received from you or the appropriate government or judicial authority. We shall not be responsible for losses of any kind that may result from your directions to us or your actions or failures to act, and you agree to reimburse us for any loss we may incur as a result of such directions, actions or failures to act. We shall not be responsible for any penalties, taxes, judgments or expenses you incur in connection with your IRA. We have no duty to determine whether your contributions or distributions comply with the Code, Regulations, rulings or this Agreement. We may permit you to appoint, through written notice acceptable to us, an authorized agent to act on your behalf with respect to this Agreement (e.g., attorney-in-fact, executor, administrator, investment manager), however, we have no duty to determine the validity of such appointment or any instrument appointing such authorized agent. We shall not be responsible for losses of any kind that may result from directions, actions or failures to act by your authorized agent, and you agree to reimburse us for any loss we may incur as a result of such directions, actions or failures to act by your authorized agent. You will have sixty (60) days after you receive any documents, statements or other information from us to notify us in writing of any errors or inaccuracies reflected in these documents, statements or other information. If you do not notify us within 60 days, the documents, statements or other information shall be deemed correct and accurate, and we shall have no further liability or obligation for such documents, statements, other information or the transactions described therein.

By performing services under this Agreement we are acting as your agent. Unless otherwise specified in this Agreement, you acknowledge and agree that nothing in this Agreement shall be construed as conferring fiduciary status upon us. We shall not be required to perform any additional services unless specifically agreed to under the terms and conditions of this Agreement, or as required under the Code and the Regulations promulgated thereunder with respect to IRAs. You agree to indemnify and hold us harmless for any and all claims, actions, proceedings, damages, judgments, liabilities, costs and expenses, including attorney's fees, arising from, or in connection with this Agreement.

To the extent written instructions or notices are required under this Agreement, we may accept or provide such information in any other form permitted by the Code or applicable Regulations.

Any brokerage commissions attributable to the assets in your IRA will be charged to your IRA. You cannot reimburse your IRA for those commissions.

8.05 *Investment of Amounts in the IRA:*

a. **Grantor Management of Investment** - Unless Section 8.05(b) of this article applies, you have exclusive responsibility for and control over the investment of the assets of your IRA. All transactions shall be subject to any and all restrictions or limitations, direct or indirect, which are imposed by our charter, articles of incorporation, or bylaws; any and all applicable federal and state laws and regulations; the rules, regulations, customs and usages of any exchange, market or clearing house where the transaction is executed; our policies and practices; and this Agreement. After your death, your beneficiary(ies) shall have the right to direct the investment of your IRA assets, subject to the same conditions that applied to you during your lifetime under this Agreement (including, without limitation, Section 8.03 of this article). We shall have no discretion to direct any investment in your IRA. We assume no responsibility for rendering investment advice with respect to your IRA, nor will we offer any opinion or judgment to you on matters concerning the value or suitability of any investment or proposed investment for your IRA. In the absence of instructions from you, or if your instructions are not in a form acceptable to us, we shall have the right to hold any uninvested amounts in cash, and we shall have no responsibility to invest uninvested cash unless and until directed by you. We will not exercise the voting rights and other shareholder rights with respect to investments in your IRA unless you provide timely written directions acceptable to us.

You will select the type of investment for your IRA assets, provided, however, that your selection of investments shall be limited to those types of investments that we are authorized by our charter, articles of incorporation, or bylaws to offer and do in fact offer for investment in IRAs.

8.06 *Beneficiary(ies):* If you die before you receive all of the amounts in your IRA, payments from your IRA will be made to your beneficiary(ies).

You may designate one or more persons or entities as beneficiary of your IRA. This designation can only be made on a form provided by or acceptable to us, and it will only be effective when it is filed with us during your lifetime. Unless otherwise specified, each beneficiary designation you file with us will cancel all previous ones. The consent of a beneficiary(ies) shall not be required for you to revoke a beneficiary designation. If you have designated both primary and contingent beneficiaries and no primary beneficiary(ies) survives you, the contingent beneficiary(ies) shall acquire the designated share of your IRA. If you do not designate a beneficiary, or if all of your primary and contingent beneficiary(ies) predecease you, your estate will be the beneficiary.

A spouse beneficiary shall have all rights as granted under the Code or applicable Regulations to treat your IRA as his or her own.

We may allow, if permitted by state law, an original IRA beneficiary(ies) (the beneficiary(ies) who is entitled to receive distribution(s) from an inherited IRA at the time of your death) to name a successor beneficiary(ies) for the inherited IRA. This designation can only be made on a form provided by or acceptable to us, and it will only be effective when it is filed with us during the original IRA beneficiary's(ies') lifetime. Unless otherwise specified, each beneficiary designation form that the original IRA beneficiary(ies) files with us will cancel all previous ones. The consent of a successor beneficiary(ies) shall not be required for the original IRA beneficiary(ies) to revoke a successor beneficiary(ies) designation. If the original IRA beneficiary(ies) does not designate a successor beneficiary(ies), his or her estate will be the successor beneficiary. In no event shall the successor beneficiary(ies) be able to extend the distribution period beyond that required for the original IRA beneficiary.

8.07 *Required Minimum Distributions:* Your required minimum distribution is calculated using the Uniform Lifetime Table in Regulations section 1.401(a)(9)-9. However, if your spouse is your sole designated beneficiary and is more than 10 years younger than you, your required minimum distribution is calculated each year using the joint and last survivor table in Regulations section 1.401(a)(9)-9.

If you fail to request your required minimum distribution by your required beginning date, we can, at our complete and sole discretion, do any one of the following:

- make no distribution until you give us a proper withdrawal request;
- distribute your entire IRA to you in a single sum payment; or
- determine your required minimum distribution from your IRA each year based on your life expectancy, calculated using the Uniform Lifetime Table in Regulations section 1.401(a)(9)-9, and pay those distributions to you until you direct otherwise.

We will not be liable for any penalties or taxes related to your failure to take a required minimum distribution.

8.08 *Termination of Agreement, Resignation, or Removal of Trustee:* Either party may terminate this Agreement at any time by giving written notice to the

other. We can resign as Trustee at any time effective 30 days after we mail written notice of our resignation to you. Upon receipt of that notice, you must make arrangements to transfer your IRA to another financial organization. If you do not complete a transfer of your IRA within 30 days from the date we mail the notice to you, we have the right to transfer your IRA assets to a successor IRA custodian or trustee that we choose in our sole discretion, or we may pay your IRA to you in a single sum. We shall not be liable for any actions or failures to act on the part of any successor custodian or trustee, nor for any tax consequences you may incur that result from the transfer or distribution of your assets pursuant to this section.

If this Agreement is terminated, we may charge your IRA a reasonable amount of money that we believe is necessary to cover any associated costs, including but not limited to, one or more of the following:

- any fees, expenses or taxes chargeable against your IRA;
- any penalties or surrender charges associated with the early withdrawal of any savings instrument or other investment in your IRA.

If we are required to comply with Regulations section 1.408-2(e), and we fail to do so, or we are not keeping the records, making the returns or sending the statements as are required by forms or Regulations, the IRS may, after notifying you, require you to substitute another trustee or custodian.

We may establish a policy requiring distribution of the entire balance of your IRA to you in cash or property if the balance of your IRA drops below the minimum balance required under the applicable investment or policy established.

8.09 *Successor Trustee:* If our organization changes its name, reorganizes, merges with another organization (or comes under the control of any federal or state agency), or if our entire organization (or any portion which includes your IRA) is bought by another organization, that organization (or agency) shall automatically become the trustee or custodian of your IRA, but only if it is the type of organization authorized to serve as an IRA trustee or custodian.

8.10 *Amendments:* We have the right to amend this Agreement at any time. Any amendment we make to comply with the Code and related Regulations does not require your consent. You will be deemed to have consented to any other amendment unless, within 30 days from the date we mail the amendment, you notify us in writing that you do not consent.

8.11 *Withdrawals or Transfers:* All requests for withdrawal or transfer shall be in writing on a form provided by or acceptable to us. The method of distribution must be specified in writing. The tax identification number of the recipient must be provided to us before we are obligated to make a distribution. Withdrawals shall be subject to all applicable tax and other laws and regulations, including possible early withdrawal penalties or surrender charges and withholding requirements.

8.12 *Transfers from Other Plans:* We can receive amounts transferred to this IRA from the custodian or trustee of another IRA. In addition, we can accept direct rollovers of eligible rollover distributions from employer-sponsored retirement plans as permitted by the Code. We reserve the right not to accept any transfer or direct rollover.

8.13 *Liquidation of Assets:* We have the right to liquidate assets in your IRA if necessary to make distributions or to pay fees, expenses, taxes, penalties or surrender charges properly chargeable against your IRA. If you fail to direct us as to which assets to liquidate, we will decide, in our complete and sole discretion, and you agree not to hold us liable for any adverse consequences that result from our decision.

8.14 *Restrictions on the Fund:* Neither you nor any beneficiary may sell, transfer or pledge any interest in your IRA in any manner whatsoever, except as provided by law or this Agreement.

The assets in your IRA shall not be responsible for the debts, contracts or torts of any person entitled to distributions under this Agreement.

8.15 *What Law Applies:* This Agreement is subject to all applicable federal and state laws and regulations. If it is necessary to apply any state law to interpret and administer this Agreement, the law of our domicile shall govern.

If any part of this Agreement is held to be illegal or invalid, the remaining parts shall not be affected. Neither your nor our failure to enforce at any time or for any period of time any of the provisions of this Agreement shall be construed as a waiver of such provisions, or your right or our right thereafter to enforce each and every such provision.

GENERAL INSTRUCTIONS

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

PURPOSE OF FORM

Form 5305 is a model trust account agreement that meets the requirements of section 408(a) and has been pre-approved by the IRS. A traditional individual retirement account (Traditional IRA) is established after the form is fully executed by both the individual (Grantor) and the Trustee and must be completed no later than the due date (excluding extensions) of the individual's income tax return for the tax year. This account must be created in the United States for the exclusive benefit of the Grantor and his or her beneficiaries.

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

For more information on IRAs, including the required disclosures the Trustee must give the Grantor, see **Pub. 590, Individual Retirement Arrangements (IRAs)**.

DEFINITIONS

Trustee. The trustee 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 trustee.

Grantor. The grantor is the person who establishes the trust account.

IDENTIFYING NUMBER

The Grantor's social security number will serve as the identifying number of his or her IRA. An employer identification number (EIN) is required only for an IRA for which a return is filed to report unrelated business taxable income. An EIN is required for a common fund created for IRAs.

TRADITIONAL IRA FOR NONWORKING SPOUSE

Form 5305 may be used to establish the IRA trust for a nonworking spouse. Contributions to an IRA trust account for a nonworking spouse must be made to a separate IRA trust account established by the nonworking spouse.

SPECIFIC INSTRUCTIONS

Article IV. Distributions made under this article may be made in a single sum, periodic payment, or a combination of both. The distribution option should be

reviewed in the year the Grantor reaches age 70½ to ensure that the requirements of section 408(a)(6) have been met.

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

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DISCLOSURE STATEMENT

RIGHT TO REVOKE YOUR IRA

If you receive this Disclosure Statement at the time you establish your IRA, you have the right to revoke your IRA within seven (7) days of its establishment. If revoked, you are entitled to a full return of the contribution you made to your IRA. The amount returned to you would not include an adjustment for such items as sales commissions, administrative expenses, or fluctuation in market value. You may make this revocation only by mailing or delivering a written notice to the Trustee at the address listed on the Application.

If you send your notice by first class mail, your revocation will be deemed mailed as of the postmark date.

We are required to report to the IRS the contributions to and distributions from a revoked IRA.

If you have any questions about the procedure for revoking your IRA, please call the Trustee at the telephone number listed on the Application.

REQUIREMENTS OF AN IRA

- A. **CASH CONTRIBUTIONS** - Your contribution must be in cash, unless it is a rollover contribution. Stock certificates will not be allowed.
- B. **MAXIMUM CONTRIBUTION** - The total amount you may contribute to an IRA for any taxable year cannot exceed the lesser of 100 percent of your compensation or \$3,000 for years 2002-2004, \$4,000 for years 2005-2007, and \$5,000 for 2008, with possible cost-of-living adjustments in years 2009 and beyond. If you also maintain a Roth IRA, the maximum contribution to your Traditional IRAs (i.e., IRAs subject to Internal Revenue Code (Code) sections 408(a) or 408(b)) is reduced by any contributions you make to your Roth IRA. Your total annual contribution to all Traditional IRAs and Roth IRAs cannot exceed the lesser of the dollar amounts described above or 100 percent of your compensation.
- C. **CONTRIBUTION ELIGIBILITY** - You are eligible to make a regular contribution to your IRA if you have compensation and have not attained age 70½ by the end of the taxable year for which the contribution is made.
- D. **CATCH-UP CONTRIBUTIONS** - If you are age 50 or older by the close of the taxable year, you may make an additional contribution to your IRA. The maximum additional contribution is \$500 for years 2002-2005 and \$1,000 for years 2006 and beyond.
- E. **NONFORFEITABILITY** - Your interest in your IRA is nonforfeitable.
- F. **ELIGIBLE TRUSTEES** - The Trustee of your IRA must be a bank, savings and loan association, credit union, or a person or entity approved by the Secretary of the Treasury.
- G. **COMMINGLING ASSETS** - The assets of your IRA cannot be commingled with other property except in a common trust fund or common investment fund.
- H. **LIFE INSURANCE** - No portion of your IRA may be invested in life insurance contracts.
- I. **COLLECTIBLES** - You may not invest the assets of your IRA in collectibles (within the meaning of Code section 408(m)). A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or other tangible personal property specified by the Internal Revenue Service (IRS). However, specially minted United States gold and silver coins, and certain state-issued coins are permissible investments. Platinum coins and certain gold, silver, platinum or palladium bullion (as described in Code section 408(m)(3)) are also permitted as IRA investments.
- J. **REQUIRED MINIMUM DISTRIBUTIONS** - You are required to take minimum distributions from your IRA at certain times in accordance with Regulations section 1.408-8. Below is a summary of the IRA distribution rules.
 1. You are required to take a minimum distribution from your IRA for the year in which you reach age 70½ and for each year thereafter. You must take your first distribution by your required beginning date, which is April 1 of the year following the year you attain age 70½. The minimum distribution for any taxable year is equal to the amount obtained by dividing the account balance at the end of the prior year by the applicable divisor.
 2. The applicable divisor is generally determined using the Uniform Lifetime Table provided by the IRS. The table assumes a designated beneficiary exactly 10 years younger than you, regardless of who is named as your beneficiary(ies), if any. If your spouse is your sole designated beneficiary, and is more than 10 years younger than you, the required minimum distribution is determined annually using the actual joint life expectancy of

you and your spouse obtained from the joint and last survivor table provided by the IRS, rather than the life expectancy divisor from the uniform lifetime table.

We reserve the right to do any one of the following by April 1 of the year following the year in which you turn age 70½:

- (a) make no distribution until you give us a proper withdrawal request,
 - (b) distribute your entire IRA to you in a single sum payment, or
 - (c) determine your required minimum distribution each year based on your life expectancy calculated using the uniform lifetime table, and pay those distributions to you until you direct otherwise.
3. Your designated beneficiary is determined based on the beneficiary(ies) designated as of the date of your death, who remains your beneficiary(ies) as of September 30 of the year following the year of your death. If you die,
- (a) on or after your required beginning date, distributions must be made to your beneficiary(ies) over the longer of the single life expectancy of your designated beneficiary(ies), or your remaining life expectancy. If a beneficiary other than an individual or qualified trust as defined in the regulations is named, you will be treated as having no designated beneficiary of your IRA for purposes of determining the distribution period. If there is no designated beneficiary of your IRA, distributions will commence using your single life expectancy, reduced by one in each subsequent year.
 - (b) before your required beginning date, the entire amount remaining in your account will, at the election of your designated beneficiary(ies), either
 - (i) be distributed by December 31 of the year containing the fifth anniversary of your death, or
 - (ii) be distributed over the remaining life expectancy of your designated beneficiary(ies).

Your designated beneficiary(ies) must elect either option (i) or (ii) by September 30 of the year following the year of your death. If no election is made, distribution will be calculated in accordance with option (ii). In the case of distributions under option (ii), distributions must commence by December 31 of the year following the year of your death. If your spouse is the designated beneficiary, distributions need not commence until December 31 of the year you would have attained age 70½, if later. If a beneficiary(ies) other than an individual or qualified trust as defined in the Regulations is named, you will be treated as having no designated beneficiary(ies) of your IRA for purposes of determining the distribution period. If there is no designated beneficiary of your IRA, the entire IRA must be distributed by December 31 of the year containing the fifth anniversary of your death. If the total balance of the IRA assets is less than \$500, Navy Federal will pay out the entire balance to the beneficiary as an immediate lump sum distribution. If no instructions are received from the beneficiary by the deadline as described above, Navy Federal will distribute the entire balance by December 31 of the year following death payable to the beneficiary. This payout is irrevocable and will not be reversed.

A spouse who is the sole designated beneficiary of your entire IRA may elect to redesignate your IRA as his or her own. Alternatively, the sole spouse beneficiary will be deemed to elect to treat your IRA as his or her own by either (1) making contributions to your IRA or (2) failing to timely remove a required minimum distribution from your IRA. Regardless of whether or not the spouse is the sole designated beneficiary of your IRA, a spouse beneficiary may roll over his or her share of the assets to his or her own IRA.

4. To the extent the IRS permits use of the required minimum distribution rules provided in either the 1987 or the 2001 Proposed Regulations under Code sections 408 and 401(a)(9), those rules, as specifically described in the Regulations, and as summarized in the applicable IRS Publication 590, may continue to be applied. These transactions are often complex. If you have any questions regarding required minimum distributions, please see a competent tax advisor.

INCOME TAX CONSEQUENCES OF ESTABLISHING AN IRA

A. **IRA DEDUCTIBILITY** - If you are eligible to contribute to your IRA, the amount of the contribution for which you may take a tax deduction will depend upon whether you (or, in some cases, your spouse) are an active participant in an employer-maintained retirement plan. If you (and your spouse, if married) are not an active participant, your entire IRA contribution will be deductible. If you are an active participant (or are married to an active participant), the deductibility of your contribution will depend on your modified adjusted gross income (MAGI) and your tax filing status for the tax year for which the contribution was made. MAGI is determined on your income tax return using your adjusted gross income but disregarding any deductible IRA contribution.

Definition of Active Participant - Generally, you will be an active participant if you are covered by one or more of the following employer-maintained retirement plans:

1. a qualified pension, profit sharing, 401(k), or stock bonus plan;
2. a qualified annuity plan of an employer;
3. a simplified employee pension (SEP) plan;
4. a retirement plan established by the federal government, a state, or a political subdivision (except certain unfunded deferred compensation plans under Code section 457);
5. a tax-sheltered annuity for employees of certain tax-exempt organizations or public schools;
6. a plan meeting the requirements of Code section 501(c)(18);
7. a qualified plan for self-employed individuals (H.R. 10 or Keogh Plan); and
8. a savings incentive match plan for employees of small employers (SIMPLE) IRA plan or a SIMPLE 401(k) plan.

If you do not know whether your employer maintains one of these plans, or whether you are an active participant in it, check with your employer or your tax advisor. Also, the IRS Form W-2, Wage and Tax Statement, that you receive at the end of the year from your employer will indicate whether you are an active participant.

If you are an active participant and are single, and have MAGI within the applicable phaseout range listed below, the deductible amount of your contribution is determined as follows: (1) begin with the appropriate phaseout range maximum for the applicable year (specified below), and subtract your MAGI; (2) divide this total by the difference between the phase-out maximum and minimum; (3) multiply this number by the maximum allowable contribution for the applicable year, including catch-up contributions if you are age 50 or older. The resulting figure will be the maximum IRA deduction you may take. For example, if you are age 30 with MAGI of \$52,000 in 2006, your maximum deductible contribution is \$3,200 (the 2006 phase-out range maximum of \$60,000 minus your MAGI of \$52,000, divided by the difference between the maximum and minimum phase-out range limits of \$10,000 and multiplied by the contribution limit of \$4,000.)

If you are an active participant, are married and you file a joint income tax return, and have MAGI within the applicable phaseout range listed below, the deductible amount of your contribution is determined as follows: (1) begin with the appropriate phaseout maximum for the applicable year (specified below), and subtract your MAGI range; (2) divide this total by the difference between the phase-out range maximum and minimum; (3) multiply this number by the maximum allowable contribution for the applicable year, including catch-up contributions if you are age 50 or older. The resulting figure will be the maximum IRA deduction you may take. For example, if you are age 30 with MAGI of \$77,000 in 2006, your maximum deductible contribution is \$3,200 (the 2006 phase-out maximum of \$85,000 minus your MAGI of \$77,000, divided by the difference between the maximum and minimum phase-out limits of \$10,000 and multiplied by the contribution limit of \$4,000.)

If you are an active participant, are married and you file a separate income tax return, your MAGI phase-out range is generally \$0 - \$10,000. However, if you lived apart for the entire tax year, you are treated as a single filer.

Tax Year	Joint Filers	Single Taxpayers
	Phase-out Range (minimum)(maximum)	Phase-out Range (minimum)(maximum)
2006	\$75,000 - \$85,000	\$50,000 - \$60,000
2007	\$83,000 - \$103,000	\$52,000 - \$62,000
2008**	\$85,000 - \$105,000	\$53,000 - \$63,000

*MAGI limits are subject to cost-of-living increases beginning after 2006.
 **The MAGI limits for 2008 listed above may be subject to additional increases.

The MAGI phaseout range for an individual that is not an active participant, but is married to an active participant, is \$156,000-\$166,000. This limit is also subject to cost-of-living increases for tax years beginning after 2006.

If you are not an active participant in an employer-maintained retirement plan, are married to someone who is an active participant, and you file a joint income tax return, your maximum deductible contribution is determined as follows: (1) begin with \$160,000 and subtract your MAGI; (2) divide this total by \$10,000; (3) multiply this number by the maximum allowable contribution for the applicable year, including catch-up contributions if you are age 50 or older. The resulting figure will be the maximum IRA deduction you may take.

You must round the resulting deduction to the next highest \$10 if the number is not a multiple of 10. If your resulting deduction is between \$0 and \$200 you may round up to \$200.

B. **CONTRIBUTION DEADLINE** - The deadline for making an IRA contribution is your tax return due date (not including extensions). You may designate a contribution as a contribution for the preceding taxable year in a manner acceptable to us. For example, if you are a calendar year taxpayer, and you make your IRA contribution on or before April 15, your contribution is considered to have been made for the previous tax year if you designate it as such.

C. **TAX CREDIT FOR CONTRIBUTIONS** - For taxable years beginning on or after January 1, 2002, and ending on or before December 31, 2006, you may be eligible to receive a tax credit for your Traditional or Roth IRA contributions. This credit will be allowed in addition to any tax deduction that may apply, and may not exceed \$1,000 in a given year. You may be eligible for this tax credit if you are

- age 18 or older as of the close of the taxable year,
- not a dependent of another taxpayer, and
- not a full-time student.

The credit is based upon your income (see chart below), and will range from 0 to 50 percent of eligible contributions. In order to determine the amount of your contributions, add all of the contributions made to your Traditional or Roth IRA and reduce these contributions by any distributions that you have taken during the testing period. The testing period begins two years prior to the year for which the credit is sought and ends on the tax return due date (including extensions) for the year for which the credit is sought. In order to determine your tax credit, multiply the applicable percentage from the chart below by the amount of your contributions that do not exceed \$2,000.

Adjusted Gross Income*			Applicable Percentage
Joint Return	Head of a Household	All Other Cases	
\$1 - 30,000	\$1 - 22,500	\$1 - 15,000	50
30,001 - 32,500	22,501 - 24,375	15,001 - 16,250	20
32,501 - 50,000	24,376 - 37,500	16,251 - 25,000	10
Over 50,000	Over 37,500	Over 25,000	0

*Adjusted gross income includes foreign earned income and income from Guam, America Samoa, North Mariana Islands and Puerto Rico. AGI limits are subject to cost-of-living adjustments for tax years beginning after 2006.

D. **TAX-DEFERRED EARNINGS** - The investment earnings of your IRA are not subject to federal income tax until distributions are made (or, in certain instances, when distributions are deemed to be made).

E. **NONDEDUCTIBLE CONTRIBUTIONS** - You may make nondeductible contributions to your IRA to the extent that deductible contributions are not allowed. The sum of your deductible and nondeductible IRA contributions cannot exceed your contribution limit (the lesser of the allowable contribution limit described previously, or 100 percent of compensation). You may elect to treat deductible IRA contributions as nondeductible contributions.

If you make nondeductible contributions for a particular tax year, you must report the amount of the nondeductible contribution along with your income tax return using IRS Form 8606. Failure to file IRS Form 8606 will result in a \$50 per failure penalty.

If you overstate the amount of designated nondeductible contributions for any taxable year, you are subject to a \$100 penalty unless reasonable cause for the overstatement can be shown.

F. **TAXATION OF DISTRIBUTIONS** - The taxation of IRA distributions depends on whether or not you have ever made nondeductible IRA contributions. If you have only made deductible contributions, any IRA distribution will be fully included in income.

If you have ever made nondeductible contributions to any IRA, the following formula must be used to determine the amount of any IRA distribution excluded from income.

$$\frac{\text{(Aggregate Nondeductible Contributions)}}{\text{Aggregate IRA Balance}} \times \text{(Amount Withdrawn)} = \text{Amount Excluded from Income}$$

NOTE: Aggregate nondeductible contributions include all nondeductible contributions made by you through the end of the year of the distribution (which have not previously been withdrawn and excluded from income). Also note that the aggregate IRA balance includes the total balance of all of your IRAs as of the end of the year of distribution and any distributions occurring during the year.

G. **ROLLOVERS AND CONVERSIONS** - Your IRA may be rolled over to another IRA in your name, may receive rollover contributions, and may be converted to a Roth IRA, provided that all of the applicable rollover and conversion rules are followed. Rollover is a term used to describe a tax-free movement of cash or other property to your IRA from another IRA, or from your employer's qualified retirement plan, 403(a) annuity plan, 403(b) tax-sheltered annuity, or 457(b) eligible governmental deferred compensation plan. Conversion is a term used to describe the movement of Traditional IRA assets to a Roth IRA. A conversion is generally a taxable event. The rollover and conversion rules are summarized below. These transactions are often complex. If you have any questions regarding a rollover or conversion, please see a competent tax advisor.

1. **Traditional IRA to Traditional IRA Rollovers** - Funds distributed from your IRA may be rolled over to an IRA of yours if the requirements of Code section 408(d)(3) are met. A proper IRA to IRA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received. You may not have completed another IRA to IRA rollover from the distributing IRA during the 12 months preceding the date you receive the distribution. Further, you may roll over the same dollars or assets only once every 12 months.
2. **SIMPLE IRA to Traditional IRA Rollovers** - Funds may be distributed from your SIMPLE IRA and rolled over to your IRA without IRS penalty provided, two years have passed since you first participated in a SIMPLE IRA plan sponsored by your employer. As with Traditional IRA to Traditional IRA rollovers, the requirements of Code section 408(d)(3) must be met. A proper SIMPLE IRA to IRA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received. You may not have completed another SIMPLE IRA to IRA or SIMPLE IRA to SIMPLE IRA rollover from the distributing SIMPLE IRA during the 12 months preceding the date you receive the distribution. Further, you may roll over the same dollars or assets only once every 12 months.
3. **Employer-Sponsored Retirement Plan to Traditional IRA Rollovers** - You may roll over, directly or indirectly, any eligible rollover distribution from an eligible employer-sponsored retirement plan. An eligible rollover distribution is defined generally as any distribution from a qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, or 457(b) eligible governmental deferred compensation plan (other than distributions to nonspouse beneficiaries), unless it is part of a certain series of substantially equal periodic payments, a required minimum distribution or a hardship distribution, or a distribution of Roth 401(k) or Roth 401(b) elective deferrals.

If you elect to receive your rollover distribution prior to placing it in an IRA, thereby conducting an indirect rollover, your plan administrator will generally be required to withhold 20 percent of your distribution as a payment of income taxes. When completing the rollover, you may make up the amount withheld, out of pocket, and roll over the full amount distributed from your employer-sponsored retirement plan. To qualify as a rollover, your eligible rollover distribution must be rolled over to your IRA not later than 60 days after you receive it. Alternatively, you may claim the withheld amount as income, and pay the applicable income tax and, if you are under age 59½, the 10 percent early distribution penalty (unless an exception to the penalty applies).

As an alternative to the indirect rollover, your employer generally must give you the option to directly roll over your employer-sponsored retirement plan balance to an IRA. If you elect the direct rollover option, your eligible rollover distribution will be paid directly to the IRA (or other eligible employer-sponsored retirement plan) that you designate. The 20 percent withholding requirements do not apply to direct rollovers.

4. **Traditional IRA to Employer-Sponsored Retirement Plans** - You may roll over, directly or indirectly, any eligible rollover distribution from an IRA to an employer's qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, or 457(b) eligible governmental deferred compensation plan so long as the employer-sponsored retirement plan accepts such rollover contributions. An eligible rollover distribution is defined as any taxable distribution from an IRA that is not a part of a required minimum distribution.
5. **Traditional IRA to Roth IRA Conversions** - If your modified adjusted gross income is not more than \$100,000, and you are not married filing a separate income tax return, you are eligible to convert all or any portion of your existing Traditional IRA(s) into your Roth IRA(s). Beginning in 2010, the \$100,000 MAGI limit and the married filing separate tax filing restriction will be eliminated for conversion eligibility. However, if you are age 70½ or older you must remove your required minimum distribution prior to converting your Traditional IRA. The amount of the conversion from your Traditional IRA to your Roth IRA shall be treated as a distribution for income tax purposes, and is includable in your gross income (except for any nondeductible contributions). Although the conversion amount is generally included in income, the 10 percent early distribution penalty shall not apply to conversions from a Traditional IRA to a Roth IRA, regardless of whether you qualify for any exceptions to the 10 percent penalty.
6. **Written Election** - At the time you make a proper rollover to an IRA, you must designate in writing to us, your election to treat that contribution as a rollover. Once made, the rollover election is irrevocable.
- H. **TRANSFER DUE TO DIVORCE** - If all or any part of your IRA is awarded to your spouse or former spouse in a divorce or legal separation proceeding, the amount so awarded will be treated as the spouse's IRA (and may be transferred pursuant to a court-approved divorce decree or written legal separation agreement to another IRA of your spouse), and will not be considered a taxable distribution to you. A transfer is a tax-free direct movement of cash and/or property from one Traditional IRA to another.
- I. **RECHARACTERIZATIONS** - If you make a contribution to a Traditional IRA and later recharacterize either all or a portion of the original contribution to a Roth IRA along with net income attributable, you may elect to treat the original contribution as having been made to the Roth IRA. The same methodology applies when recharacterizing a contribution from a Roth IRA to a Traditional IRA. If you have converted from a Traditional IRA to a Roth IRA you may recharacterize the conversion along with net income attributable back to the Traditional IRA. The deadline for completing a recharacterization is your tax filing deadline (including any extensions), for the year for which the original contribution was made or conversion completed.

LIMITATIONS AND RESTRICTIONS

- A. **SEP PLANS** - Under a simplified employee pension (SEP) plan that meets the requirements of Code section 408(k), your employer may make contributions to your IRA. Your employer is required to provide you with information which describes the terms of your employer's SEP plan.

- B. **SPOUSAL IRA** - If you are married and have compensation, you may contribute to an IRA established for the benefit of your spouse for any year prior to the year your spouse turns age 70½, regardless of whether or not your spouse has compensation. You may make these spousal contributions even if you are age 70½ or older. You must file a joint income tax return for the year for which the contribution is made.

The joint amount you may contribute to your IRA and your spouse's IRA is the lesser of 100 percent of your combined compensation or \$8,000 for 2005-2007, and \$10,000 for 2008. This amount may be increased with cost-of-living adjustments in 2009 and beyond. However, you may not contribute more than the individual contribution limit to each IRA.

If your spouse is age 50 or older by the close of the taxable year, and is otherwise eligible, you may make an additional contribution to your spouse's IRA. The maximum additional contribution is \$500 for years 2002-2005, and \$1,000 for years 2006 and beyond.

- C. **DEDUCTION OF ROLLOVERS AND TRANSFERS** - A deduction is not allowed for rollover contributions or transfers.
- D. **GIFT TAX** - Transfers of your IRA assets to a beneficiary made during your life and at your request may be subject to federal gift tax under Code section 2501.
- E. **SPECIAL TAX TREATMENT** - Capital gains treatment and 10-year forward income averaging authorized by Code section 402 do not apply to IRA distributions.
- F. **INCOME TAX TREATMENT** - Any withdrawal from your IRA is subject to federal income tax withholding. You may, however, elect not to have withholding apply to your IRA withdrawal. If withholding is applied to your withdrawal, not less than 10 percent of the amount withdrawn must be withheld.
- G. **PROHIBITED TRANSACTIONS** - If you or your beneficiary engage in a prohibited transaction with your IRA, as described in Code section 4975, your IRA will lose its tax-deferred status, and you must include the value of your account in your gross income for the taxable year you engage in the prohibited transaction. The following transactions are examples of prohibited transactions with your IRA: (1) taking a loan from your IRA; (2) buying property for personal use (present or future) with IRA funds; or (3) receiving certain bonuses or premiums because of your IRA.
- H. **PLEDGING** - If you pledge any portion of your IRA as collateral for a loan, the amount so pledged will be treated as a distribution and will be included in your gross income for the taxable year in which you pledge the assets.

FEDERAL TAX PENALTIES

- A. **EARLY DISTRIBUTION PENALTY** - If you are under age 59½ and receive an IRA distribution, an additional tax of 10 percent will apply, unless made on account of 1) death, 2) disability, 3) a qualifying rollover, 4) the timely withdrawal of an excess contribution, 5) a series of substantially equal periodic payments (at least annual payments) made over your life expectancy or the joint life expectancy of you and your beneficiary, 6) medical expenses which exceed 7.5 percent of your adjusted gross income, 7) health insurance payments if you are separated from employment and have received unemployment compensation under a federal or state program for at least 12 weeks, 8) certain qualified education expenses, 9) first-home purchases (up to a life-time maximum of \$10,000), or 10) a levy issued by the IRS. This additional tax will apply only to the portion of a distribution which is includable in your taxable income.
- B. **EXCESS CONTRIBUTION PENALTY** - An additional tax of six percent is imposed upon any excess contribution you make to your IRA. This additional tax will apply each year in which an excess remains in your IRA. An excess contribution is any amount that is contributed to your IRA that exceeds the amount that you are eligible to contribute.
- C. **EXCESS ACCUMULATION PENALTY** - As previously described, you must take a required minimum distribution by your required beginning date for the year you attain age 70½ and by the end of each year thereafter. Your beneficiary(ies) is required to take certain minimum distributions after your death. An additional tax of 50 percent is imposed on the amount of the required minimum distribution which should have been taken but was not.
- D. **PENALTY REPORTING** - You must file IRS Form 5329 along with your income tax return to the IRS to report and remit any additional taxes

NAVY FEDERAL IRA INVESTMENT INFORMATION, FEES AND PENALTIES:

- A. Navy Federal does require that each Navy Federal IRA participant maintain a regular Navy Federal savings account.
- B. There is no Navy Federal penalty on funds withdrawn from an IRA savings account, IRA MMSA or Jumbo IRA MMSA.
- C. If funds are invested in an IRA certificate with a term of 1 year or less, penalties for early withdrawal are the lesser of:
 1. All dividends for 90 days on the amount withdrawn or
 2. All dividends on the amount withdrawn since the date of issuance or renewal.
- D. If funds are invested in an IRA certificate with a maturity of more than 1 year, penalties for early withdrawal are the lesser of:
 1. All dividends for 180 days on the amount withdrawn or
 2. All dividends on the amount withdrawn since the date of issuance or renewal.
- E. If funds are invested in an IRA certificate with a maturity of more than 5 years, penalties for early withdrawal are the lesser of:
 1. All dividends for 365 days on the amount withdrawn or
 2. All dividends on the amount withdrawn since the date of issuance or renewal.

- F. **FOR JUMBO IRA CERTIFICATES (only)** – If funds are invested in a Jumbo IRA Certificate with a term of 6 to 11 months, penalties for early withdrawal are the lesser of:
1. All dividends for 90 days on the amount withdrawn or
 2. All dividends on the amount withdrawn since the date of issuance or renewal.
- G. **FOR JUMBO IRA CERTIFICATES (only)** – If funds are invested in a Jumbo IRA Certificate with a term of 12 to 59 months, penalties for early withdrawal are the lesser of:
1. All dividends for 180 days on the amount withdrawn or
 2. All dividends on the amount withdrawn since the date of issuance or renewal.
- H. **FOR JUMBO IRA CERTIFICATES (only)** – If funds are invested in a Jumbo IRA Certificate with a term of 60 to 84 months, penalties for early withdrawal are the lesser of:
1. All dividends for 365 days on the amount withdrawn or
 2. All dividends on the amount withdrawn since the date of issuance or renewal.
- I. **PENALTY EXCEPTIONS** – Penalties will not be applied to any of the following:
1. Withdrawals of dividend payments only.
 2. Withdrawals made from an IRA Certificate due to the death of the IRA participant.
 3. Withdrawals made as a result of the voluntary or involuntary liquidation of the Credit Union.
- J. **MATURING CERTIFICATES** – At least 20 days prior to each IRA certificate's maturity, NAVY FEDERAL will provide a notice to the owner specifying the terms under which the Credit Union proposes to renew the IRA certificate or otherwise make the funds available to the owner. Each IRA certificate will be automatically renewed as specified in the notice unless the owner notifies NAVY FEDERAL to the contrary on or before the maturity date. The owner has a grace period of 14 calendar days after the maturity date to withdraw the funds in the account without being charged an early withdrawal penalty.
- K. **FINAL PAYMENT** – All non-cash IRA certificate purchases will be credited subject to final payment.
- L. **CHANGE IN TERMS** – NAVY FEDERAL reserves the right to discontinue or change the terms of IRA certificate offerings with 30 days prior notice; however, once issued, the terms of a certificate may not be changed without the owner's consent.
- OTHER**
- A. **IRS PLAN APPROVAL** - The Agreement used to establish this IRA has been approved by the IRS. The IRS approval is a determination only as to form. It is not an endorsement of the plan in operation or of the investments offered.
- B. **ADDITIONAL INFORMATION** - You may obtain further information on IRAs from your District Office of the IRS. In particular, you may wish to obtain IRS Publication 590, Individual Retirement Arrangements, by calling 1-800-TAX-FORM (1-800-829-3676), or by visiting www.irs.gov on the Internet.
- C. **IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT** - To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial organizations to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you open an account, you are required to provide your name, residential address, date of birth, and identification number. We may require other information that will allow us to identify you.
- D. **HURRICANE-RELATED RELIEF** - If you are an individual who sustained an economic loss due to, or are otherwise considered affected by, Hurricane Katrina, Rita or Wilma, you may be eligible for favorable tax treatment on distributions and rollovers from your IRA. Qualified distributions include IRA distributions made on or after specified dates for each hurricane and before January 1, 2007 to a qualified individual. For a complete definition of what constitutes a qualified individual and a qualified hurricane distribution for purposes of hurricane relief, refer to IRS Publication 4492, *Information for Taxpayers Affected by Hurricanes Katrina, Rita and Wilma*.
1. **10 Percent Penalty Exception on Qualified Distributions** - Qualified hurricane distributions are not subject to the 10 percent early distribution penalty tax. This penalty exception applies only to the first \$100,000 of qualified distributions to each individual.
 2. **Taxation May be Spread Over Three Years** - If you receive qualified hurricane distributions, you may elect to include the distribution in your gross income ratably over three years, beginning with the year of the distribution.
 3. **Repayment of Qualified Hurricane Distributions** - You may roll over qualified hurricane distributions to an eligible retirement plan, and avoid federal income taxation, within three years of the date of receipt of the distribution. The 60-day rollover rule does not apply to these distributions.
- For further detailed information on tax relief granted for Hurricanes Katrina, Rita and Wilma, and other exceptions which may be granted in the future by the IRS, you may wish to obtain IRS Publication 590, *Individual Retirement Arrangements*, by calling 1-800-TAX-FORM (1-800-829-3676), or by visiting www.irs.gov on the internet.
- E. **QUALIFIED RESERVIST DISTRIBUTIONS** - If you are a qualified reservist called to active duty, you may be eligible to take penalty-free distributions from your IRA and recontribute those amounts to an IRA generally within a two-year period from your date of return. For further detailed information you may wish to obtain IRS Publication 590, *Individual Retirement Arrangements* from the IRS.

IRA EASYSTART CERTIFICATE DISCLOSURE STATEMENT

DIVIDENDS: The IRA EasyStart Certificate has a minimum balance requirement as indicated above and will earn dividends for monthly dividend periods at the dividend rate and annual percentage yield specified. Dividends are computed from day-of-deposit to day-of-withdrawal on the actual dollar value of the certificate using the daily balance method, compounded daily and credited to the IRA EasyStart Certificate monthly on the last calendar day of the month in which they are earned. Early withdrawals reduce earnings.

ADDITIONAL DEPOSITS: You may add additional deposits to an IRA EasyStart Certificate at any time. Additional deposits can be made by depositing cash, transferring from a Navy Federal savings, checking or MMSA account or allotment. The minimum requirement for additional deposits is \$10 per deposit. Note: Navy Federal requires that members age 18 and older set up for allotments to the IRA EasyStart Certificate. The minimum requirement for these additional deposits is \$10 per deposit.

THE PENALTY IMPOSED FOR PREMATURE WITHDRAWALS FROM IRA EASYSTART CERTIFICATE ACCOUNTS WILL BE AS FOLLOWS:

An amount equal to the lesser of:

- (1) All dividends for 90 days on the amount withdrawn or;
- (2) All dividends on the amount withdrawn since the date of issuance of renewal.

PENALTY EXCEPTIONS: Penalties will not be applied to Withdrawals subsequent to the death of any owner of the IRA EasyStart Certificate, or withdrawals made as a result of the voluntary or involuntary liquidation of the Credit Union. Maturing IRA EasyStart Certificates: At least 20 days prior to each IRA EasyStart Certificate's maturity, Navy Federal will provide a notice to the owner specifying the terms under which the Credit Union proposes to renew the IRA EasyStart Certificate or otherwise make the funds available. Each IRA EasyStart Certificate will be automatically renewed as specified in the notice unless you notify Navy Federal to the contrary on or before the maturity date.

GRACE PERIOD: You have 14 calendar days after the maturity date to change the conditions under which the IRA EasyStart Certificate will renew. Changes may be made to the renewal balance without a penalty being charged. During this period, the balance in the certificate will earn dividends at the current offering rate. If no changes are made within this period, the certificate will renew for the same term and continue earning at the current rate. If a change is made to the certificate within the grace period, a revised renewal notice will be issued. At the end of the 14 calendar day grace period, if the owner wishes to change the renewal balance, a dividend penalty, as previously described will be applied.

INSURANCE: IRA Certificate account funds are included under insurance coverage by the National Credit Union Administration up to a total of \$250,000.

TRANSFERABILITY: IRA EasyStart Certificates are not transferable and not negotiable and may not be pledged as collateral on a loan.

FINAL PAYMENT: All non-cash IRA EasyStart Certificates purchases will be credited subject to final payment.

GOVERNING LAWS: IRA Certificate accounts shall be maintained and governed in accordance with Federal law and the laws of the Commonwealth of Virginia, as amended.

CHANGE IN TERMS: Navy Federal reserves the right to discontinue or change the terms of IRA EasyStart Certificate offerings with 30 days prior notice; however, once issued, the terms of a certificate may not be changed without your consent.

IRA MMSA DISCLOSURE STATEMENT

DIVIDENDS: Dividends accrue daily on account balances of \$2,500 or greater. Dividends are a division and distribution of earnings among members after all expenses have been paid and the required amount has been set aside for reserves. Dividend rates are declared prospectively by the Board of Directors in the month preceding the dividend period. The dividend rates and APY may vary weekly as determined by the Board of Directors. Dividends at Navy Federal are earned on deposits, including non-cash deposits, from day-of deposits to day-of withdrawal or until the account is deemed closed, whichever is earlier. An account is deemed closed as of the day you instruct us to close the account. Dividends are computed using the daily balance method by applying the daily periodic rate to the full amount in your account at the end of each day. Dividends for the IRA/ESA MMSA are compounded monthly and credited on the last business day of the month in which they were earned. The dividend period is monthly, beginning the first day of the month and ending the last day of the month. For example, the beginning date of the first dividend period of a calendar year is 1 January and the ending date of such dividend period is 31 January. All other dividends periods follow the same pattern of dates. Fees and charges that may be assessed are disclosed on Navy Federal's current *Schedule of Fees and Charges*.

CURRENT RATES AND PENALTIES: The dividend rate and the annual percentage yield for the IRA MMSA may be obtained by calling Navy Federal toll-free in the U.S. 1-888-842-6328 or online at navyfederal.org. For toll-free numbers when overseas,

visit navyfederal.org/overseas/. Use 1-703-255-8837 for collect international calls. There are no Navy Federal penalties for early withdrawals; however, the IRS imposes penalties for nonqualified withdrawals prior to the age of 59½ for Traditional IRAs, and for nonqualified withdrawal purposes for Roth IRAs.

CHANGE IN TERMS: Navy Federal reserves the right to terminate this agreement. The terms of this account may change upon 30 days notice. The right or authority of Navy Federal under this agreement shall not be changed or terminated by you except by written notice to said credit union which shall not affect transactions previously made.

INSURANCE: Separate from your other savings accounts, IRA Savings and IRA MMSA Accounts combined with IRA Certificates are insured up to \$250,000 by the National Credit Union Administration (NCUA), a US government agency. ESA Savings and ESA MMSA Accounts combined with ESA Certificates are insured up to \$250,000 by NCUA.

GOVERNING LAWS: Your Navy Federal accounts are maintained and governed in accordance with Federal law and the laws of the Commonwealth of Virginia, as amended.

JUMBO IRA MMSA DISCLOSURE STATEMENT

DIVIDENDS: Dividends are a division and distribution of earnings among members after all expenses have been paid and the required amount has been set aside for reserves. Dividend rates are declared prospectively by the Board of Directors in the month preceding the dividend period. The dividend rates and APY may vary weekly as determined by the Board of Directors. Dividends at Navy Federal are earned on deposits, including non-cash deposits, from day-of deposits to day-of withdrawal or until the account is deemed closed, whichever is earlier. An account is deemed closed as of the day you instruct us to close the account. Dividends are computed using the daily balance method by applying the daily periodic rate to the full amount in your account at the end of each day. Dividends for the Jumbo IRA MMSA are compounded monthly and credited on the last business day of the month in which they were earned. The dividend period is monthly, beginning the first day of the month and ending the last day of the month. For example, the beginning date of the first dividend period of a calendar year is 1 January and the ending date of such dividend period is 31 January. All other dividend periods follow this same pattern of dates. Fees and charges that may be assessed are disclosed on Navy Federal's current *Schedule of Fees and Charges*.

CURRENT RATES AND PENALTIES: The dividend rate and the annual percentage yield for the Jumbo IRA MMSA may be obtained by calling Navy Federal toll-free in the U.S. 1-888-842-6328 or online at navyfederal.org. For toll-free numbers when overseas, visit navyfederal.org/overseas/. Use 1-703-255-8837 for collect international calls. There are no Navy Federal penalties for early withdrawals; how-

ever, the IRS imposes penalties for nonqualified withdrawals prior to the age of 59½ for Traditional IRAs, and for nonqualified withdrawal purposes for Roth IRAs.

CHANGE IN TERMS: Navy Federal reserves the right to terminate this agreement. The terms of this account may change upon 30 days notice. The right or authority of Navy Federal under this agreement shall not be changed or terminated by you except by written notice to said credit union which shall not affect transactions previously made.

INSURANCE: Separate from your other savings accounts, IRA Savings Accounts, IRA MMSA's and Jumbo IRA MMSA's combined with IRA Certificates are insured up to at least \$250,000 by the National Credit Union Administration (NCUA), a U.S. government agency. For more information about NCUA share insurance, please see "Insurance on Your Savings" brochure (NFCU 1116e.)

GOVERNING LAWS: Your Navy Federal accounts are maintained and governed in accordance with Federal law and the laws of the Commonwealth of Virginia, as amended.

NOTE: Please refer to NFCU 602 (for Traditional IRA) or NFCU 602A (for Roth IRA) for more detailed information. This account is subject to all terms and provisions defined in NFCU 602 or 602A, Navy Federal IRA Simplifier, Disclosure Statement and Individual Retirement Trust Account. Unless otherwise noted, beneficiary designation(s) currently on file will remain in effect.

IRA/ESA DISCLOSURE STATEMENT

DIVIDENDS: The IRA certificate has a minimum balance requirement and will earn dividends for the monthly dividend periods at the dividend rate and annual percentage yield specified. Rates of non-Variable Rate Certificates do not change before maturity. Rates for 3-year Variable Rate Certificates, remain in effect for one year and then the dividend rate will change on the certificate's anniversary dates (at 12 months and 24 months) to the most recent yield (every Monday) of the 1-year Constant Maturity Treasury (CMT), except that the dividend rate will never fall more than one-half percentage point below the certificate's dividend rate at the time that it was purchased or renewed (there is no upper limitation on the dividend rate changes). Dividends are computed from day-of deposit to day-of withdrawal on the actual dollar value of the daily balance and credited to the IRA certificate monthly on the last calendar day of the month in which they are earned, unless another dividend distribution option has been chosen. The APY assumes dividends remain in the account until maturity. Early withdrawals reduce earnings.

PENALTIES FOR EARLY WITHDRAWAL: (a) If the term to maturity is one year (or less) the amount forfeited is equal to the lesser of: (1) All dividends for 90 days on the amount withdrawn, or (2) All dividends on the amount withdrawn since the date of issuance or renewal. (b) If the term to maturity is greater than one year, the amount forfeited is equal to the lesser of: (1) All dividends for the 180 days on the amount withdrawn, or (2) All dividends on the amount withdrawn since the date of issuance or renewal. (c) If the term to maturity is greater than five years, the amount forfeited is equal to or lesser of: (1) All dividends for 365 days on the amount withdrawn, or (2) All dividends on the amount withdrawn since the date of issuance or renewal. For Jumbo Certificates (only): (d) If the term to maturity is 6 to 11 months, the amount forfeited is equal to the lesser of: (1) All dividends for 90 days on the amount withdrawn, or (2) All dividends on the amount withdrawn since the date of issuance or renewal. (e) If the term to maturity is 12 to 59 months, the amount forfeited is equal to the lesser of: (1) All dividends for 180 days on the amount withdrawn, or (2) All dividends on the amount withdrawn since the date of issuance or renewal. (f) If the term to maturity is 60 to 84 months, the amount forfeited is equal to the lesser of: (1) All dividends for 365 days on the amount withdrawn, or (2) All dividends on the amount withdrawn since the date of issuance or renewal. (g) In the case of early withdrawal of principal on any certifi-

cate which reduces the balance below the minimum requirement, the certificate shall be canceled and the above penalties imposed on the entire principal amount. (h) In accordance with Federal Reserve Regulation D, withdrawals made within the first six (6) days of a new certificate purchase are subject to a seven (7) day early withdrawal dividend penalty. This regulation does not apply to the certificates that have renewed.

PENALTIES EXCEPTIONS: NFCU penalties will not be applied to any of the following: (a) Withdrawals of dividend payments only (b) Withdrawals subsequent to the death of any owner of the IRA or ESA certificate. (c) Withdrawals made as a result of the voluntary or involuntary liquidation of the Credit Union. (d) Withdrawals of mandatory distributions (for Traditional IRAs and SEP only).

INSURANCE: IRA and ESA accounts are included under insurance coverage by the National Credit Union Administration. The coverage for IRA accounts is up to a total of \$250,000 and ESA accounts up to at least \$250,00. For more information about NCUA insurance, please see "Insurance on Your Savings" brochure (NFCU 1116e).

TRANSFERABILITY: Navy Federal certificates are not transferable, not negotiable and may not be pledged as collateral on a loan.

FINAL PAYMENT: All non-cash certificate purchases will be credited subject to final payment.

CHANGE IN TERMS: Navy Federal reserves the right to discontinue or change the terms of IRA or ESA certificate offerings with 30 days prior notice; however, once issued, the terms of a certificate may not be changed without the owner's/grantor's consent.

NOTE: Please refer to NFCU 602 (for Traditional IRA), NFCU 602A (for Roth IRA), or NFCU 602B (for ESA), for more detailed information. This account is subject to all terms and provisions defined in NFCU 602, 602A, or 602B, Navy Federal IRA or ESA Simplifier, Disclosure Statement and Individual Retirement Trust Account. Unless otherwise noted, beneficiary designation(s) currently on file will remain in effect.