

Coverdell Custodial Account & Disclosure Statement

Establishment of Account

The depositor whose name appears on the Azzad account application is establishing a Coverdell Education Savings Account under Section 530 for the benefit of the designated beneficiary exclusively to pay for qualified elementary, secondary, and higher education expenses, within the meaning of Section 530(b)(2), of such designated beneficiary. The depositor has made a cash deposit with the Custodian as indicated on the application. The application is hereby made a part of this agreement.

Definitions.

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

Depositor the person who establishes the custodial account.

Responsible Individual Generally a parent or legal guardian of the designated beneficiary. However, under certain circumstances, the responsible individual may be the designated beneficiary.

Designated Beneficiary the individual on whose behalf the custodial account has been established.

The depositor and the Custodian make the following agreement:

Article 1

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

Article 2

No part of the custodial account may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or a common investment fund (within the meaning of section 530(b)(1)(d)). All contributions made under this agreement will be deposited in the form of cash and will be credited to a custodial account for the benefit of the designated beneficiary.

Article 3

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

Article 4

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

Article 5

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

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

Article 6

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

Article 7

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

Representations and Responsibility. The depositor and the responsible individual represent and warrant to the custodian that any information the depositor and responsible individual have given or will give the custodian with respect to this account is complete and accurate. Further, the custodian is not responsible and will not be held liable for any directions given to the custodian or

action taken by the responsible individual and/or the depositor and the custodian is entitled to rely upon any such information or directions. The depositor and responsible individual agree to reimburse the custodian for any loss the custodian may incur as a result of such directions, actions or failures to act. The custodian has no duty to determine whether the contributions or distributions with respect to this Coverdell ESA comply with the Code, regulations, rulings, or this agreement and shall not be responsible for any penalties, taxes, judgments, or expenses of the designated beneficiary or any depositor to this Coverdell ESA.

Excess Contributions. The responsible individual is solely responsible for any taxes, penalties, fees, or any other charges associated with excess contributions to the Coverdell ESA.

Article 8

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through 3 will be controlling. Any additional articles inconsistent with Section 530 and the related regulations will be invalid.

Article 9

This Agreement will be amended as necessary to comply with the provisions of the Code and the related regulations. Other amendments may be made with the consent of the depositor and the Custodian whose signatures appear on the application form.

Article 10

All contributions (except rollover or transfer contributions) must be made in cash. Additional contributions will be accepted provided that the designated beneficiary has not reached age 18 as of the date the contribution is made. This age restriction does not apply to a designated beneficiary with special needs. The depositor may continue to make annual contributions to the account up to the due date of that person's tax return for that year (not including extensions). Total contributions (excluding rollover contributions described in Code section 530(d)(5)) are limited to \$2,000 for the tax year. For single individuals, the \$2,000 annual contribution limit is phased out for individuals whose modified adjusted gross income is between \$95,000 and \$110,000. For married individuals filing jointly, the phase out occurs between modified adjusted gross income of \$190,000 and \$220,000. MAGI is defined in Code section 530(c) (2).

Rollover contributions and transfers may be accepted as a deposit to the custodial account and must be made in cash. The responsible individual must complete the required forms that describe the source of the rollover contribution or transfer. It is the custodian's sole discretion to accept such contributions.

The depositor (or subsequent contributor), responsible individual or designated beneficiary, as applicable, is sole responsible for determining whether any contribution, transfer or rollover contribution, or distribution complies with applicable law. Neither Azzad nor the custodian shall have any such responsibility.

The designated beneficiary's interest in the balance in the custodial account shall at all time be nonforfeitable (subject to the responsible individual's ability to change designated beneficiary), but shall be subject to the fees, expenses and charges described below.

Article 11

Service Fees. The custodian reserves the right to charge a reasonable annual service fee or other designated fees for maintaining this Coverdell ESA. The custodian has the right to be reimbursed for all

reasonable expenses incurred in connection with the administration of this Coverdell ESA. The custodian may charge the designated beneficiary separately for any fees or expenses or may deduct the amount of the fees or expenses from the assets in this Coverdell ESA at the custodian's discretion. The custodian reserves the right to change any additional fee upon 30 days written notice to the responsible individual that the fee will be effective. Any brokerage commissions, if any, attributable to the assets in the Coverdell ESA will be charged to the Coverdell ESA. The responsible individual, depositor or designated beneficiary cannot reimburse the Coverdell ESA for those commissions.

Section 12- Amendment, Termination & Assignment

Amendment. We may amend this agreement in any respect and at any time (including retroactively) to comply with the applicable provisions of the Code and the regulations thereunder, and other applicable laws governing Coverdell ESA accounts. Any other amendments shall require the investor's consent, by action or no action, and will be preceded by a written notice to the investor. The responsible individual shall be deemed to consent to any such amendment if he or she fails to object thereto by notifying us, in a form and manner acceptable to us, within 30 calendar days from the date the notice is delivered, to terminate the agreement.

Termination. The investor may terminate this agreement without our consent by providing us with a written notice of such termination. A termination and the resulting distribution or transfer will be processed and completed as soon as administratively feasible following the receipt of proper notice. At the time of termination we may retain the sum necessary to cover any fees and expenses, taxes, or investment penalties.

Assignment. We reserve the right to assign and/or delegate any and all of its rights and obligations under this agreement to an affiliate of ours without the prior approval of the investor or beneficiary.

Applicable Laws. This agreement will be construed and interpreted in accordance with the laws of, and venue in, the State of Virginia.

Disclosure Statement

If you did not receive this disclosure statement at least seven days before establishing your Coverdell ESA (formerly called Education IRA) you may revoke your Coverdell. Your account is established and accepted on the date you execute the application form. To revoke your Coverdell, you must provide written notice of revocation within seven days after your account is established. Written notice of revocation may be mailed to the advisor's transfer agent, Mutual Shareholder Services, 8000 Town Centre Dr. Ste 400 Broadview Heights, OH 44147. The revocation will be considered given as of the postmark date. Upon revocation, the entire amount of your contribution will be returned to you without adjustment for administrative expenses, sales commissions (if any), or fluctuations in market value. If you have any questions concerning your right or revocation, please call 1-888-350-3369 during normal business hours.

The following is a brief summary of some of the financial and tax consequences of establishing an individual retirement account. This Disclosure Statement is provided in accordance with Internal Revenue Service (IRS) regulations.

Establishment of Account. A Coverdell ESA is a trust or custodial account created exclusively for the benefit of paying the designated beneficiary's qualified education expenses. The "responsible individual" directs the account's investments and distributions and is identified by the depositor. A

depositor may make annual contributions to a Coverdell account on behalf of any designated beneficiary, as long as the beneficiary is under age 18 or is a Special Needs Student at the time the contribution is made. Generally, when the designated beneficiary reaches age 18, and if the responsible individual has not indicated otherwise, the designated beneficiary assumes responsibility for the account and becomes the responsible individual. The designated beneficiary's interest in the account is nonforfeitable at all times, subject to the responsible individual's ability to change the designated beneficiary.

Contributions. Annual contributions (other than rollovers) to all Coverdell accounts established for a single designated beneficiary may not exceed \$2,000 annually and must be made in cash. Any depositor may contribute to a designated beneficiary's Coverdell as long as the annual contribution limit is not exceeded. A single individual may contribute up to the maximum annual limit of \$2,000 if the individual's modified adjusted gross income (MAGI) for the taxable year is less than \$95,000 (or less than \$190,000 for married taxpayers filing jointly). The maximum contribution limit is phased out for individuals who have a MAGI between \$95,000 and \$110,000 or between \$190,000 and \$220,000 for married couples filing jointly. For more information, please refer to IRS Publication 970, Tax Benefits for Higher Education. Corporations or entities may contribute up to the \$2,000 maximum contribution limit per beneficiary regardless of the corporation or entity's income.

Certain recent tax law changes (including the increased contribution limit for Coverdell accounts from \$500 to \$2,000) will expire on December 31, 2010 and the limit will return to \$500 unless legislation is passed extending the increased limit.

Anyone, individual, organization, family or non family member with or without earned income may contribute to a designated beneficiary's Coverdell ESA. In addition, the designated beneficiary may contribute to his or her own Coverdell ESA.

No part of the Coverdell assets may be invested in life insurance contracts, or be commingled with other property except in a common investment fund.

Excess Contributions. An excise tax of 6 percent is imposed upon any excess contribution made to a Coverdell ESA. This tax will apply each year in which an excess remains in the account. An excess contribution is any contribution amount that exceeds the contribution limit, excluding rollover and direct transfer amounts. The contribution limit is \$2,000 per designated beneficiary per year. The contribution limit may be further limited by the depositor's MAGI as discussed above. The excess contribution should be removed by the responsible individual and made payable to the designated beneficiary.

Neither Azzad nor the custodian is responsible for determining whether this maximum limit has been exceeded for any designated beneficiary. It is the sole responsibility of the responsible individual to determine whether the maximum limit will be exceeded as a result of any annual contribution.

Deadline for making contributions. Contributions to a Coverdell for a particular year for an individual depositor must be made by the due date (without extensions) of the individual's federal income tax return for that year. In most cases, this will mean by April 15 of the following year is the deadline for contributions by an individual. If the depositor is a corporation or entity other than an individual, the contribution due date for any calendar year is December 31 of that year.

Required Distributions. You may request a withdrawal from a Coverdell ESA at any time. Except in the case of a special needs beneficiary, the assets of the Coverdell ESA must be distributed to the designated beneficiary within 30 days of his or her attainment of age 30. A distribution may be rolled over to another beneficiary's Coverdell ESA as described below. If a distribution is not made, then it will be deemed made which means earnings are taxable and possibly subject to the 10% withdrawal penalty tax.

Distributions in the case of death. If the designated beneficiary of a Coverdell ESA dies and a balance remains in his or her Coverdell ESA, the balance must, within 30 days, be distributed to a death beneficiary or the designated beneficiary's estate. The earnings portion of such a distribution will be taxable. If, however, the death beneficiary is a member of the designated beneficiary's family and is either under age 30 or is a special needs beneficiary, the account balance will not be distributed and the family member will become the new designated beneficiary.

Transfers and Rollovers. Coverdell ESA amounts may be rolled over to another Coverdell ESA of the same designated beneficiary or that of a qualified family member, provided that all of the applicable rollover rules are followed. Rollover is a term used to describe a tax-free movement of cash to a Coverdell ESA from another Coverdell ESA. The rollover rules are generally summarized below. These transactions are often complex. If you have any questions regarding a rollover, please see your tax adviser.

1. **ESA to ESA Rollovers:** Funds distributed from a Coverdell ESA may be rolled over to another Coverdell ESA of the same designated beneficiary or that of a qualifying family member if the requirements of IRS Sec. 530(d)(5) are met. A proper Coverdell ESA to Coverdell ESA rollover is completed if all or part of a distribution is rolled over not later than 60 days after the distribution is received. The responsible individual may not have completed another rollover from the distributing Coverdell ESA during the 12 months preceding the date the distribution was received. Additionally, the responsible individual may roll the same dollars or assets only once every 12 months.
2. **Qualified Family Member:** A Coverdell ESA may be rolled over to another Coverdell ESA of the same designated beneficiary or to a Coverdell ESA of a qualified family member, who is under age 30 (unless a Special Needs beneficiary). Qualified family members include the designated beneficiary's spouse, child, grandchild, sister, brother, parent, niece or nephew, son in law, daughter in law, father in law, mother in law, brother in law, or sister in law and the spouse of any such individual. A first cousin of the designated beneficiary, but not his or her spouse is also considered a qualified family member.

Distributions from qualified employer sponsored retirement plans, 403(b) plans, Traditional and Roth IRAs may not be rolled over into or transferred into a Coverdell ESA.

Distributions from a Coverdell ESA may be rolled over tax-free into a qualified tuition program. However, you should consult your tax adviser on such a rollover since there are account ownership differences between Coverdell ESAs and qualified tuition programs.

Hope or Lifetime Learning Credits. A designated beneficiary may claim the Hope Credit or the Lifetime Learning Credit on his or her federal income tax return in the same taxable year that a tax-free distribution from a Coverdell ESA is claimed, as long as the distribution(s) does not cover the same expenses claimed for the Hope Credit or Lifetime Learning Credit.

Taxes. Contributions made to a Coverdell ESA are nondeductible, including transfers and rollovers. The investment earnings of a Coverdell ESA are not subject to federal income tax as they accumulate in the Coverdell ESA. In other words, earnings grow tax-deferred. In addition, distributions of the Coverdell ESA earnings will be free from federal income tax if the distributions are taken to pay for qualified education expenses, as discussed below:

Qualified Education Expenses are defined as expenses incurred for education of the designated beneficiary. They may either be qualified higher education expenses or qualified elementary and secondary education expenses at an eligible educational institution. These expenses include tuition, fees, books, supplies, special needs services, room and board, uniforms, transportation, academic tutoring and supplementary items or services (including extended day programs). Also qualifying are expenses for the purchase of computer technology or equipment, internet access and related services, if such technology, equipment or services are to be used by the designated beneficiary or designated beneficiary's family during any of the years the designated beneficiary is in school. Qualified expenses may also include amounts contributed to a qualified tuition program.

Nonqualified Education Expenses include amounts withdrawn from a Coverdell which exceed the qualified education expenses for the same year, or the distributions are not used for qualified education expenses, a portion of the distributions will be taxable. The amount in excess of the qualified education expenses is taxable pro rata, based on the earnings and the basis in the account. In most cases, nonqualified education expenses are also subject to an additional penalty tax of 10 percent. There are several exceptions to the penalty tax including distributions made payable:

1. To a designated death beneficiary of the Coverdell ESA or to the estate of the designated beneficiary following the death of the designated beneficiary;
2. To the designated beneficiary if the designated beneficiary is disabled;
3. To the designated beneficiary if the designated beneficiary received a qualified scholarship, an educational assistance allowance or an excludable payment exception, but only to the extent the distribution is not more than the amount of the scholarship, allowance or excludable payment; and
4. To the designated beneficiary as a removal of excess along with the net income attributable.

Federal Estate & Gift Taxes. Contributions to a Coverdell ESA by any individual other than the designated beneficiary are considered to be taxable gifts for gift tax and generation skipping transfer tax purposes. As such, the contributions are eligible for the annual federal gift tax annual exclusion. If the designated beneficiary's interest is rolled over into a Coverdell ESA for another beneficiary, the rollover is not subject to gift tax or generation skipping transfer tax unless the new beneficiary is a generation below that of the designated beneficiary. Amounts distributed after the death of a designated beneficiary are included in the designated beneficiary's estate for federal estate tax purposes.

Reports to the IRS. The designated beneficiary must report on the appropriate tax form any excess contributions that were made or any premature withdrawal that is subject to the 10 percent penalty tax. The taxable portion of a withdrawal and the amount of an excise tax should be reported on Form 1040, and withdrawals, other than rollovers or the return of excess contributions, should be reported on Form 8606.

Investments of Contributions. The depositor indicates the initial investment elections on the Azzad Coverdell ESA application. Thereafter, the responsible individual controls the investment by making choices among available funds in accordance with the funds' rules or other investment products available at Azzad. Investments must be made in one or more of the funds or investment products listed in the application or otherwise made available.

Financial Information. Growth in the value of the mutual fund or stock shares held in your account cannot be guaranteed or projected. The earnings on your account will be derived from the dividends and capital gain distributions (if any) received on the shares of the funds in your account and will be used to purchase additional shares. The income and operating expenses of the mutual fund you select, as well as any increase or decrease in the market value of the underlying assets of the mutual fund, affects the value of its shares, and therefore the value of the shares in your account. Additional information regarding each of the funds available for investment in your Coverdell ESA may be obtained from each fund's prospectus.

The Custodian may charge to your account or directly to you fees and other expenses of maintaining your Coverdell ESA account.

Additional Information. For more information on Coverdell ESAs, please contact any district office of the IRS or obtain IRS Publication 970, Tax Benefits For Higher Education, by calling 800-TAX-FORM, or by visiting www.irs.gov on the internet.