



# State Farm Mutual Funds® Traditional Individual Retirement Account Custodial Account Agreement

The Participant by signing the State Farm Mutual Funds Traditional IRA Application (the "Application"), and State Farm Bank®, Bloomington, Illinois (hereinafter referred to as "Custodian") by processing the Application and opening the Account have created this Custodial Account Agreement (the "Agreement") to establish a Traditional Individual Retirement Account ("IRA") under Internal Revenue Code ("Code") Section 408. The Participant has made an initial contribution or a contribution has been made on behalf of the Participant to the IRA as indicated on the Application. The Application is hereby made a part of this Agreement.

## ARTICLE I – DEFINITIONS

- 1.1 *Beneficiary* means the person(s) designated as a beneficiary pursuant to Section 5.5.
- 1.2 *Compensation* means wages, salaries, professional fees or other amounts derived from personal services actually rendered (including, but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, and bonuses) and includes earned income, as defined in Code Section 401(c)(2), (reduced by the deduction a self-employed individual takes for contributions made to a self-employed retirement plan). For purposes of this definition, Code Section 401(c)(2) shall be applied as if the term "trade" or "business" for purposes of Code Section 1402 included service described in subsection (c)(6). Compensation does not include amounts derived from or received as earnings or profits from property (including, but not limited to, interest and dividends) or amounts not includable in gross income (determined without regard to Code Section 112). Compensation does not include any amount received as a pension or annuity or as deferred compensation. The term "compensation" shall include any amount includable in the individual's gross income under Code Section 71 with respect to a divorce or separation instrument described in subparagraph (A) of Code Section 71(b)(2). The term "compensation" includes any differential wage payments as defined in Code Section 3401(h)(2).
- 1.3 *Custodian* means State Farm Bank, and any successor thereto ("Successor Custodian") as herein provided.
- 1.4 *Fund or Funds* means the Investment Company or Companies in which assets of the IRA may be invested; provided that no Investment Company will be deemed available for investment hereunder (i) prior to the date the prospectus for such Investment Company discloses such availability, or (ii) with respect to any Participant who resides in any state with respect to which shares of the Investment Company are not available for sale.
- 1.5 *Participant* means the individual who has signed the Application and makes contributions (or on whose behalf contributions are made) in the manner prescribed herein.
- 1.6 *Shares* means shares of beneficial interest in the Funds.
- 1.7 *Written or Writing* includes electronic documents or records, facsimile, or via any other medium that the Custodian may choose.

## ARTICLE II – ESTABLISHMENT OF PARTICIPANT'S CUSTODIAL ACCOUNT

- 2.1 The Custodian shall establish and maintain a Custodial Account for the exclusive benefit of the Participant or his/her Beneficiary (ies). If this is an inherited IRA within the meaning of Code Section 408(d)(3)(C) maintained for the benefit of a Beneficiary of a deceased individual, references in this document to the "individual" are to the deceased individual. The Custodial Account shall be kept in a manner which will permit an accurate determination of the contributions and any other transactions made by, or on behalf of, the Participant. The Participant shall promptly notify the Custodian orally or in writing of any change in Participant's address and in writing of any change in Participant's name.
- 2.2 The Participant may revoke the Custodial Account established hereunder by mailing or delivering a written notice of revocation to the Custodian within seven days after the establishment of the Participant's Custodial Account. Notice is treated as given to the Custodian on date of the postmark (or on the date of Post Office certification or registration in the case of notice sent by certified or registered mail), or the date the electronic document or record, or facsimile, is sent. Upon timely revocation, the Participant will receive a payment equal to the initial contribution, without adjustment for administrative expenses, commissions or sales charges, fluctuations in market value or other charges.

## ARTICLE III – CONTRIBUTIONS

- 3.1 **ACCEPTANCE OF CONTRIBUTIONS** - Contributions must be in cash (except for rollovers, transfers or *recharacterizations* (as defined in Code Section 408A(d)(6))) from or on behalf of the Participant, subject to the limitations and requirements of this Article III.
- 3.2 **RESTRICTIONS ON CONTRIBUTIONS** - No contributions may be made by or on behalf of a Participant for any taxable year of the Participant during which such Participant has attained or will attain the age of 70½ (except rollover contributions, transfers, recharacterizations or Simplified Employee Pension (SEP) (as described in Code Section 408(k)) contributions).
- 3.3 **AMOUNTS OF CONTRIBUTIONS**
  - (a) Except in the case of a rollover or transfer contribution (as permitted by Code Sections 402(c), 402(e)(6), 403(a)(4), 403(b)(8), 403(b)(10), 408(d)(3) and 457(e)(16)), a recharacterized contribution in Code Section 408A(d)(6), or a contribution made in accordance with the terms of a Simplified Employee Pension (SEP) as described in Code Section 408(k), no contributions will be accepted unless they are in cash, and the total of such contributions shall not exceed:  
\$5,000 for any taxable year beginning in 2008 and years thereafter.  
After 2008, the limit will be adjusted by the Secretary of the Treasury for cost-of-living increases under Code Section 219(b)(5)(D). Such adjustments will be in multiples of \$500.
  - (b) In the case of an individual who is 50 or older by the end of the taxable year, the annual cash contribution limit is increased by \$1,000 for the 2007 taxable year and years thereafter.

**Funds invested pursuant to this agreement are not insured by the Federal Deposit Insurance Corporation (FDIC) merely because the trustee or custodian is a Federal savings association the accounts of which are covered by such insurance. Only investments in the accounts of a Federal savings association are insured by the FDIC, subject to its rules and regulations.**

- (c) In addition to the amounts described in paragraphs (a) and (b) above, an individual may make additional contributions specifically authorized by statute - such as repayments of qualified reservist distributions, repayments of certain plan distributions made on account of a federally declared disaster and certain amounts received in connection with the Exxon Valdez litigation.
  - (d) In addition to the amounts described in paragraphs (a) and (c) above, an individual who was a participant in a Code Section 401(k) plan of a certain employer in bankruptcy described in Code Section 219(b)(5)(C) may contribute up to \$3,000 for taxable years beginning after 2006 and before 2010 only. An individual who makes contributions under this paragraph (d) may not also make contributions under paragraph (b).
  - (e) Contributions for a given taxable year may be made during such year or not later than the time prescribed by law for filing the Participant's federal income tax return for such taxable year (not including extensions of time for filing unless the contribution is a SEP contribution).
  - (f) All contributions are subject to the minimum investment requirements established by the Funds. Contributions shall be invested pursuant to instructions in a form, manner and medium acceptable to the Custodian specifying the Fund in which they are to be invested.
  - (g) No contributions will be accepted under a SIMPLE IRA plan established by any employer pursuant to Code Section 408(p). Also, no transfer or rollover of funds attributable to contributions made by a particular employer under its SIMPLE IRA plan will be accepted from a SIMPLE IRA, that is, an IRA used in conjunction with a SIMPLE IRA plan, prior to the expiration of the 2-year period beginning on the date the individual first participated in that employer's SIMPLE IRA plan.
  - (h) If this is an inherited IRA within the meaning of Code Section 408(d)(3)(C), no contributions will be accepted.
- 3.4 **ROLLOVER CONTRIBUTIONS AND TRANSFERS** - The Custodian may accept rollover contributions and transfers as a deposit to the Custodial Account, as described in Article VI. The Participant shall execute such forms as the Custodian may require describing the source of the rollover contribution or transfer. The Custodian will not accept certain rollover contributions or transfers as described in Section 6.2.
- 3.5 **SEP CONTRIBUTIONS** - The amounts of contributions made on behalf of Participants for each year shall be the amounts determined and made by the Participant's employer under the employer's SEP plan. Contributions for a given taxable year may be made during such year or not later than the time prescribed by law for filing the employer's federal income tax return for such taxable year (including extensions of time for filing). All contributions must be made in cash and are subject to the minimum investment requirements established by the Funds. The Custodian will report all SEP contributions on a calendar year basis.
- 3.6 **PARTICIPANT RESPONSIBILITY** - The Participant shall have the responsibility for determining whether any contribution, rollover, transfer, or recharacterization meets applicable income tax requirements.

#### **ARTICLE IV – NONFORFEITABLE AND NONTRANSFERABLE**

The interest of the Participant in the balance in the Custodial Account shall at all times be nonforfeitable and nontransferable, but shall be subject to the fees, expenses and charges described in Article VIII.

#### **ARTICLE V – PAYMENT OF BENEFITS**

##### **5.1 DISTRIBUTIONS DURING LIFETIME**

- (a) Notwithstanding any provision of this Agreement to the contrary, the distribution of the Participant's interest in the Custodial Account shall be made in accordance with the requirements of Code Section 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference. If distributions are made from an annuity contract purchased from an insurance company, distributions thereunder must satisfy the requirements of Q&A-4 of Section 1.401(a)(9)-6 of the Income Tax Regulations, rather than paragraphs (b), (c) and (d) below and Section 5.2. The required minimum distributions calculated for this IRA may be withdrawn from another IRA of the Participant in accordance with Q&A-9 of Section 1.408-8 of the Income Tax Regulations. If this is an inherited IRA within the meaning of Code Section 408(d)(3)(C), the preceding sentence and paragraphs (b), (c), and (d) below do not apply.
- (b) The entire value of the Custodial Account of the Participant for whose benefit the Custodial Account is maintained will commence to be distributed no later than the first day of April following the calendar year in which such Participant attains age 70½ (the "required beginning date") over the life of such Participant or the lives of such Participant and his or her designated beneficiary.
- (c) The amount to be distributed each year, beginning with the calendar year in which the Participant attains age 70½ and continuing through the year of death, shall not be less than the quotient obtained by dividing the value of the IRA (as determined under Section 5.2(c)) as of the end of the preceding year by the distribution period in the Uniform Lifetime Table in Q&A-2 of Section 1.401(a)(9)-9 of the Income Tax Regulations, using the Participant's age as of his or her birthday in the year. However, if the Participant's sole Beneficiary for the entire year is his or her spouse and such spouse is more than 10 years younger than the Participant, then the distribution period is determined under the Joint and Last Survivor Table in Q&A-3 of Section 1.401(a)(9)-9, using the ages as of the Participant's and spouse's birthdays in the year.
- (d) The required minimum distribution for the year the Participant attains age 70½ can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.
- (e) The Participant may, at any time, request a distribution of part or all of the balance in his/her Custodial Account. The request shall be made to the Custodian in a form, manner and medium acceptable to the Custodian. The Custodian will confirm to the Participant the redemption of Shares made pursuant to any distribution from the Custodial Account.

##### **5.2 DISTRIBUTIONS ON DEATH**

- (a) If the sole Beneficiary is the Participant's surviving spouse, the spouse may elect to treat the IRA as his or her own IRA. This election will be deemed to have been made if such surviving spouse makes a contribution to the IRA or fails to take required distributions as a beneficiary.
- (b) **Death Before Required Beginning Date**  
If the Participant dies before the required beginning date, his or her entire interest will be distributed in an amount at least equal to the following:

- (i) If the Beneficiary is someone other than the Participant's surviving spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of the Participant's death, over the remaining life expectancy of the Beneficiary, with such life expectancy determined using the age of the Beneficiary as of his or her birthday in the year following the year of the Participant's death, or, if elected, in accordance with paragraph (b)(iii) below. If this is an inherited IRA within the meaning of Code Section 408(d)(3)(C) established for the benefit of a nonspouse Beneficiary by a direct trustee-to-trustee transfer from a retirement plan of a deceased individual under Code Section 402(c)(11), then, notwithstanding any election made by the deceased individual pursuant to the preceding sentence, the nonspouse Beneficiary may elect to have distributions made under this paragraph (b)(i) if the transfer is made no later than the end of the year following the year of death.
- (ii) If the Participant's sole Beneficiary is the Participant's surviving spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of the Participant's death (or by the end of the calendar year in which the Participant would have attained age 70½, if later), over such spouse's life expectancy, or, if elected, in accordance with paragraph (b)(iii) below. If the surviving spouse dies before distributions are required to begin, the remaining interest will be distributed, starting by the end of the calendar year following the calendar year of the spouse's death, over the spouse's Beneficiary's remaining life expectancy determined using such beneficiary's age as of his or her birthday in the year following the year of the death of the spouse, or, if elected, will be distributed in accordance with paragraph (b)(iii) below. If the surviving spouse dies after distributions are required to begin, any remaining interest will be distributed over the spouse's remaining life expectancy determined using the spouse's age as of his or her birthday in the year of the spouse's death.
- (iii) If there is no Beneficiary, or if applicable by operation of paragraph (b)(i) or (b)(ii) above, the entire interest will be distributed by the end of the calendar year containing the fifth anniversary of the Participant's death (or of the spouse's death in the case of the surviving spouse's death before distributions are required to begin under paragraph (b)(ii) above).
- (iv) The amount to be distributed each year under paragraph (b)(i) or (ii) is the quotient obtained by dividing the value of the IRA as of the end of the preceding year by the remaining life expectancy specified in such paragraph. Life expectancy is determined using the Single Life Table in Q&A-1 of Section 1.401(a)(9)-9 of the Income Tax Regulations.
- (v) If distributions are being made to a surviving spouse as the sole Beneficiary, such spouse's remaining life expectancy for a year is the number in the Single Life Table corresponding to such spouse's age in the year. In all other cases, remaining life expectancy for a year is the number in the Single Life Table corresponding to the Beneficiary's age in the year specified in paragraph (b)(i) or (ii) and reduced by 1 for each subsequent year.

(c) *Death On or After Required Beginning Date*

If the Participant dies on or after the required beginning date, the remaining portion of his or her interest will be distributed in an amount at least equal to the following:

- (i) If the Beneficiary is someone other than the Participant's surviving spouse, the remaining interest will be distributed over the remaining life expectancy of the Beneficiary, with such life expectancy determined using the beneficiary's age as of his or her birthday in the year following the year of the Participant's death, or over the period described in paragraph (c) (iii) below if longer.
  - (ii) If the Participant's sole Beneficiary is the Participant's surviving spouse, the remaining interest will be distributed over such spouse's life expectancy or over the period described in paragraph (c)(iii) below if longer. Any interest remaining after such spouse's death will be distributed over such spouse's remaining life expectancy determined using the spouse's age as of his or her birthday in the year of the spouse's death, or, if the distributions are being made over the period described in paragraph (c)(iii) below, over such period.
  - (iii) If there is no Beneficiary, or if applicable by operation of paragraph (c)(i) or (c)(ii) above, the remaining interest will be distributed over the Participant's remaining life expectancy determined in the year of the Participant's death.
  - (iv) The amount to be distributed each year under paragraph (c)(i), (ii) or (iii), beginning with the calendar year following the calendar year of the Participant's death, is the quotient obtained by dividing the value of the IRA as of the end of the preceding year by the remaining life expectancy specified in such paragraph. Life expectancy is determined using the Single Life Table in Q&A-1 of Section 1.401(a)(9)-9 of the Income Tax Regulations.
  - (v) If distributions are being made to a surviving spouse as the sole Beneficiary, such spouse's remaining life expectancy for a year is the number in the Single Life Table corresponding to such spouse's age in the year. In all other cases, remaining life expectancy for a year is the number in the Single Life Table corresponding to the beneficiary's or Participant's age in the year specified in paragraph (c)(i), (ii) or (iii) and reduced by 1 for each subsequent year.
- (d) The "value" of the IRA includes the amount of any outstanding rollover, transfer and recharacterization under Q&As-7 and -8 of Section 1.408-8 of the Income Tax Regulations.
- (e) The required minimum distributions payable to a Beneficiary from this IRA may be withdrawn from another IRA the beneficiary holds from the same decedent in accordance with Q&A-9 of Section 1.408-8 of the Income Tax Regulations.
- (f) Following the Participant's death, the Beneficiary may, at any time, request a distribution of part or all of the balance in the Participant's Custodial Account. The request shall be made to the Custodian in writing and in a form acceptable to the Custodian. The Custodian will confirm to the Beneficiary the redemption of Shares made pursuant to any distribution from the Custodial Account.

5.3 **WITHDRAWAL OF EXCESS CONTRIBUTIONS** - The Participant may elect to withdraw any excess contributions (as described in Code Section 408(d)(4)) made to the Custodial Account and, if withdrawn pursuant to Code Section 408(d)(4), the net income attributable thereto. Participant must furnish Custodian a written notice (in a manner acceptable to Custodian) of the election to make such a withdrawal. The Custodian shall not have any responsibility for determining whether an excess contribution has been made or for notifying the Participant of such an excess contribution.

5.4 **PARTICIPANT AND BENEFICIARY RESPONSIBILITY** - The Participant has the sole responsibility for electing distributions that comply with the distribution rules described in Sections 5.1 and 5.3, and the Custodian shall not be responsible for any tax penalties or other damages that result from a failure to elect such distributions. If the Participant fails to elect such distributions, the Custodian may, in its sole discretion and without any requirement to do so, make such distributions as it determines are required. Premature distributions from the Custodial Account may be subject to a penalty tax under Code Section 72(t). The Custodian assumes no responsibility for the tax treatment of any distribution from the Custodial Account; such responsibility is solely that of the Participant ordering the distribution. The Beneficiary has the sole responsibility for electing distributions that comply with the distribution rules described in Section 5.2, and the Custodian shall not be responsible for any tax penalties or other damages that result from a failure to elect such distributions. If the Beneficiary fails to elect such distributions, the Custodian may, in its sole discretion and without any requirement that it do so, make such distributions as it determines are required.

5.5 **DESIGNATION OF BENEFICIARY**

- (a) A Participant shall have the right to designate, or to change, the Beneficiary to receive any amount to which Participant may be entitled in the event of death before the complete distribution of such benefits. Such designation shall be made on the *Application, Designation or Change of Beneficiary Form*, or other form permitted by the Custodian for purposes of naming a Beneficiary. An *Application, Designation or Change of Beneficiary Form*, or other form permitted by the Custodian for purposes of naming a Beneficiary, dated and signed by the Participant, shall be valid only if the original form is filed with the Custodian prior to the death of the Participant, subject to the Custodian's right to refuse designations for any reason (e.g., illegibility, incompleteness, or inability to administer). A valid designation of Beneficiary replaces any prior designations of Beneficiary.
- (b) In order to qualify to receive payments of any amounts payable under the IRA:
  - (i) An individual Beneficiary (whether Primary or Secondary) must survive the Participant.
  - (ii) A trust (whether Primary or Secondary Beneficiary) must be valid and in effect, and a trustee must be qualified to act, at the time such payment becomes due.
- (c) All sums payable upon the Participant's death:
  - (i) Shall be divided equally between and paid in equal shares to all surviving Primary Beneficiaries named, unless otherwise designated by the Participant pursuant to Section 5.5(a) of this Agreement.
  - (ii) If there are no surviving Primary Beneficiaries, the payment shall be divided equally between and paid in equal shares to all surviving Secondary Beneficiaries named, unless otherwise designated by the Participant pursuant to Section 5.5(a) of this Agreement.
  - (iii) If there are no surviving Beneficiaries (Primary or Secondary), or no Beneficiaries are named, such payment shall be made to the Participant's surviving spouse as determined under the laws of the Participant's state of residence, or if there is no surviving spouse to the executor(s) or administrator(s) of the Participant's estate.
  - (iv) After the Participant's death, a Beneficiary may designate a Beneficiary(ies) to receive amounts upon the death of the original Beneficiary, on a form permitted by the Custodian. Such designation form shall only be effective when filed with the Custodian before the death of the original Beneficiary. If no such designation is in effect on the original Beneficiary's death, the Custodial Account shall be distributed to the original Beneficiary's estate.
- (d) Subject to Section 5.5(c):
  - (i) If a trust is designated as a Primary Beneficiary but the trust fails, all sums payable to the trust by reason of the Participant's death shall be paid in equal shares to all surviving Primary Beneficiaries. If there are no surviving Primary Beneficiaries, the payment shall be divided equally between and paid to all surviving Secondary Beneficiaries.
  - (ii) If there are no surviving Primary Beneficiaries and a trust is designated as a Secondary Beneficiary and the trust fails, all sums payable to the trust by reason of the Participant's death shall be divided equally between and paid to all surviving Secondary Beneficiaries.
  - (iii) If there are no surviving Primary Beneficiaries and a trust is the only designated Secondary Beneficiary, or all other named Secondary Beneficiaries have predeceased the Participant, but the trust fails, all sums that were to be payable to the trust by reason of the Participant's death shall be made to the Participant's surviving spouse as determined under the laws of the Participant's state of residence, or if there is no surviving spouse to the executor(s) or administrator(s) of the Participant's estate.
- (e) If any person to whom all or a portion of the Participant's interest is payable is a minor and if the Participant has not so designated a person to receive the minor's interest on behalf of such minor, the Custodian may in its sole discretion distribute the interest to the legal guardian of such minor.
- (f) The Beneficiary may elect any method of distribution of benefits which complies with Section 5.2, and such election shall be made in accordance with procedures established by the Custodian. If the Beneficiary fails, or is unable, to elect an acceptable method of payment, the Beneficiary's interest may be distributed in cash in a single sum.
- (g) Unless otherwise instructed by the Participant, or provided by the express terms of a Court Order or an agreement related to the division of property between the affected individuals, the dissolution or annulment of a marriage revokes the designation of a former spouse as a Beneficiary. A designation of a former spouse as a Beneficiary that is revoked under this Section is given effect as if the former spouse disclaimed his or her interest. A beneficiary designation revoked solely by virtue of this Section is revived by the remarriage of the Participant and the former spouse or by the nullification of the dissolution or annulment. (Section 5.5(g) is effective as of January 1, 2008.)
- (h) The Custodian shall determine the identity of the person or persons who qualify as the Beneficiary or Beneficiaries designated by a Participant pursuant to the terms of Section 5.5, or who qualify as the executor(s) or administrator(s) of such Participant's estate in the case of a distribution required hereunder to be made to such Participant's estate. In addition, the Custodian shall determine whether one qualifies as a spouse under the laws of the Participant's state of residence. The Custodian may rely, and shall be held harmless in so relying, upon the named Beneficiary(ies), executor or administrator of the Participant's estate, or other sources to determine the identity of Beneficiary(ies) or spouse of the Participant.
- (i) It is understood and agreed that the Custodian shall not be responsible for any failure of any trustee(s), executor(s), or administrator(s) to perform their duties, nor for the application of any money paid to the trustee(s), executor(s), or administrator(s) and for the amount paid.

- (j) It is understood and agreed that the Custodian shall be fully discharged from all liability to any and all persons claiming under trust in making payment either to the trustee(s) or the Beneficiary(ies) of such trust, to the Participant's surviving spouse, or to the executor(s) or administrator(s) of the estate of the Participant.
- (k) It is understood and agreed that the Custodian shall be fully discharged from all liability to any and all persons for making any payment or transferring any interest in the account to the Participant's former spouse whose interest as a named beneficiary may have been affected by Section 5.5(g) of this Agreement before the Custodian has actual knowledge of the dissolution or annulment of the marriage. (Section 5.5(k) is effective as of January 1, 2008.)

#### **ARTICLE VI – ROLLOVER CONTRIBUTIONS AND TRANSFER OF ASSETS**

- 6.1 The Custodian may accept for the Custodial Account all rollover or transfer contributions from another IRA or retirement plan (from which proceeds may be rolled or transferred under the Code) which consist of cash or Shares. The Participant shall designate in a form and manner acceptable to the Custodian each rollover or transfer contribution as such to the Custodian, and by such designation shall confirm to the Custodian that a proposed rollover or transfer contribution qualifies as a rollover or transfer contribution within the meaning of Code Sections 402(c), 402(e)(6), 403(a)(4), 403(b)(8), 403(b)(10), 408(d)(3) or 457(e)(16). The Custodian will not be responsible for any losses or tax ramifications the Participant may incur as a result of making or the timing of any rollover or transfer.
- 6.2 No transfer or rollover of funds attributable to contributions made by an employer under its SIMPLE IRA plan will be accepted from a SIMPLE IRA, that is, an IRA used in conjunction with a SIMPLE IRA plan, prior to the expiration of the 2-year period beginning on the first date on which contributions made by the Participant's employer are deposited into the Participant's SIMPLE IRA.

#### **ARTICLE VII – INVESTMENT OF ASSETS OF CUSTODIAL ACCOUNT**

- 7.1 *INVESTMENT OF CONTRIBUTIONS* - The Custodian shall invest all contributions in Shares of the Funds as directed by Participant in a form, manner and medium acceptable to the Custodian. If such directions are not received by Custodian; or are received but are, in the opinion of the Custodian, unclear; or if the accompanying contribution exceeds limits described in Section 3.3 and is not identified as a rollover, transfer, recharacterization or SEP contribution; the Custodian may hold or return all of the contribution uninvested without liability for loss of income or appreciation and without liability for interest pending receipt of proper instructions or clarification.
- 7.2 *CHANGE OF INVESTMENT* - A Participant (or a Beneficiary of a deceased Participant) may change the Fund in which his/her account is invested by filing with the Custodian directions in a form, manner and medium acceptable to the Custodian at such times as the Participant (or a Beneficiary of a deceased Participant) shall deem appropriate. No such change of investment shall be effective until received by the Custodian and, once effective, shall remain in effect until properly changed.
- 7.3 *DIVIDENDS AND DISTRIBUTIONS* - Unless the Participant has previously elected via agreement with the Custodian to receive dividends and distributions in cash (not applicable to SEP IRA), all income dividends and capital gain distributions received in respect of Shares held in the Custodial Account shall be reinvested in Shares of the Funds from which they were received and such Shares shall be credited to the Custodial Account. Such reinvestment shall be made on the date specified by the Funds for reinvestment of the distributions.
- 7.4 *REGISTRATION AND OWNERSHIP OF SHARES* - Shares acquired by the Custodian shall be registered in the name of the Custodian or its nominee. The Custodian shall deliver, or cause to be delivered, to Participant all prospectuses, confirmations, notices, reports or other material as may be required under applicable securities laws. The Custodian shall not vote any such Shares except in accordance with written or oral instructions received from Participant.
- 7.5 *MISCELLANEOUS*
  - (a) The Custodian does not undertake to render any investment advice to the Participant. The responsibility of the Custodian to invest in Shares is not an endorsement of any Fund.
  - (b) 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 common investment fund (within the meaning of Code Section 408(a)(5)). No part of the Custodial Account funds may be invested in collectibles (within the meaning of Code Section 408(m)) except as otherwise permitted by Code Section 408(m)(3), which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.

#### **ARTICLE VIII – CUSTODIAN FEES AND EXPENSES OF THE ACCOUNT**

- 8.1 *FEES* - The Custodian may impose fees for account administration. Such fees, and any changes thereto, shall be disclosed in the current registration statement (summary prospectus, prospectus and statement of additional information) for the Funds.
- 8.2 *PAYMENT OF FEES AND EXPENSES* - Any income, gift, estate, inheritance taxes and other taxes of any kind whatsoever that may be levied upon or assessed against or in respect of the Custodial Account, or any fee for account administration and all administrative expenses incurred by the Custodian in the performance of its duties, including fees for legal services rendered to the Custodian, shall be paid from the assets of the Custodial Account. The Custodian may, at its option, collect any amounts so charged from the amount of any contribution or distribution from the Custodial Account or by sale or liquidation of the Shares credited to the Custodial Account and, if the assets of the Custodial Account are insufficient to satisfy such charges, the Participant shall pay any deficit to the Custodian.

#### **ARTICLE IX – REPORTING AND DISCLOSURE**

- 9.1 *INFORMATION* - The Participant agrees to provide information to the Custodian at such time and in such manner and containing such information as may be necessary for the Custodian to prepare any reports required by the Internal Revenue Service.
- 9.2 *REPORTS* - The Custodian shall furnish annual calendar-year reports concerning the status of the account and such information concerning required minimum distributions as is prescribed by the Commissioner of Internal Revenue.

#### **ARTICLE X – ADDITIONAL PROVISIONS REGARDING THE CUSTODIAN**

- 10.1 *CUSTODIAL ACCOUNT STATEMENTS* - The Custodian shall keep accurate and detailed records of all transactions it is required to perform hereunder. In the event a transaction occurs in the Participant's account in error, the Participant must notify the Custodian via telephone or in writing of such error within 30 days of receipt of the quarterly account statement.

## 10.2 MISCELLANEOUS

- (a) The Custodian shall not be liable and assumes no responsibility for the collection of contributions, the deductibility of any contributions, the purpose or propriety of any distribution made pursuant to Article V hereof, or any other action taken at a Participant's direction, nor shall the Custodian have any duty or responsibility to determine whether information furnished by a Participant is correct. To the extent permitted by Federal law, nothing shall be deemed to impose any powers, duties or responsibilities on the Custodian other than those set forth in this Agreement.
- (b) The Participant, his/her agents, heirs, executors, administrators and assigns (each an "Indemnifying Party") agree to jointly and severally indemnify and hold harmless the Custodian, State Farm VP Management Corp., State Farm Mutual Fund Trust, State Farm Associates' Funds Trust, State Farm Variable Product Trust, all affiliated companies, all assigns, and their officers, directors, representatives, employees and agents from and against any claim, liability, expense, tax ramification or loss incurred by a third party which in any way arises out of an Indemnifying Party's misrepresentation, negligent or intentional act, or omission in any way connected with this Account.
- The Participant, his/her agents, heirs, executors, administrators and assigns (each a "Releasor") agree to release and discharge the Custodian, State Farm VP Management Corp., State Farm Mutual Fund Trust, State Farm Associates' Funds Trust, State Farm Variable Product Trust, all affiliated companies, all assigns, and their officers, directors, representatives, employees and agents from and against any and all claims of any kind whatsoever a Releasor has which in any way arise out of a Releasor's misrepresentation, negligent or intentional act, or omission in any way connected with this Account.
- (c) The Custodian shall be under no duty to take any action other than as herein specified with respect to the Custodial Account unless the Participant shall furnish the Custodian with instructions in proper form and such instructions shall have been specifically agreed to by the Custodian. The Custodian shall be under no duties to defend or engage in any suit with respect to the Custodial Account unless the Custodian shall have first agreed in writing to do so and shall have been fully indemnified to the satisfaction of the Custodian. The Custodian shall be protected in acting upon any order or direction from a Participant or any other notice, request, consent, certificate or any other instrument believed by it to be genuine and to have been properly executed and, so long as it acts in good faith, in taking or omitting to take any other action.
- (d) Before making any distribution in the case of the death of the Participant, the Custodian shall be furnished with such certified death certificates, inheritance tax releases, indemnity agreements and other documents as may be required by the Custodian.
- (e) The Custodian shall be an agent for the Participant to receive and invest contributions as directed by the Participant, hold and distribute such investments, and keep adequate records and report thereon, all in accordance with this Agreement. The parties do not intend to confer any fiduciary duties on the Custodian, and none shall be implied. The Custodian may perform any of its duties through other persons designated by the Custodian from time to time. No such delegation or future change therein shall be considered as an amendment to this Agreement.

### ARTICLE XI – RESIGNATION OF OR REMOVAL OF CUSTODIAN

- 11.1 The Custodian may resign at any time upon at least thirty (30) days' notice in writing to the Participant and to the State Farm Associates' Funds Trust, and Custodian and Participant agree that the State Farm Associates' Funds Trust may remove the Custodian at any time upon at least thirty (30) days' notice in writing to the Custodian and Participant. Upon such resignation or removal, the State Farm Associates' Funds Trust shall appoint a Successor Custodian. Upon receipt by the Custodian of a written acceptance of such appointment by a Successor Custodian, the Custodian shall transfer to such Successor the assets of the Custodial Account and all records pertaining thereto. The Custodian is authorized, however, to reserve a portion of such assets as it may deem advisable for payment of all its fees, compensation, costs and expenses or for payment of any other liabilities constituting a charge on or against the assets of the Custodial Account or on or against the Custodian, with any balance of such reserve remaining after the payment of all such items to be paid over to the Successor Custodian. The Successor Custodian shall hold the assets paid over to it under the terms of this Agreement.
- 11.2 The Custodian shall not be liable for the acts or omissions of any Successor Custodian.
- 11.3 The Custodian and every Successor Custodian appointed to serve under this Agreement must be a bank as defined in Code Section 408(n) or such other person who demonstrates to the satisfaction of the Secretary of the Treasury or his delegate that the manner in which such other person will administer the Custodial Account will be consistent with the requirements of Code Section 408. A Successor Custodian shall be substituted for the Custodian if the Custodian receives notice from the Commissioner of Internal Revenue that such substitution is required because it has failed to comply with the non-bank Custodian requirements of Section 1.408-2(e) of the Income Tax Regulations.
- 11.4 After the Custodian has transferred the Custodial Account assets (including any reserve balance as contemplated above) to the Successor Custodian, the Custodian shall be relieved of all further liability with respect to this Agreement, the Custodial Account and the assets thereof.

### ARTICLE XII – TERMINATION OF CUSTODIAL ACCOUNT

#### 12.1 TERMINATION BY CUSTODIAN

- (a) The Custodian may elect to terminate the Custodial Account if, within sixty (60) days after its resignation or removal pursuant to Article XI, the State Farm Associates' Funds Trust has not appointed a Successor Custodian which has accepted such appointment. Termination of the Custodial Account shall be effected by distributing to Participant all assets of the Custodial Account in a lump-sum payment in cash or Shares, at the sole discretion of Custodian, subject to Custodian's right to reserve funds as described in Section 11.1.
- (b) The Custodian has the unilateral right to terminate the Custodial Account when the assets of the Custodial Account fall below the prescribed requirement as determined by the Custodian. Termination of the Custodial Account shall be effected by distributing to Participant all assets of the Custodial Account in a lump-sum payment in cash or Shares, at the sole discretion of Custodian, subject to Custodian's right of set-off under Section 8.2.

- 12.2 *TERMINATION BY PARTICIPANT* - The Participant may elect to terminate the Custodial Account at any time. Participant shall give written or oral notice of his/her election to terminate the Custodial Account to the Custodian. After receipt of such notice, the Custodian shall terminate the Custodial Account and distribute all assets in the Custodial Account pursuant to directions furnished by Participant and agreed to by Custodian. If Participant fails or is unable to furnish such directions, the Custodian shall distribute to Participant all assets of the Custodial Account in a lump-sum payment in cash or Shares, at the sole discretion of Custodian, subject to Custodian's right to reserve funds as described in Section 11.1.

- 12.3 *TERMINATION OF AGREEMENT* - Upon distribution of all assets of the Custodial Account in accordance with the provisions of Sections 12.1 or 12.2, this Agreement shall terminate and have no further force and effect. The Custodian shall be relieved from all further liability with respect to this Agreement, the Custodial Account and all assets thereof so distributed.

#### **ARTICLE XIII – AMENDMENT**

- 13.1 Subject to the provisions of Sections immediately below, the Participant and Custodian agree that State Farm Investment Management Corp. may, at any time, unilaterally amend this Agreement in any respect (including retroactive amendments). Any such amendment (except a retroactive amendment) shall be effective on a stated date which shall be at least sixty (60) days after giving written notice of the amendment to the Participant and Custodian. The Participant and Custodian shall be deemed to have consented to such amendment unless, within thirty (30) days after the notice to the Participant and Custodian is sent, either (i) the Participant elects to terminate the Custodial Account as provided under Article XII, or (ii) Custodian elects to resign as provided in Article XI.
- 13.2 No amendment shall be made at any time under which any part of the Custodial Account may be diverted to purposes other than for the exclusive benefit of the Participant and his/her Beneficiaries.
- 13.3 No amendment shall be made retroactively in a manner so as to deprive any Participant of any benefit to which he/she was entitled under this Agreement by reason of contributions made before the amendment, unless such amendment is necessary to conform the Agreement to, or satisfy the requirements of, the Code or other applicable law.
- 13.4 No amendment shall place any greater burden on the Custodian without its written consent.
- 13.5 This Article XIII shall not be construed to restrict the freedom of the Custodian to impose fees in the manner provided in Article VIII, and no such charge shall be deemed an amendment of this Agreement.

#### **ARTICLE XIV – MISCELLANEOUS**

- 14.1 Any notice, report or material required to be delivered by the Custodian to the Participant shall be deemed delivered and effective on the date sent by the Custodian to the Participant at the Participant's last address of record. Any such notice, report, or material may be delivered electronically or by such other means reasonably designed to provide effective delivery to the Participant, to the extent permitted by applicable law.
- 14.2 This Agreement and all property rights under this Agreement shall be construed in accordance with the laws of the State of Illinois, other than its laws with respect to the choice of laws. The jurisdiction for any legal proceedings naming the Custodian, State Farm VP Management Corp., State Farm Mutual Fund Trust, State Farm Associates' Funds Trust, State Farm Variable Product Trust, any affiliated companies, any assigns, their officers, directors, representatives, employees, and/or agents as a party to a legal proceeding, as it relates in any way with this Agreement or Account, shall be in the State of Illinois.
- 14.3 On notice from the Participant or the IRS to the Custodian, in a form, manner and medium acceptable to the Custodian, that for any taxable year the Participant's account has lost its exemption, including loss of exemption as provided in Code Section 408(e)(2), the Custodian shall, on or before the close of the ninety (90) day period beginning with the date of the receipt of such notice, distribute to such Participant the Participant's entire interest in the Custodial Account in cash or Shares in the sole discretion of the Custodian. The Custodian is authorized, however, to reserve funds as described in Article XI.
- 14.4 If any provision(s) of this Agreement is (are) determined by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions shall remain in full force and effect.



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

Plan Name: IRA Custodial Account 002  
FFN: 501A1030000-002 Case: 201100262 EIN: 37-0902469  
Letter Serial No: M101976c

STATE FARM INVESTMENT MANAGEMENT CORP  
ONE STATE FARM PLAZA  
BLOOMINGTON, IL 61710

Contact Person:  
Ms. Roslynn B. Perry  
Telephone Number:  
(202) 283-9624  
In Reference To: SE:T:EP:RA  
Date: 07/27/2011

Dear Applicant:

In our opinion, the amendment to the form of the prototype trust, custodial account or annuity contract/endorsement identified above does not adversely affect its acceptability under section 408 of the Internal Revenue Code, as amended through the Small Business Jobs Act of 2010.

Each individual who adopts this approved prototype will be considered to have an IRA that satisfies the requirements of Code section 408, provided the individual follows the terms of the approved prototype, does not engage in certain transactions specified in Code section 408(e), and, if the arrangement is a trust or custodial account, the trustee or custodian is a bank within the meaning of Code section 408(n) or has been approved by the Internal Revenue Service pursuant to Code section 408(a)(2).

Code section 408(i) and related regulations require that the trustee, custodian or issuer of a contract provide a disclosure statement to each adopting individual as specified in the regulations. Publication 590, Individual Retirement Arrangements (IRAs), gives information about the items to be disclosed. The trustee, custodian or issuer of a contract is also required to provide each adopting individual with annual reports of all transactions related to the IRA.

The Internal Revenue Service has not evaluated the merits of this IRA and does not guarantee contributions or investments made under the IRA. Furthermore, this letter does not express any opinion as to the applicability of Code section 4975, regarding prohibited transactions.

This prototype IRA may have to be amended to include or revise provisions in order to comply with future changes in the law or regulations.

If you have any questions concerning IRS processing of this case, call us at the above telephone number. Please refer to the File Folder Number (FFN) shown in the heading of this letter. Please provide those adopting this prototype with your telephone number, and advise them to contact your office if they have any questions about the operation of their IRA. Please provide a copy of this letter to each adopting individual.

You should keep this letter as a permanent record. Please notify us if you terminate sponsorship of this prototype IRA.

Sincerely Yours,

Andrew E. Zuckerman  
Director, Employee Plans Rulings and Agreements





# State Farm Mutual Funds® Traditional Individual Retirement Account Disclosure Statement

The following information is provided to you in accordance with the requirements of the Internal Revenue Service (“IRS”) regulations. You should read this Disclosure Statement together with the Custodial Account Agreement and the Funds’ prospectuses. This is not a comprehensive discussion of the applicable law; nor is it intended to serve as a substitute for the advice of your lawyer, accountant or other personal tax or financial adviser. If you received this Disclosure Statement electronically through the statefarm.com® website, you may request a paper copy, at no charge, by contacting State Farm Mutual Funds at 1-800-447-4930. Additional account information is available on statefarm.com.

## 1. Right of Revocation

You may revoke your Traditional Individual Retirement Account (“IRA”) by mailing or delivering a written notice of revocation to the Custodian within seven days after the establishment of your IRA. Mailed notice is treated as given to the Custodian on date of the postmark (or on the date of post office certification or registration in the case of notice sent by certified or registered mail). Upon timely revocation, you will receive a payment equal to the initial contribution, without adjustment for administrative expenses, commissions or sales charges, fluctuations in market value or other charges.

## 2. IRS Approval

This IRA has been approved as to form by the IRS. IRS approval is a determination only as to the form of the Custodial Account and does not represent a determination of the merits of the Custodial Account.

## 3. General Information

The IRA is a U.S. trust or custodial account created for the exclusive benefit of you and your beneficiary. The Custodian must be either a bank or such other person who has been approved by the Secretary of the Treasury. No part of the contributions may be invested in either life insurance contracts or collectibles (such as art works, antiques, stamps, coins, etc.) as defined in section 408 (m) of the Internal Revenue Code, as amended (“Code”). The assets of the IRA cannot be commingled with other property except in a common trust fund or common investment fund. In addition, an individual’s right to the entire balance in his/her account must at all times be nonforfeitable and nontransferable.

As with most laws which provide special tax treatment, there are certain restrictions and limitations. The pertinent federal tax laws include requirements relating to contributions, use of account assets, and when and how distributions can be made to you and your beneficiary. State Farm Investment Management Corp. reserves the right to make any amendments to the Custodial Account Agreement and will inform you in the event any such amendment is made.

## 4. Contributions

Contributions must be made in cash, by check, or by electronic funds transfer. If you are a non-spouse beneficiary and your IRA is an inherited IRA, you are not permitted to make additional contributions to the IRA. You may make contributions to your IRA for a taxable year if you (or your spouse if you file a joint return) received compensation during such year. Compensation includes your wages and salary as an employee and net earnings from self-employment, such as professional fees and other amounts for your personal services. However, only a limited amount of contributions can be made each year to your IRA. You may also make rollover, transfer, or recharacterization contributions or have Simplified Employee Pension (SEP) contributions made on your behalf. Employer-provided differential pay (all or a portion of pre-service civilian pay paid by an employer to employees who go on active military duty) will be treated as compensation for IRA contribution purposes.

*Limitations – Regular Contributions* - Your contributions to your IRA are limited to the lesser of 100% of your compensation or the applicable maximum annual contribution. If both you and your spouse had compensation during the taxable year, then you may each establish a separate IRA and each of you may make contributions to your separate IRAs up to the lesser of 100% of your respective compensations or the applicable maximum annual contribution.

The maximum annual contribution that you may make to your Traditional IRA is \$5,000 for 2012 or \$5,500 for 2013. Also, Traditional IRA owners who are age 50 or older by the end of the taxable year are permitted to make an additional \$1,000 “catch-up” contribution, for a total of \$6,000 for 2012 or \$6,500 for 2013. The contribution limits, including the catch-up contribution limit, are as follows:

Tax Year	Under Age 50	Age 50 or Older
2012	\$5,000	\$5,000 plus \$1,000
2013 and after	\$5,500 indexed	\$5,500 indexed plus \$1,000

*Limitations – Spousal Contributions* - If you had compensation during the taxable year greater than your spouse (regardless of whether your spouse had any compensation) and you file a joint federal income tax return, you may make contributions to your IRA and to a separate IRA owned by your spouse (“spousal IRA”). Under such an arrangement, you may make a contribution to the spousal IRA up to the lesser of (i) the combined compensation of you and your spouse for the taxable year reduced by your contributions to Traditional IRAs and by your and your spouse’s contributions to Roth IRAs or (ii) the applicable maximum annual contribution.

*Deductibility of Contributions* - Contributions (other than rollover contributions) to your IRA may be deductible from your gross income on your federal income tax return depending upon your adjusted gross income and whether or not you are an active participant in a retirement plan qualified under Code Section 401(a), an annuity plan under Code Section 403(a), an annuity contract under Code Section 403(b), a simplified employee pension under Code Section 408(k), a SIMPLE retirement account under Code Section 408(p), or a plan established for its employees by the United States, by a State or political subdivision or by an agency or instrumentality of a State or political subdivision other than an unfunded deferred compensation plan established under Code Section 457(b). In general, you are permitted to make deductible IRA contributions up to the lesser of the applicable maximum annual contribution or 100% of compensation if you are not an active participant in any of the above mentioned employer-maintained retirement plans for any part of the plan year ending with or within your taxable year. In general, if you are married and file a joint return, you and your spouse are each permitted to make deductible IRA contributions up to the lesser of the applicable maximum annual contribution or 100% of compensation if neither you nor your spouse is an active participant in any of the above mentioned employer-maintained retirement plans for any part of the plan year ending with or within your or your spouse’s taxable year.

If you are an active participant in an employer-maintained plan described above, you are permitted to make deductible IRA contributions up to the lesser of the maximum annual contribution or 100% of compensation if you (or you and your spouse if a joint return is filed) have adjusted gross income that does not exceed the lower amount of a phase-out range. The phase-out ranges are as follows:

Tax Year	Single Filers	Joint Filers	Married Filing Separately
2012	\$58,000 to \$68,000	\$92,000 to \$112,000	\$0 to \$10,000
2013	\$59,000 to \$69,000	\$95,000 to \$115,000	\$0 to \$10,000

If your adjusted gross income is within the phase-out range, your maximum deductible contribution is reduced proportionately. You may not make deductible IRA contributions if your adjusted gross income is equal to or greater than the highest amount of the phase-out range.

If you are married and file a joint return and your spouse is an active participant in any of the above mentioned employer-maintained retirement plans, but you are not, you are permitted to make deductible IRA contributions up to the lesser of the maximum annual contribution or 100% of compensation if you and your spouse have combined adjusted gross income that does not exceed the lower amount of a phase-out range. For 2012, the phase-out range is \$173,000 to \$183,000. For 2013, the phase-out range is \$178,000 to \$188,000. If you and your spouse's combined adjusted gross income is within the phase-out range, your maximum deductible contribution is reduced proportionately. You may not make a deductible contribution if your joint adjusted gross income is equal to or greater than \$183,000 for 2012, or \$188,000 for 2013. The same statements are true for your spouse if you are an active participant but your spouse is not.

The adjusted gross income amounts referred to above will be increased in future years to reflect increases in the cost of living. Consult IRS Publication No. 590 or your tax advisor for more information regarding the calculation of your maximum deductible contribution if your adjusted gross income falls within a phase-out range.

Your contribution **for a tax year** must be made no later than the due date for filing your federal income tax return (not including extensions) **for that tax year**. No contribution is allowed for any year in which you are age 70½ or older. Similarly, no contribution is allowed to your spouse's IRA in any year in which he/she is age 70½ or older.

You may make nondeductible contributions to the extent of the excess of (1) the lesser of the maximum annual contribution or 100% of compensation over (2) your deductible contribution for the year. Nondeductible IRA contributions must be designated as such on your tax return in the manner prescribed by the Secretary of the Treasury. Nondeductible contributions **for a tax year** may be made no later than the due date for filing your federal income tax return (not including extensions) **for that tax year**.

As discussed above, the maximum amount of Traditional and Roth IRA contributions is generally limited to the lesser of a specific dollar amount or the individual's taxable compensation for the year. Compensation earned for service in a combat zone by members of the armed forces (which is normally not subject to income tax) is treated as taxable compensation for Traditional and Roth IRA contribution purposes.

*Excess Contributions* - Any contributions to your IRA (including spousal IRA contributions) which exceed the maximum allowable contribution are excess contributions. Any excess contributions which are not withdrawn or eliminated (by treating such amounts as contributions for the succeeding year) prior to the due date for filing your federal income tax return (including any extensions) will be subject to a 6% penalty tax under section 4973 of the Code.

*SIMPLE IRA Contributions* - The State Farm Mutual Funds Traditional IRA is a non-SIMPLE IRA. Contributions (other than certain rollover contributions) made under a SIMPLE IRA Plan by or on behalf of a Participant may not be deposited into the non-SIMPLE State Farm Mutual Funds Traditional IRA.

*SEP Contributions* - IRAs established in connection with a SEP plan are not subject to the contribution limitations described above, but are governed by special rules. Under a SEP plan, your employer's contributions for the year to your SEP IRA may not exceed the lesser of 25% of your compensation or \$50,000 for 2012, or \$51,000 for 2013.

*Total Contributions to Traditional and Roth IRA* - You may not make more than the applicable maximum annual contribution (not including rollover, transfer, recharacterization or SEP contributions) to all of your IRAs combined, which include deductible and nondeductible contributions to your Traditional IRAs and nondeductible contributions to your Roth IRAs. This contribution limitation does not apply to Coverdell Education Savings Accounts, SEP IRAs, or SIMPLE IRAs.

*Tax Credit* - Taxpayers earning less than a specified amount will be eligible to receive a tax credit in the amount of 10%, 20%, or 50% (depending on tax return filing status and income) of up to \$2,000 in IRA contributions and other elective deferrals. For 2012, the income thresholds are \$28,750 (single), \$43,125 (head of household), or \$57,500 (married filing jointly). For 2013, the income thresholds are \$29,500 (single), \$44,250 (head of household), or \$59,000 (married filing jointly). The income thresholds will be increased in future years to reflect cost of living increases. The credit is subject to reduction if the individual or the individual's spouse receives distributions from a qualified retirement plan, governmental 457 plan, or Roth IRA during the taxable year in which the credit is claimed or during the two taxable years before the credit is claimed. A taxpayer is only eligible for the credit if the taxpayer is age 18 or over, is not claimed as a dependent on another person's tax return, and is not a full-time student. If you think you may be eligible for the tax credit, you should consult your tax advisor or refer to the IRS publications and tax form instructions on the credit for more information.

## 5. Rollover and Transfer Contributions

All or a portion of certain distributions from qualified employer plans, tax-sheltered annuities, governmental deferred compensation plans under Code Section 457(b), and distributions from certain other IRA plans may be rolled-over (distributed to you and then contributed to the IRA) or transferred (moved directly from the plan to the IRA) tax-free to an IRA, although a rollover must be made within 60 days after receipt of the distribution. Rollover transactions from any single IRA may occur no more than once in any 365-day period (beginning on the date you receive the distribution eligible to be rolled over, not the date the rollover contribution is made). No limit applies to the number of transfers that can be made in any year. No transfer or rollover of funds from a Participant's SIMPLE IRA may be made to the State Farm Mutual Funds Traditional IRA prior to the expiration of the 2-year period beginning on the first date on which contributions made by the Participant's employer are deposited into the Participant's SIMPLE IRA. Rollovers from qualified employer plans, tax-sheltered annuities, and governmental deferred compensation plans under Code Section 457(b) may be retained in an IRA and under certain conditions may subsequently be rolled-over or transferred tax-free to another such plan or annuity.

A surviving spouse who is the beneficiary of an IRA or qualified retirement plan is permitted to roll over a distribution from the IRA or plan into an IRA. The spouse may elect to treat the IRA as his or her own IRA. A beneficiary who is not a participant's spouse is permitted to make a tax-free direct trustee-to-trustee transfer of a deceased participant's interest in a qualified retirement plan to an IRA for the benefit of the beneficiary. The IRA is treated as an "inherited IRA" which means that it is issued in the name of the deceased participant for the benefit of the beneficiary, and the required minimum distribution rules applicable upon death apply to the IRA. Unlike a surviving spouse, the non-spouse beneficiary may not treat the IRA as his or her own IRA and may not make additional contributions to the IRA.

Strict limitations set forth in Code Section 408(d)(3) apply to rollovers and transfers. You should seek competent tax advice in order to ensure compliance with the rules governing tax-free rollovers and transfers.

## 6. Distributions

*Income Tax Treatment* - Federal income tax on your deductible IRA contributions, earnings on such contributions, and earnings on your nondeductible contributions, is generally deferred until you begin to receive distributions from your account. Such distributions are taxed as ordinary income regardless of their original source. On the other hand, the distributions of your nondeductible contributions are generally not subject to income tax at the time of the distributions since such contributions were previously subject to income tax.

*Minimum Distributions during Lifetime* - The entire interest in your account must be distributed to you, or begin to be distributed to you, no later than April 1 of the calendar year following the calendar year in which you reach age 70½. Distributions may be in a single sum payment or installment payments at least equal to the amount determined under IRS regulations. A 50% penalty tax under Code Section 4974 may be imposed on any deficiency between the distributions received by you and the minimum required distributions.

*Minimum Distributions after Death* - If you die before the distribution from your account has begun, the portion of your account balance which is payable to a designated beneficiary must be distributed to the beneficiary by December 31 of the calendar year containing the fifth anniversary of your death or over a period not to exceed the life expectancy of such beneficiary. Any portion not payable to a designated beneficiary must be distributed by December 31 of the calendar year containing the fifth anniversary of your death. Additionally, if your designated beneficiary is your surviving spouse, such spouse may elect to receive substantially equal payments over a period not to exceed the life expectancy of such spouse beginning by the later of (1) December 31 of the calendar year following the date of your death, or (2) December 31 of the calendar year in which you would have reached age 70½. The surviving spouse may change the frequency or amount of these payments (subject to the limits of the preceding sentence) at any time.

Alternatively, if your surviving spouse is your sole designated beneficiary, such spouse may elect to treat the account as his/her own IRA. This election will be deemed to have been made if your spouse makes a regular, rollover, or transfer contribution to the account or if your spouse fails to elect any other distribution option.

If you die after the distribution from your account has begun, but before the entire interest has been distributed, the remaining balance of your account must be distributed to your designated beneficiary over such beneficiary's remaining life expectancy; any portion not payable to a designated beneficiary must be distributed over your remaining life expectancy determined in the year of your death. However, if your designated beneficiary is your surviving spouse, the applicable distribution period is the longer of (1) the surviving spouse's life expectancy or (2) your remaining life expectancy determined in the year of death.

A fifty percent (50%) penalty tax applies to any minimum distribution that your beneficiary is required to, but does not, make.

*Premature Distributions* - An IRA is intended as a savings plan to accumulate funds for retirement. Accordingly, Code Section 72(t) imposes a penalty on certain premature distributions. Generally, if you receive a distribution from your account before you reach age 59½, to the extent that such distribution will be taxable as ordinary income, it will also be subject to an additional 10% penalty tax. The additional 10% penalty tax does not apply when distributions are made: (1) because of your total and permanent disability, (2) because of your death, (3) to the extent such distributions do not exceed the amount you pay for medical insurance during the taxable year if you have separated from employment, have received unemployment compensation for twelve consecutive weeks under any Federal or State unemployment compensation law (or would have received such compensation but for the fact you were self-employed) and your IRA distribution is made during the year such unemployment compensation is paid or the succeeding year, (4) to the extent such distributions do not exceed the amount of the unreimbursed medical expenses you pay during the year that are in excess of the amount that is or would have been deductible for tax purposes had you itemized your deductions (generally 10% of your adjusted gross income for the year), (5) which are part of a series of substantially equal periodic (not less frequently than annually) payments made for your life (or life expectancy) or the joint lives (or joint life expectancies) of you and your designated beneficiary, (6) as part of a qualifying rollover distribution, (7) as part of a transfer incident to a divorce, (8) which are timely withdrawn excess contributions (earnings are subject to the penalty), (9) to the extent such distributions do not exceed the amount of the qualified higher education expenses (as defined in Code Section 72(t)(7)) you pay for eligible individuals during the year, (10) which are qualified first-time home buyer distributions as defined in Code Section 72(t)(8) (\$10,000 lifetime maximum), or (11) on account of an IRS tax levy.

*Qualified Charitable Distributions* - For IRA distributions made through 2013, up to \$100,000 per year is excludible from income for IRA distributions (from Traditional and Roth IRAs, but not from SEP or SIMPLE IRAs) paid directly to a charitable organization after the participant attains age 70½. Amounts distributed are also taken into account as minimum required distributions for that year. Certain charitable organizations are not eligible, including donor-advised funds and certain private foundations.

*Military Distributions* - Distributions from IRAs and distributions attributable to elective deferrals under 401(k) and 403(b) plans that are made to individuals called to active duty after September 11, 2001 for more than 179 days (or for an indefinite period) and which are made during the period of active duty are not subject to the 10% tax penalty under Code Section 72(t). These distributions (referred to as "qualified reservist distributions") can be repaid to an IRA on a non-deductible basis within two years after the active-duty period ends.

*HSA Transfers* - You may make a once-in-a-lifetime tax-free transfer from an IRA (not including ongoing SEP and SIMPLE IRAs) to a Health Savings Account (HSA). For this purpose, a SEP IRA or SIMPLE IRA is ongoing if an employer contribution is made for the plan year ending with or within your tax year in which the distribution would be made. The amount of the transfer is subject to the HSA contribution limits and a requirement that you remain eligible for the HSA for one year after the transfer.

*Participant and Beneficiary Responsibility* - You as the Participant have the sole responsibility for electing distributions that comply with the required minimum distribution rules, and the Custodian shall not be responsible for any tax penalties or other damages that result from a failure to elect such distributions. The Custodian assumes no responsibility for the tax treatment of any distribution from the Custodial Account; such responsibility is solely that of the Participant ordering the distribution. Your Beneficiary has the sole responsibility for electing distributions that comply with the death distribution rules, and the Custodian shall not be responsible for any tax penalties or other damages that result from a failure to elect such distributions.

**7. Prohibited Transactions**

If you or your beneficiary were to engage in any prohibited transactions (described in Code Section 4975(c)) with respect to your IRA (such as any sale, exchange or leasing of any property between you and the account; or any other interference with the independent status of the account) then the account would lose its tax-exempt status by reason of Code Section 408(e)(2)(A) and the entire account balance would be treated as having been distributed to you in the year during which the prohibited transactions occurred. The value of the entire account, less any nondeductible contributions, would be included in your gross income and taxed as ordinary income. In addition, if you are under age 59½, the "distribution" would also be subject to the additional 10% penalty tax imposed on premature distributions.

**8. Prohibited Transactions – Loans**

You are not permitted to pledge or otherwise use any portion of your IRA as collateral for a loan. If you do use a portion of your account as collateral, the portion used will be deemed to have been distributed to you by reason of Code Section 408(e)(4). The value of the portion "distributed", less any nondeductible contributions, would be included in your gross income and taxed as ordinary income. In addition, if you are under age 59½, the portion "distributed" would also be subject to the additional 10% penalty tax imposed on premature distributions.

**9. Other Tax Information**

Transfers of IRA amounts are generally subject to estate and gift taxes in the absence of any applicable exclusion (such as the unlimited marital deduction or the unified estate and gift tax credit).

The state income tax results of a contribution to, earnings and dividends on, or a distribution from an IRA may differ from the federal income tax results. You should contact your state revenue department or consult your tax advisor for more information.

**10. Reports to the IRS**

You must file Form 5329 with the IRS for each taxable year that you owe penalty taxes on excess contributions, premature distributions, prohibited transactions and underdistributions. You must file Form 8606 with the IRS for each year in which you make a non-deductible contribution and for any subsequent year in which you make a withdrawal.

**11. Investment of Contributions**

Contributions to your IRA and the earnings thereon will be invested in shares of the Funds selected by you. The assets in your IRA will be held in a custodial account exclusively for your benefit and the benefit of your designated beneficiary. The balance in your IRA represents a separate account which is clearly identified as your property. Your right to the entire balance in your account is nonforfeitable.

**12. Financial Information**

Growth in value of the mutual fund 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 IRA may be obtained from each Fund's prospectus.

Fees and other expenses of maintaining your account may be charged to your account or directly to you by the Custodian.

**13. Additional Information**

Further information concerning IRAs can be obtained by consulting IRA Publication No. 590, Individual Retirement Arrangements (IRAs) and IRA Publication No. 560, Retirement Plans for Small Business (SEP, SIMPLE and Keogh Plans). You can also contact the IRS at [www.irs.gov](http://www.irs.gov) or by calling 1-800-829-1040.