

The account owner whose name appears on the Everence HSA application is establishing this HSA under Internal Revenue Code section 223 exclusively for the purpose of paying or reimbursing qualified medical expenses of the account owner, his or her spouse, and dependents. The account owner represents that, unless this account is used solely to make rollover or direct transfer contributions, he or she is eligible to contribute to this HSA. The account owner and Everence Federal Credit Union as the custodian make the following agreement:

I. Establishment of the HSA

This HSA is established when the custodian has accepted the completed and signed HSA application, subject to the custodian's right to reject the application if it has not been completed in accordance with the custodian's specification. Accepting an application does not obligate the custodian to verify the account owner's eligibility to establish an HSA.

When the account owner establishes an HSA with the custodian, the account owner is agreeing to comply with all legal requirements governing the HSA. It is the account owner's responsibility to first determine eligibility and then determine whether contributions are deductible or excludable from income and to properly report distributions as taxable or nontaxable when filing income tax returns.

Each time the account owner makes a contribution to the HSA or requests a distribution from it, the account owner is affirming that the action complies with all applicable legal requirements. The custodian will rely on the account owner's certification as to the nature of any distribution from the HSA for tax purposes and on any instruction the account owner may give the custodian relating directly or indirectly to the HSA.

Two HSA options are available to you:

1. Investment HSA - This transactional credit union account gives account owners the ability to designate some of the money in the account for investing. Account owners can consider the long term while having money on hand for current health expenses. A \$3 per month administrative fee will be deducted from your individual account, but there are no separate fees or sales charges for your investment transactions.
2. Standard HSA - If the investment option doesn't fit your needs and you'd prefer to avoid an administrative fee, there is a basic transactional credit union account.

II. Right to revoke

The account owner has a right to revoke this agreement and HSA for a period of seven days following the date the HSA is established. To revoke the HSA, written notice of revocation must be mailed to the custodian postmarked no later than the seventh day of the revocation period. If the HSA is revoked within the revocation period, the account owner is entitled to receive a full refund of undisbursed amounts deposited in the HSA.

III. HSA options

This HSA may consist of the following parts:

A. HSA share account (Standard and Investment)

The HSA share account is the account from which all HSA contributions and distributions will be processed.

B. HSA investments (Investment only)

At the option of the account owner, funds in the HSA share account that exceed a minimum investment threshold of \$1,000 may be invested in mutual funds as outlined in the Investment Option Agreement, which is available upon request.

IV. Contributions

A. Regular contributions

The custodian will accept cash contributions for the tax year made by the account owner or on behalf of the account owner (by an employer, family member, or any other person). The custodian will not knowingly accept annual cash contributions for an HSA in excess of the annual maximum contribution for family coverage set by the IRS (plus one "catch-up" contribution if the account owner is age 55 or older). However, it is not the custodian's responsibility to determine whether the amount of

any contribution is permissible or exceeds the account owner's maximum contribution or is otherwise deductible under applicable provisions of the tax code.

The custodian will accept contributions made by check or electronically through direct deposit. If a contribution sent electronically to an account owner's HSA would cause the annual maximum contribution to be exceeded, the entire deposit will be returned to the originating depository institution. The return will be initiated using the R23 (Credit Entry Refused by Receiver) return reason code, which is described in the ACH Rules guide published by the National Automated Clearing House Association. By signing the HSA application, the account owner agrees to this return.

B. Contribution deadline

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

Contributions made between Jan. 1 and April 15 will be treated as contributions for the current tax year unless the account owner provides written notice on the check or contribution form that the contribution is for the preceding tax year.

C. Rollover and direct transfer contributions

Contributions from another HSA or an Archer Medical Savings Account (Archer MSA) that are received in a direct transfer from a custodian or trustee (unless prohibited under this agreement) need not be in cash. Rollover and direct transfer contributions are not subject to the maximum annual contribution limit set forth in Article V.

D. IRA transfers

Qualified HSA funding distributions from an individual retirement account (IRA) must be completed in a direct transfer from a custodian or trustee and are subject to the maximum annual contribution limit set forth in Article V.

V. Contribution limits

A. Normal contribution limits

The maximum annual contribution limit for an account owner with single coverage is \$3,450 for calendar year 2018 and \$3,500 for calendar year 2019. The maximum annual contribution limit for an account owner with family coverage is \$6,900 for calendar year 2018 and \$7,000 for calendar year 2019. These limits are subject to cost-of-living adjustments after 2018. To determine the maximum contribution limits in future years, account owners may visit the U.S. Department of the Treasury's website (treas.gov) and select the Resource Center. Select "FAQs," and then "Taxes."

B. Included contributions

Contributions to Archer MSAs or other HSAs and qualified HSA funding distributions from an IRA count toward the maximum annual contribution limit set forth in Article V.

C. Catch-up contributions

An additional \$1,000 catch-up contribution may be made for an account owner who is at least age 55 or older and not enrolled in Medicare.

D. Excess contributions.

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

VI. Monitoring contribution limits

It is the responsibility of the account owner to determine whether contributions to this HSA have exceeded the maximum annual contribution limit set forth in Article V. If contributions to this HSA exceed the maximum annual contribution limit, the account owner shall notify the custodian that excess contributions to the HSA exist. It is the responsibility of the account owner to request the withdrawal of the excess contribution and any net earnings attributable to such excess contribution.

VII. Nonforfeitable

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

VIII. Investment limitations

A. No life Insurance

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

B. No commingling

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

C. No prohibited transactions

Neither the account owner nor the custodian will engage in any prohibited transaction with respect to this account (such as borrowing or pledging the account or engaging in any other prohibited transaction as defined in Internal Revenue Code section 4975). If an account owner pledges any portion of this HSA as collateral for a loan, that portion will be treated as a distribution and must be included in the account owner's gross income for that year.

IX. Distributions

A. Account owner controls

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

B. Taxation of distributions

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

C. Account owner determines if expenses qualify

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

X. Death benefits

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

A. Spouse beneficiary

If the beneficiary is the account owner's surviving spouse, the HSA will become the spouse's HSA as of the date of death. Upon notification of the death of the account owner, any HSA investments will automatically be liquidated by the custodian and deposited in the HSA share account of the spouse beneficiary.

B. Other beneficiaries

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

XI. Beneficiary information

The account owner may name one or more beneficiaries of the HSA, including a trust, charity, or the account owner's estate. The account owner may change his or her beneficiary designation at any time. Any change in beneficiary must be in writing, is subject to any rules established by the custodian, and is not effective until it is received by the custodian.

A. Qualification of beneficiaries

Beneficiaries designated by the account owner qualify to receive payments as follows:

- An individual qualifies if he or she is alive on the day after the account owner's death.
- The account owner's estate qualifies if it is in existence within nine months after the account owner's death. If the account owner directs that payment be made under the account owner's will, then this will be treated as a designation of the account owner's estate as a beneficiary.

- A trust qualifies if it is in existence within nine months after the account owner's death. A trust that is set up by the account owner's will qualifies if the account owner's estate has been opened within nine months after the account owner's death.

If a beneficiary does not qualify to receive payments, then payment will be made as if that beneficiary had not been named by the account owner.

B. Absence of a beneficiary

If no beneficiary survives the account owner, if none of the beneficiaries named by the account owner qualify to receive payments, or if the custodian has not received a beneficiary designation form from the account owner, then the account owner's HSA will be paid as follows:

- Everything to the account owner's spouse if alive on the day after the account owner's death; or
- If the account owner is not survived by a spouse, then everything equally to the account owner's legitimate natural and legally adopted children who are alive on the day after the account owner's death; or
- If the account owner is not survived by a spouse or any children, then everything to the account owner's estate.

A person or estate entitled to receive money under this section will be treated as a beneficiary for purposes of Article X.

XII. Reporting

A. Account owner provides information

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

B. Reporting by custodian

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

C. Reporting by account owner

The account owner is responsible to properly report HSA information on the account owner's federal tax return as prescribed by the IRS and file any other reports required of the account owner by law.

XIII. Controlling sections

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

XIV. Amendment

The custodian has the right to amend this agreement at any time. A copy of the amendment shall be mailed to account owners within thirty (30) days after such amendment is effective. Any amendment the custodian makes to comply with the provisions of the Internal Revenue Code or IRS published guidance does not require the account owner's consent. The account owner will be deemed to have consented to any other amendments unless, within 30 days from the date the amendment is mailed to the account owner, the account owner notifies the custodian in writing that the account owner does not consent to the amendment and will terminate the HSA.

XV. General provisions

A. Forms, notices, and reports

The account owner will mail forms to the custodian or to an agent specified by the custodian. The account owner will notify the custodian of any change in name or address. The custodian may require the account owner and beneficiaries to use the custodian's forms.

A copy of the account owner's HSA application when attached to a copy of this agreement (including amendments) will be considered an original agreement. The HSA application, the Everence HSA Disclosure Statement, fee schedule, Membership Disclosures pamphlet, and any additional documents attached to this agreement become incorporated into and part of this agreement.

A copy on carbonless paper or a photographic reproduction of any document used to administer this HSA will be admissible as evidence in any judicial or administrative proceeding as if it were the original itself.

The custodian will keep accurate detailed records of all transactions concerning the HSA. The custodian will provide the account owner with a regular written report detailing balances, transactions, and other activity on the account.

The custodian will mail notices and reports to the account owner or beneficiaries at the last known address according to its records. The account owner agrees to examine each report received from the custodian and immediately notify the custodian of any information in a report that does not appear to be correct. If the custodian does not receive such a notification within 60 days after mailing the report, it may treat the information contained in the report as accurate for all purposes.

B. Custodian's liability

The custodian will not be liable for any loss or damage unless it is caused by a violation of an express provision of this agreement, or by a lack of good faith in acting in compliance with this agreement.

C. Limits on the custodian's responsibility

The custodian has no duty to perform any action other than those specified in this custodial agreement. The custodian can accept and rely conclusively on any instructions or other communications that the custodian reasonably believes to have been given by the account owner or any other authorized person. The custodian can assume that the authority of any such person continues in effect until the custodian receives written notice to the contrary.

The custodian will not determine or advise the account owner of the investment, tax, or other consequences resulting from the account owner's actions involving this account. Nor is the custodian liable for the investment, tax, or other consequences of the account owner's actions or the custodian's actions in following the account owner's instructions, or the custodian's failure to act in the absence of instructions from the account owner.

The custodian is not responsible for losses of any kind that may result from the account owner's directions to the custodian or the account owner's actions or failures to act. The account owner agrees to reimburse the custodian for any loss the custodian may incur as a result of such directions, actions, or failure to act.

The custodian is not responsible for any penalties, taxes, judgments, or expenses the account owner incurs in connection with the HSA.

The custodian will not dispose of any assets in this account without the account owner's direction, except as otherwise provided in this custodial agreement or if the assets are considered to be abandoned. In this case, the assets will be considered unclaimed property and the custodian will pay the assets in the account to the state of the account owner's last known residence.

D. Custodian's services

The custodian may charge reasonable administration and other designated fees for its services according to the current fee schedule which the custodian may change from time to time upon 30 days' notice. Fees may be deducted from the account at the custodian's discretion.

The custodian also has the right to be reimbursed for all reasonable expenses, including legal expenses, the custodian incurs in connection with the administration of the HSA.

E. Change of custodian

The custodian may resign as custodian and substitute a successor custodian, and it will do so if it receives notice from the IRS that such substitution is required to protect the tax status of this HSA.

If the custodian resigns, the account owner can appoint a qualified successor custodian or trustee to whom the HSA assets will be transferred or request a distribution. Any resulting fees will be deducted from the transfer or distribution. If the account owner fails to provide direction to the resigning custodian within 30 days, the custodian may transfer the assets to the successor custodian.

A successor custodian will have all of the same duties and rights granted to the original custodian under this agreement. A successor custodian will not be liable for any act or omission of a predecessor custodian.

F. Termination

The account owner may terminate this HSA at any time with a written notice of termination delivered to the custodian. Upon termination, the account owner may request distribution of the HSA assets or direct the custodian in writing to transfer the HSA assets directly to an HSA established with another HSA custodian or trustee that is identified by the account owner. The custodian will make a transfer after receipt of the new custodian's or trustee's written acceptance of the appointment. Any resulting fees will be deducted from the transfer or distribution.

The custodian may terminate this HSA upon 30 days' notice to the account owner. In such event, the HSA assets will be distributed to the account owner, unless during this 30-day period the account owner instructs the custodian to transfer it directly to an HSA with another custodian or trustee.

G. Sale or transfer restrictions

The HSA is exclusively for the benefit of the account owner. The account owner cannot sell or assign any interest in the HSA, except to the account owner's spouse or former spouse under the terms of a divorce or separation agreement.

H. Security interest waived

The custodian waives the provisions of any written contract that grants it a security interest in this HSA.

I. Controlling law

The administration of this HSA will be governed by relevant federal law and the state laws in effect at the Everence Federal Credit Union office that primarily serves the account owner, except payments to a minor or a person who is legally incompetent will be controlled by the laws of the state in which that person resides.

J. Arbitration

Controversies which may arise between the custodian and the account owner – including but not limited to those involving any transaction or the construction, performance, or breach of this or any other agreement between the custodian and the account owner, whether entered into prior, on, or subsequent to the date of this agreement – shall be determined by arbitration.

- Arbitration is final and binding on the parties.
- The parties are waiving their right to seek remedies in court, including the right to a jury trial.
- Prearbitration discovery is generally more limited than and different from court proceedings.
- The arbitrators' award is not required to include factual findings or legal reasoning.
- Any party's right to appeal or seek modification of rulings by the arbitrators is strictly limited.

Any arbitration under this agreement shall be conducted only before the American Arbitration Association, and in accordance with its arbitration rules then in force. Nothing contained herein shall limit the ability of the arbitrators to make an award under the rules of the arbitration forum and applicable law.

K. Legal proceedings

Except for controversies that arise between the account owner and the custodian, the custodian may apply at any time to a court of competent jurisdiction for judicial settlement of any matter or question that may arise with respect to the HSA. The custodian must give the account owner the opportunity to participate in the court proceeding, but the custodian can also involve other people. Any expenses the custodian incurs in legal proceedings involving the HSA, including attorney's fees, are chargeable to the HSA and payable by the account owner if not paid from the HSA.

L. Separability

If any provision of this custodial agreement is held to be invalid, illegal, void, or unenforceable by reason of any law, rule, administrative order, or judicial decision, such determination will not affect the validity of the remaining provisions of this agreement.

M. Extraordinary events

The account owner agrees that the custodian shall not be liable for loss caused directly or indirectly by government restrictions, exchange or market rulings, suspension of trading, war, strikes, or other conditions beyond the custodian's control.

N. Disclosure of account information

The custodian may use third-party service providers to assist in administering the HSA. The custodian may release nonpublic personal information regarding the HSA to third-party service providers as necessary to provide the products and services made available under this agreement, and to evaluate the custodian's business operations and analyze potential product, service, or process improvements.

The custodian has an agreement with Everence Insurance Company to provide administrative services on behalf of the custodian with respect to Everence HSAs. The account owner shall direct all inquiries, instructions, and error allegations concerning the account owner's HSA and HSA reports to:

Everence HSA administration
P.O. Box 483
Goshen, IN 46527
Phone: (800) 348-7468 ext. 2460
Fax: (574) 537-3627
Email: hsaservice@everence.com

Everence Federal Credit Union

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