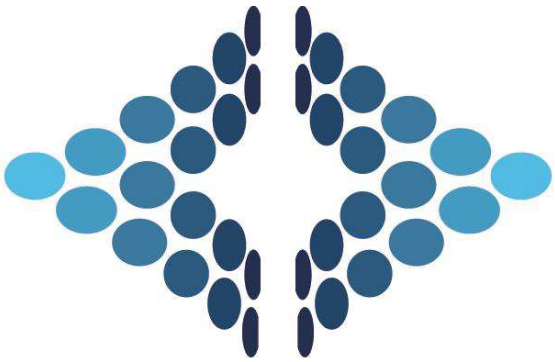

CHANNEL

FUNDS

CHANNEL SHORT DURATION INCOME FUND

COVERDELL EDUCATION SAVINGS ACCOUNT

Including:

Disclosure Statement
Custodial Agreement
Application
Transfer Form

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HOW TO ESTABLISH YOUR CESA PLAN

Please carefully review the Prospectus for **Channel Funds** as well as the Custodial Agreement and Disclosure Statement contained in this booklet.

For each plan being established (each spouse must establish a separate plan), complete the enclosed Coverdell Education Savings Account Application Form contained in this Coverdell Education Savings Account kit. Make sure you provide all the information requested including your investment instructions and sign where indicated. You should retain a photocopy of all forms forwarded for inclusion with your permanent tax records. If you require extra forms, you may make photo static copies or request them by calling the Fund at (877) 627-8504.

Please send your check along with the appropriate forms and investment instructions to the Fund:

Overnight Mail:
Channel Funds
c/o Ultimus Fund Solutions
225 Pictoria Dr, Suite 450
Cincinnati, OH 45246

Regular Mail:
Channel Funds
PO Box 46707
Cincinnati, OH 45246

Subsequent CESA contributions should also be sent to the Fund at the above address.
Make checks payable to: **Channel Funds**.

To transfer from an existing CESA to a CESA with **Channel Funds**, complete and return the enclosed Transfer Form and the Application Form.

Channel Funds will establish a CESA plan for you that will be registered under the name and social security number of the beneficiary. CESA contributions will be invested in accordance with the instructions contained in your application. You will receive confirmation for each transaction you make and a quarterly statement of your account.

Refer to the Funds' prospectus for detailed information concerning the Fund or Funds you have selected and for the method of calculating and allocating annual earnings to the Fund shares held in the CESA. The growth in value of the Fund shares held in your account can neither be guaranteed nor projected.

There is an annual maintenance fee of $15 charged for all CESA accounts.

For further information call the Fund at (877) 627-8504, Monday through Friday 9:00am to 6:00pm ET.

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COVERDELL EDUCATION SAVINGS ACCOUNT INFORMATION

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COVERDELL ESA CUSTODIAL ACCOUNT AGREEMENT

Form 5305-EA under section 530 of the Internal Revenue Code. FORM (Rev. October 2016)

The depositor whose name appears on the application is establishing a Coverdell Education Savings Account under section 530 for the benefit of the designated beneficiary whose name appears on the application exclusively to pay for the qualified elementary, secondary, and higher education expenses, within the meaning of section 530(b)(2), of such designated beneficiary.

The depositor has assigned the custodial account the sum indicated on the application.

The depositor and the custodian make the following agreement:

Article I

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

Article II

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

Article III

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

Article IV

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

Article V

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

Article VI

(See the application and section 10.06 of this agreement for information regarding the responsible individual's ability to change the designated beneficiary named by the depositor.)

Article VII

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

Article VIII

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

Article IX

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

Article X

10.01 **Notices and Change of Address –** Any required notice regarding this Coverdell ESA will be considered effective when the custodian sends it to the intended recipient at the last address that the custodian has in its records. Any notice to be given to the custodian will be considered effective when the custodian actually receives it. The responsible individual must notify the custodian of any change of address.

10.02 **Representations and Responsibilities –** 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 agreement is complete and accurate. Further, the depositor and the responsible individual agree that any directions they give the custodian, or action they take will be proper under this agreement, and that the custodian is entitled to rely upon any such information or directions. If the custodian fails to receive directions regarding any transaction, receives ambiguous directions regarding any transaction, or if the custodian, in good faith, believes that any transaction requested is in dispute, the custodian reserves the right to take no action until further clarification acceptable to the custodian is received from the responsible individual or the appropriate government or judicial authority. The custodian will

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not be liable for acting upon any instructions given by the responsible individual named on the application prior to the time the custodian receives appropriate written notice that the designated beneficiary has met the requirements for assuming control of the Coverdell ESA, or that a new responsible individual has been appointed. The custodian will not be responsible for losses of any kind that may result from the depositor's and responsible individual's directions to it or the depositor's and responsible individual's actions, or failures to act. 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 will not be responsible for any penalties, taxes, judgments, or expenses incurred in connection with this Coverdell ESA. The custodian has no duty to determine whether the contributions or distributions comply with the Code, regulations, rulings, or this agreement.

The responsible individual will have 60 days after receiving any documents, statements, or other information from the custodian to notify the custodian in writing of any errors or inaccuracies reflected in these documents, statements, or other information. If the custodian is not notified within 60 days, the documents, statements, or other information will be deemed correct and accurate, and the custodian will have no further liability or obligation for such documents, statements, other information, or the transactions described therein.

By performing services under this agreement, the custodian is acting as the responsible individual's agent. The depositor, responsible individual, and designated beneficiary acknowledge and agree that nothing in this agreement will be construed as conferring fiduciary status upon the custodian. The custodian will 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 Coverdell ESAs. The designated beneficiary, depositor, and responsible individual agree to indemnify and hold the custodian 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.

Notwithstanding anything in this agreement to the contrary, the custodian may establish a policy permitting someone other than the designated beneficiary's parent or legal guardian to serve as responsible individual, provided the individual is not prohibited by law from serving in that capacity and fulfilling his or her obligations under this agreement.

To the extent written instructions or notices are required under this agreement, the custodian may accept or provide such information in any other form permitted by the Code or applicable regulations including, but not limited to, electronic communication.

10.03 **Disclosure of Account Information –** The custodian may use agents and/or subcontractors to assist in administering this Coverdell ESA. The custodian may release nonpublic personal information regarding this Coverdell ESA to such providers as necessary to provide the products and services made available under this agreement, and to evaluate its business operations and analyze potential product, service, or process improvements.

10.04 **Service Fees –** The custodian has the right to charge an annual service fee or other designated fees (e.g., a transfer, rollover, or termination fee) for maintaining this Coverdell ESA. In addition, the custodian has the right to be reimbursed for all reasonable expenses, including legal expenses, incurred in connection with the administration of this Coverdell ESA. The custodian may charge the depositor or responsible individual 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 charge any additional fee after giving the responsible individual 30 days' notice. Fees such as subtransfer agent fees or commissions may be paid to the custodian by third parties for assistance in performing certain transactions with respect to this Coverdell ESA.

Any brokerage commissions 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.

10.05 **Investment of Amounts in the Coverdell ESA –** The responsible individual has exclusive responsibility for and control over the investment of the assets of this Coverdell ESA. All transactions will be subject to any and all restrictions or limitations, direct or indirect, that are imposed by the custodian's 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 clearinghouse where the transaction is executed; the custodian's policies and practices; and this agreement. The custodian will have no discretion to direct any investment in this Coverdell ESA. The custodian assumes no responsibility for rendering investment advice with respect to this Coverdell ESA, nor will the custodian offer any opinion or judgment to the responsible individual or depositor on matters concerning the value or suitability of any investment or proposed investment for this Coverdell ESA. In the absence of instructions from the responsible individual or depositor, or if the instructions are not in a form acceptable to the custodian, the custodian will have the right to hold any uninvested amounts in cash, and the custodian will have no responsibility to invest uninvested cash unless and until directed by the responsible individual. The custodian will not exercise the voting rights and other shareholder rights with respect to investments in this Coverdell ESA unless timely, written directions are provided and are acceptable to the custodian.

The responsible individual will select the investment for the Coverdell ESA assets from those investments that the custodian is authorized by its charter, articles of incorporation, or bylaws to offer and does in fact offer for Coverdell ESAs (e.g., term share accounts, passbook accounts, certificates of deposit, money market accounts).

10.06 **Beneficiaries –** Unless indicated otherwise on the application, the responsible individual may not change the designated beneficiary. If the depositor has indicated on the application that the responsible individual may change the beneficiary designated under this agreement and the responsible individual chooses to do so, the responsible individual must designate a member of the family (as defined in IRC Section 529(e)(2)) of the existing designated beneficiary. This designation can only be made on a form prescribed by the custodian.

The depositor or responsible individual may designate one or more persons or entities as death beneficiaries of this Coverdell ESA. This designation can only be made on a form provided by or acceptable to the custodian, and it will only be effective when it is filed with the custodian during the lifetime of the designated beneficiary. Each beneficiary designation filed with the custodian will cancel all previous designations. The consent of a death beneficiary will not be required in order to revoke a death beneficiary designation. If both primary and contingent death beneficiaries have been named, and no primary death beneficiary survives the designated beneficiary, the contingent death beneficiaries will acquire the designated share of this Coverdell ESA. If a death beneficiary is not designated with

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respect to this Coverdell ESA, or if all of the primary and contingent death beneficiaries predecease the designated beneficiary, the designated beneficiary's estate will be the death beneficiary.

If the designated beneficiary dies before receiving all of the amounts in this Coverdell ESA, the custodian will have no obligation to pay to the death beneficiaries until such time the custodian is notified of the designated beneficiary's death by receiving a valid death certificate. Any balance remaining in the Coverdell ESA upon the death of the designated beneficiary will be distributed within 30 days of the designated beneficiary's death, unless a qualified family member under age 30 is named as a death beneficiary. If the death beneficiary is a qualified family member under age 30, that individual will become the designated beneficiary as of the original designated beneficiary's date of death. Qualified family members are defined in IRC Section 529(e)(2).

The custodian may, for any reason (e.g., due to limitations of its charter or bylaws), require a qualified family member who becomes the designated beneficiary to take a total distribution of the Coverdell ESA by December 31 of the year following the year of the original designated beneficiary's death.

10.07 **Termination of Agreement, Resignation, or Removal of Custodian –** Either the custodian or the responsible individual may terminate this agreement at any time by giving written notice to the other. The custodian can resign as custodian at any time effective 30 days after sending written notice of its resignation to the responsible individual. Upon receipt of that notice, the responsible individual must make arrangements to transfer the Coverdell ESA to another financial organization. If the responsible individual does not complete a transfer of the Coverdell ESA within 30 days from the date the custodian sends the notice to the responsible individual, the custodian has the right to transfer the Coverdell ESA assets to a successor Coverdell ESA trustee or custodian that the custodian chooses in its sole discretion, or the custodian may pay the Coverdell ESA balance to the designated beneficiary in a single sum. The custodian will not be liable for any actions or failures to act on the part of any successor trustee or custodian, nor for any tax consequences the designated beneficiary may incur that result from the transfer or distribution of the Coverdell ESA assets pursuant to this section.

If this agreement is terminated, the custodian may charge the Coverdell ESA a reasonable amount of money that it believes 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 the Coverdell ESA
- Any penalties or surrender charges associated with the early withdrawal of any savings instrument or other investment in the Coverdell ESA

If the custodian is a nonbank custodian required to comply with Regulations section 1.408-2(e) and fails to do so or the custodian is not keeping the records, making the returns or sending the statements as are required by forms or regulations, the IRS may require the custodian to substitute another trustee or custodian.

The custodian may establish a policy requiring distribution of the entire balance of this Coverdell ESA to the designated beneficiary in cash or property if the balance of this Coverdell ESA drops below the minimum balance required under the applicable investment or policy established.

10.08 **Successor Custodian –** If the custodian's organization changes its name, reorganizes, merges with another organization (or comes under the control of any federal or state agency), or if the entire organization (or any portion that includes this Coverdell ESA) is bought by another organization, that organization (or agency) will automatically become the trustee or custodian of this Coverdell ESA, but only if it is the type of organization authorized to serve as a Coverdell ESA trustee or custodian.

10.09 **Amendments –** The custodian has the right to amend this agreement at any time. Any amendment the custodian makes to comply with the Internal Revenue Code and related regulations does not require the consent of either the responsible individual or the depositor. The responsible individual will be deemed to have consented to any other amendment unless, within 30 days from the date the custodian sends the amendment, the responsible individual notifies the custodian in writing that the responsible individual does not consent.

10.10 **Withdrawals or Transfers –** All requests for withdrawal or transfer will be in writing on a form provided by or acceptable to the custodian. The method of distribution must be specified in writing or in any other method acceptable to the custodian. The tax identification number of the designated beneficiary or death beneficiary must be provided to the custodian before the custodian is obligated to make a distribution. Withdrawals will be subject to all applicable tax and other laws and regulations, including but not limited to possible early distribution penalty taxes, surrender charges, and withholding requirements.

10.11 **Transfers From Other Plans –** The custodian can receive amounts transferred to the Coverdell ESA from the trustee or custodian of another Coverdell ESA.

10.12 **Liquidation of Assets –** The custodian has the right to liquidate assets in the Coverdell ESA if necessary to make distributions or to pay fees, expenses, taxes, penalties, or surrender charges properly chargeable against the Coverdell ESA. If the responsible individual fails to direct the custodian as to which assets to liquidate, the custodian will decide, in its complete and sole discretion, and the responsible individual agrees not to hold the custodian liable for any adverse consequences that result from the custodian's decision.

10.13 **Restrictions on the Fund –** Neither the responsible individual, the designated beneficiary (nor anyone acting on behalf of the designated beneficiary), the depositor nor any contributor may sell, transfer or pledge any interest in the Coverdell ESA in any manner whatsoever, except as provided by law or this agreement.

The assets in the Coverdell ESA will not be responsible for the debts, contracts, or torts of the responsible individual, the designated beneficiary, the depositor, or any person entitled to distributions under this agreement.

10.14 **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 the custodian's domicile will govern.

If any part of this agreement is held to be illegal or invalid, the remaining parts will not be affected. Neither the responsible individual's nor the custodian's failure to enforce at any time or for any period of time any of the provisions of this agreement will be construed as a waiver of such provisions, or the parties' right thereafter to enforce each and every such provision.

GENERAL INSTRUCTIONS

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

WHAT'S NEW

Military death gratuity – Families of soldiers who receive military death benefits may contribute, subject to certain limitations, up to 100 percent

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of such benefits into an educational savings account. Publication 970, *Tax Benefits for Education*, explains the rules for rolling over the military death gratuity and lists eligible family members.

Purpose of Form

Form 5305-EA is a model custodial account agreement that meets the requirements of section 530(b)(1) and has been pre-approved by the IRS. A Coverdell education savings account (ESA) is established after the form is fully executed by both the depositor and the custodian. This account must be created in the United States for the exclusive purpose of paying the qualified elementary, secondary, and higher education expenses of the designated beneficiary.

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

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

Definitions

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

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

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

Family Member – Family members of the designated beneficiary include his or her spouse, child, grandchild, sibling, parent, niece or nephew, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law, and the spouse of any such individual. A first cousin, but not his or her spouse, is also a "family member."

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

IDENTIFICATION NUMBERS

The depositor and designated beneficiary's social security numbers will serve as their identification numbers. If the depositor is a nonresident alien and does not have an identification number, write "Foreign" on the return for which is filed to report the depositor's information. The designated beneficiary's social security number is the identification number of his or her Coverdell ESA. If the designated beneficiary is a nonresident alien, the designated beneficiary's individual taxpayer identification number is the identification number of his or her Coverdell ESA. An employer identification number (EIN) is required only for a Coverdell ESA for which a return is filed to report unrelated business income. An EIN is required for a common fund created for Coverdell ESAs.

SPECIFIC INSTRUCTIONS

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

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

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

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DISCLOSURE STATEMENT

REQUIREMENTS OF A COVERDELL ESA

A. **Cash Contributions –** A Coverdell ESA contribution must be in cash.

B. **Maximum Contribution –** The total amount that may be contributed to any and all Coverdell ESAs on behalf of a designated beneficiary is $2,000 per year, excluding rollover and transfer contributions.

Contributions may not be made to a Coverdell ESA after the designated beneficiary's 18th birthday, except in the case of a special needs beneficiary.

The Coverdell ESA contribution that may be made by a depositor is further limited if the depositor's modified adjusted gross income (MAGI) exceeds $190,000 and he or she is a married individual filing jointly ($95,000 for single taxpayers). Married individuals filing jointly with MAGI exceeding $220,000 may not fund a Coverdell ESA. Single individuals with MAGI exceeding $110,000 may not fund a Coverdell ESA. The MAGI limits apply only to depositors that are individuals.

If the depositor is married filing jointly with MAGI between $190,000 and $220,000, the maximum Coverdell ESA contribution is determined as follows: (1) subtract the depositor's MAGI from $220,000, (2) divide the difference by $30,000, and (3) multiply the result in step (2) by $2,000. For example, if the depositor's MAGI is $205,000, the maximum Coverdell ESA contribution that may be made by such depositor is $1,000. This amount is determined as follows: [($220,000 minus $205,000) divided by $30,000] multiplied by $2,000.

If the depositor is a single tax filer with MAGI between $95,000 and $110,000, the maximum Coverdell ESA contribution is determined as follows: (1) subtract the depositor's MAGI from $110,000, (2) divide the difference by $15,000, and (3) multiply the result in step (2) by $2,000. For example, if the depositor's MAGI is $98,000, the maximum Coverdell ESA contribution that may be made by such depositor is $1,600. This amount is determined as follows: [($110,000 minus $98,000) divided by $15,000] multiplied by $2,000.

The Coverdell ESA contribution that may be made by a depositor is not limited by contributions made by the depositor to Traditional or Roth IRAs. In addition, there is no earned income requirement to be eligible to contribute to a Coverdell ESA. There is no requirement that the depositor be related to the designated beneficiary in order to make contributions. In addition, the designated beneficiary may contribute to his or her own Coverdell ESA.

C. **Eligible Custodians –** The custodian of the Coverdell ESA must be a bank, savings and loan association, credit union, or person or entity approved by the Secretary of the Treasury.

D. **Commingling Assets –** The assets of the Coverdell ESA cannot be commingled with other property except in a common trust fund or common investment fund.

E. **Life Insurance –** No portion of the Coverdell ESA may be invested in life insurance contracts.

F. **Collectibles –** The assets of the Coverdell ESA may not be invested in collectibles (within the meaning of Internal Revenue Code (IRC) Sec. 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 IRC Sec. 408(m)(3)) are also permitted as Coverdell ESA investments.

G. **Required Distributions –** Except in the case of a special needs beneficiary, the assets of the Coverdell ESA are required to be distributed to the designated beneficiary within 30 days of the designated beneficiary's attainment of age 30. The designated beneficiary will be subject to both income tax and an additional 10 percent penalty tax on the portion of the distribution that represents earnings, if the designated beneficiary does not have any qualified education expenses in that year.

Any balance remaining in the Coverdell ESA upon the death of the designated beneficiary will be distributed within 30 days of the designated beneficiary's death, unless a death beneficiary is named and the death beneficiary is a qualified family member under age 30. If the death beneficiary is a qualified family member under age 30, that individual will become the designated beneficiary as of the date of death. Qualified family members include the designated beneficiary's child, grandchild, or stepchild, brother, sister, stepbrother, or stepsister, nephew or niece, parents, stepparents, or grandparents, uncle or aunt, spouses of all the family members listed above, cousin, and the designated beneficiary's spouse.

If a qualified family member becomes the designated beneficiary, the custodian, if it so chooses for any reason (e.g., due to limitations of its charter or bylaws), may require a total distribution of the Coverdell ESA by December 31 of the year following the year of the original designated beneficiary's death.

H. **Responsible Individual –** The responsible individual is generally the parent or guardian of the designated beneficiary. However, the financial organization may establish a policy that permits someone other than the designated beneficiary's parent or legal guardian to serve as the responsible individual. Unless otherwise indicated on the application, the responsible individual may not change the designated beneficiary. If the depositor has indicated on the application that the responsible individual may change the designated beneficiary, the responsible individual may change the designated beneficiary to another member of the designated beneficiary's family. The responsible individual will perform the following duties.

1. Receive a copy of the plan agreement and disclosure statement,
2. Direct the custodian regarding the investment of contributions, including the ability to redirect the investment of the initial contribution,
3. Direct the custodian regarding the administration, management and distribution of the account, unless the plan agreement indicates otherwise,
4. Name a successor responsible individual if the need arises,
5. Notify the custodian of any address change for the individuals identified on the plan agreement,
6. Remove excess contributions made to the Coverdell ESA.

INCOME TAX CONSEQUENCES OF ESTABLISHING A COVERDELL ESA

A. **Contributions Not Deducted –** No deduction is allowed for Coverdell ESA contributions, including transfer and rollover contributions.

B. **Contribution Deadline –** The deadline for making a Coverdell ESA contribution is the depositor's tax return due date (not including extensions).The depositor may designate a contribution as a contribution for the preceding taxable year in a manner acceptable to the custodian. For example, if the depositor is a calendar-year filer and makes a Coverdell ESA contribution on or before the tax filing deadline, the contribution is considered to have been made for the previous tax year if the depositor designates it as such.

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C. **Excess Contributions –** An excess contribution is any amount that is contributed to the Coverdell ESA that exceeds the eligible contribution limit. If the excess is not corrected timely, an additional penalty tax of six percent will be imposed on the excess amount. The procedure for correcting the excess is determined by the timeliness of the correction as identified below.

1. **Removal Before the Deadline.** The responsible individual should remove the excess contribution along with the earnings attributable to the excess, before June 1 of the year following the year for which the excess was made. An excess withdrawn by this deadline is not taxable upon distribution, but the designated beneficiary must include the earnings attributable to the excess in his or her taxable income for the year in which the excess contribution was made. The six percent excess contribution penalty tax will be avoided.

2. **Failure to Remove Before the Deadline.** Excess Coverdell ESA contributions that are not removed before June 1 of the year following the year for which the excess was made, are treated as contributions for the next calendar year. If, however, additional contributions are made for that year and the total amount results in an excess, the excess amount will be subject to a six percent penalty tax if not removed timely.

   If additional contributions have been made for the next year, the amount of the excess equals the excess contribution for the current year, plus the excess contributions remaining from the preceding year, reduced by any distributions made during the current year.

The designated beneficiary must file IRS form 5329 to report and remit any additional penalty taxes to the IRS.

D. **Tax-Deferred Earnings –** The investment earnings of the Coverdell ESA are not subject to federal income tax as they accumulate in the Coverdell ESA. 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.

E. **Taxation of Distributions –** The taxation of distributions from the Coverdell ESA depends on whether or not the distributions are used for qualified education expenses.

1. **Qualified Education Expenses.** The designated beneficiary may take tax-free distributions from a Coverdell ESA to pay for elementary, secondary or post-secondary education expenses at an eligible educational institution. Such 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.

2. **Nonqualifying Distributions.** If a designated beneficiary withdraws amounts from a Coverdell ESA that 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 of a nonqualified distribution, the taxable portion of a Coverdell ESA distribution is also subject to an additional 10 percent penalty tax. There are several exceptions to the 10 percent penalty tax including distributions made payable

   a. to a designated death beneficiary of the Coverdell ESA or to the estate of the designated beneficiary following the death of the designated beneficiary;

   b. to the designated beneficiary if the designated beneficiary is disabled;

   c. 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

   d. to the designated beneficiary as a removal of excess along with the net income attributable.

3. **American Opportunity or Lifetime Learning Credits.** A designated beneficiary may claim the American Opportunity Credit (formerly the Hope Credit) or 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 American Opportunity or Lifetime Learning Credit.

F. **Income Tax Withholding –** Any withdrawal from the Coverdell ESA is not subject to federal income tax withholding.

G. **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. For questions regarding a rollover, please see a competent tax advisor.

1. **Coverdell ESA-to-Coverdell ESA Rollovers.** Assets 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 IRC Sec. 530(d)(5) are met. A proper Coverdell ESA-to-Coverdell ESA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received.

   Effective for distributions occurring on or after January 1, 2015, the responsible individual is permitted to roll over only one distribution from a Coverdell ESA in a 12-month period, regardless of the number of Coverdell ESAs owned by the designated beneficiary. A distribution may be rolled over to the same Coverdell ESA or to another Coverdell ESA that is eligible to receive the rollover. For more information on rollover limitations, you may wish to obtain IRS Publication 970, *Tax Benefits for Higher Education*, from the IRS or refer to the IRS website at www.irs.gov.

2. **Qualified Family Member.** A Coverdell ESA may be rolled to another Coverdell ESA of the same designated beneficiary or to a Coverdell ESA maintained for the benefit of a qualified family member of the designated beneficiary, who is under the age of 30. The age 30 limitation does not apply to qualified family members who are special needs beneficiaries. Qualified family members of the designated beneficiary include the designated beneficiary's child, grandchild, or stepchild, brother, sister, stepbrother, or stepsister, nephew or niece, parents, stepparents, or grandparents, uncle or aunt, spouses of all the family members listed above, cousin, and designated beneficiary's spouse.

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3. **Rollover of Military Death Benefits.** If a designated beneficiary receives or has received a military death gratuity or a payment from the Servicemembers' Group Life Insurance (SGLI) program, the designated beneficiary may be able to roll over the proceeds to the Coverdell ESA. The rollover contribution amount is limited to the sum of the death benefits or SGLI payment received, less any such amount that was rolled over to a Roth IRA. Proceeds must be rolled over within one year of receipt of the gratuity or SGLI payment for deaths occurring on or after June 17, 2008. Any amount that is rolled over under this provision is considered nontaxable basis in the Coverdell ESA.

LIMITATIONS AND RESTRICTIONS

A. **Gift Tax –** Transfers of Coverdell ESA assets to a death designated beneficiary made during the designated beneficiary's life and at his or her request or because of the designated beneficiary's failure to instruct otherwise, may be subject to federal gift tax under IRC Sec. 2501.

B. **Prohibited Transactions –** If the responsible individual engages in a prohibited transaction with the Coverdell ESA as described in IRC Sec. 4975, the Coverdell ESA will lose its tax-deferred status and the designated beneficiary must include the value of the earnings in his or her account in his or her gross income for the year.

C. **Pledging –** If the responsible individual pledges any portion of the Coverdell ESA as collateral for a loan, the amount so pledged will be treated as a distribution and may be included in the designated beneficiary's gross income for that year to the extent that it represents earnings.

OTHER

A. **IRS Plan Approval –** The agreement used to establish this Coverdell ESA 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 –** Additional information on Coverdell ESAs may be obtained from the District Office of the IRS. In particular IRS Publication 970, *Tax Benefits For Higher Education*, may be obtained by calling 1-800-TAX-FORM, 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. Therefore, when the depositor opens an account, he or she is required to provide his or her name, residential address, date of birth, and identification number. The custodian may require other information that will allow them to identify the depositor.

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CHANNEL FUNDS
COVERDELL ESA APPLICATION

PO Box 46707
Cincinnati, OH 45246
(877) 627-8504

RESPONSIBLE INDIVIDUAL'S INFORMATION			
Name		**Social Security Number**	
Street Address (No P.O. Boxes Please)		**City, State, and Zip**	
Date of Birth	**Phone**	**Relationship to Beneficiary**	**E-mail Address**

DESIGNATED BENEFICIARY'S INFORMATION		DEPOSITOR'S INFORMATION	
Name		**Name**	
Social Security Number		**Social Security Number**	
Date of Birth		**Date of Birth**	

INVESTMENT SELECTION

Invest the Assets in the following manner:

4528 – Channel Short Duration Income Fund $ _____

$2,500 minimum investment for each Fund in the Coverdell ESA;

Please also note that the Funds do not accept cash, third party checks, starter checks, traveler's checks, cashier's checks, or money orders. Consult the Prospectus for further information and **please make your check payable to Channel Funds**.

CONTRIBUTION TYPE

☐ **Annual Contribution** ☐ **Rollover** ☐ **Transfer**

CONTRIBUTION INFORMATION

Contribution Date	Contribution Amount	Contribution Tax Year

Answer "Yes" or "No" to each of the following questions by checking the appropriate box. If a box is not checked for a question, the answer will be deemed to be "No".

☐ Yes ☐ No The Responsible Individual may change the beneficiary designated under this agreement to another member of the Designated Beneficiary's family described in Section 529(e)(2) in accordance with the Custodian's procedures.

☐ Yes ☐ No 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.

SUCCESSOR COVERDELL ESA RESPONSIBLE INDIVIDUAL

In the event of the death or legal incapacity of the Responsible Individual while the Designated Beneficiary is a minor under state law, I designate the following individual as the Responsible Individual. If no successor is named, the Successor Responsible Individual shall be the Designated Beneficiary's parent or guardian.

Successor Responsible Individual's Name and Address	Phone	Date of Birth	Social Security Number	Relationship to Designated Beneficiary

COVERDELL ESA DEATH BENEFICIARY

To name more than one primary death beneficiary or to name contingent death beneficiary(ies), a separate Coverdell ESA Designation of Beneficiary form must be used.

I designate the individual named below as the primary death beneficiary of 100 percent of this Coverdell ESA. I have included a separate page, if necessary, with additional beneficiary information.

Death Beneficiary's Name and Address	Date of Birth	Social Security Number	Relationship to Designated Beneficiary

REDEMPTIONS BY TELEPHONE

☐ Check here if you wish to DECLINE telephone redemption privileges. Unless you indicate otherwise, you will have telephone redemption privileges on this account.

AUTOMATIC INVESTMENT/WITHDRAWAL OPTION

Channel Funds also offer an Automatic Investment/Withdrawal Plan for regular interval purchases or withdrawals.
Please (877) 627-8504 for more information.

DUPLICATE ACCOUNT STATEMENTS			
Please send a duplicate account statement to the party below: (If more than one duplicate desired, please attach additional names and addresses)			
Name		**Phone Number**	
Street Address		**City, State, and Zip**	

BANKING INSTRUCTIONS			
Complete this section to add banking instructions to your account			
Bank Name		**Bank Address**	
Bank Phone Number		**Account Type**	☐ Checking Account ☐ Savings Account
Bank Account Number		**Routing/ABA Number***	

PLEASE ATTACH A VOIDED CHECK HERE

***ACH Routing Number IMPORTANT NOTE:**

Many financial institutions use a different account number than the one that appears on your check. Please contact your local office to obtain the proper account numbers for processing an Electronic Funds Transfer (EFT) transaction. You may need to explain that you are asking for the routing number in order to have funds drafted from your account electronically.

ANNUAL MAINTENANCE FEE

Unless the annual maintenance fee is received by the Fund prior to December 15th of each calendar year, we will redeem sufficient shares from your account to pay the fee.

BROKER INFORMATION (If Applicable)			
Dealer Name		**Dealer Number**	
Branch Name		**Branch Number**	
Representative Name		**Representative Number**	
Mailing Address		**Phone**	
Representative Signature			

SIGNATURES

Important: Please read before signing. The signature of the Responsible Individual should be obtained if someone other than the Depositor will be the Responsible Individual.
I understand the eligibility requirements for the type of Coverdell ESA deposit I am making and I state that I do qualify to make the deposit. I have received a copy of the Application, the 5305-EA Plan Agreement and the Disclosure Statement. I understand that the terms and conditions which apply to this Coverdell ESA are contained in this Application and the Plan Agreement. I agree to be bound by those terms and conditions. I hereby appoint Huntington Bank, N.A. to serve as Custodian. I hereby certify that the above Social Security Number is true and correct. I hereby certify that I have full right and power, and legal capacity to purchase shares of the Fund(s) and affirm that I have received a current Prospectus and understand the investment objectives and policies stated therein.

I assume complete responsibility for:

1. Determining that I am eligible to contribute to a Coverdell ESA each year I make a contribution.
2. Ensuring that all contributions I make are within the limits set forth by the tax laws.
3. Certifying that I am qualified to assume the responsibilities of the Responsible Individual as set forth in the Plan Agreement, if I am designated on this Application as the Responsible Individual.
4. Managing and administering the Coverdell ESA and authorizing transactions involving contributions (including rollover contributions) and distributions, if I am designated on this Application as the Responsible Individual.

_____ _____ _____ _____

(Coverdell ESA Depositor) (Date) (Coverdell ESA Responsible Individual) (Date)

CHANNEL FUNDS
COVERDELL ESA TRANSFER REQUEST

Use this form to transfer ESA assets TO Channel Funds

PO Box 46707
Cincinnati, OH 45246
(877) 627-8504

DESIGNATED BENEFICIARY'S NAME AND ADDRESS (Transferring Coverdell ESA)			CURRENT COVERDELL ESA TRUSTEE'S OR CUSTODIAN'S NAME AND ADDRESS	
Social Security Number	**Date of Birth**	**Phone**	**Coverdell ESA Account Identification (Transferring Coverdell ESA)**	**Custodian's Phone Number**

RULES AND CONDITIONS APPLICABLE TO TRANSFERS

This form should only be used when Coverdell ESA assets are being moved directly from financial institution to financial institution. Thus, as noted below, the check will be made payable directly to the receiving Coverdell ESA Trustee or Custodian. Transfer of Coverdell ESA assets is a reportable transaction to the IRS.

NOTE: *IRS 1099-Q instructions require that in a transfer between Coverdell ESAs, the distributing Coverdell ESA Custodian must provide the receiving Coverdell ESA Custodian with a statement reporting the earnings portion of the distribution within 30 days of the distribution or January 10, whichever is earlier.*

INVESTMENT INSTRUCTIONS

☐ New Account (application attached) ☐ Existing Account (list number below)

_____

Invest the Assets in the following manner:

4528 – Channel Short Duration Income Fund $ _____

TRANSFER INSTRUCTIONS

☐ In-Kind Transfer of Channel Funds Shares (Do not liquidate)

or

☐ Liquidate and Transfer (select one option below):

- ☐ All
- ☐ Partial $ _____ or _____ %
- ☐ Other – Attached are additional transfer instructions

Name of Asset to be liquidated:

_____

Please make a check payable and mail as follows:

Channel Funds
FBO <Shareholder Name> CESA
Account # _____
PO Box 46707
Cincinnati, OH 45246

SIGNATURE OF RESPONSIBLE INDIVIDUAL

I hereby appoint Huntington Bank, N.A. to serve as Custodian in accordance with the terms and conditions of this document and hereby acknowledge that I have read the Disclosure Statement contained herein and understand that the account is subject to an annual fee of $15. I hereby certify that the above Social Security Number is true and correct.

I certify that I am the proper party to authorize the transfer of the Coverdell ESA assets in the manner described above and certify that all of the information provided by me is correct and may be relied upon by the Trustee or Custodian.

I understand that I am responsible for determining that this Coverdell ESA transfer qualifies under the rules and conditions applicable to such transfers and agree to abide by those rules and conditions. I assume responsibility for any tax consequences or penalties that may apply to the transfer of these assets and I agree that the Trustee or Custodian shall in no way be held responsible.

_____ _____
(Coverdell Responsible Individual) (Date)

ACCEPTING COVERDELL ESA TRUSTEE OR CUSTODIAN

Our organization agrees to serve as the new Trustee or Custodian for the account of the above-named individual, and as Trustee or Custodian, we agree to accept the assets being transferred.

_____ _____
(Authorized Signature of New Trustee or Custodian) (Date)

Please contact your resigning trustee/custodian as they may require a member of the medallion program to guarantee your signature.

Medallion Signature Guarantee

To learn more about our funds,
or to discuss an existing account,

please call (877) 627-8504

Monday through Friday
8:00 am to 6:00 pm ET

Rev. November 2017

Privacy Notice

FACTS	WHAT DOES UNIFIED SERIES TRUST DO WITH YOUR PERSONAL INFORMATION?
Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: ▪ Social Security number ▪ Assets ▪ Retirement Assets ▪ Transaction History ▪ Checking Account Information ▪ Purchase History ▪ Account Balances ▪ Account Transactions ▪ Wire Transfer Instructions When you are *no longer* our customer, we continue to share your information as described in this notice.
How?	All financial companies need to share your personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Unified Series Trust chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Unified Series Trust share?	Can you limit this sharing?
For our everyday business purposes – Such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes – information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?	Call: 1-877-627-8504

Who we are		
Who is providing this notice?	Unified Series Trust Channel Investment Partners LLC (Adviser)	Ultimus Fund Distributors, LLC (Distributor) Ultimus Fund Solutions, LLC and Affiliates (Administrator)
What we do		
How does Unified Series Trust protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings. Our service providers are held accountable for adhering to strict policies and procedures to prevent any misuse of your nonpublic personal information.	
How does Unified Series Trust collect my personal information?	We collect your personal information, for example, when you ▪ Open an account ▪ Provide account information ▪ Give us your contact information ▪ Make deposits or withdrawals from your account ▪ Make a wire transfer ▪ Tell us where to send the money ▪ Tells us who receives the money ▪ Show your government-issued ID ▪ Show your driver's license We also collect your personal information from other companies.	
Why can't I limit all sharing?	Federal law gives you the right to limit only ▪ Sharing for affiliates' everyday business purposes – information about your creditworthiness ▪ Affiliates from using your information to market to you ▪ Sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.	
Definitions		
Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies.	
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies ▪ *Unified Series Trust does not share with nonaffiliates.*	
Joint marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. ▪ *Unified Series Trust does not jointly market.*	