

Coverdell Education Savings Custodial Account

(Under section 530 of the Internal Revenue Code)

Do not file
 With the Internal
 Revenue Service

Name of depositor		Depositor's identification number	Check if amendment <input type="checkbox"/>
Name of designated beneficiary		Designated beneficiary's identification number	
Address of designated beneficiary		Date of birth of designated beneficiary	
Name of responsible individual (generally the parent or guardian of the designated beneficiary)			
Address of responsible individual			
Name of Custodian Principal Life Insurance Company		Address or principal place of business of Custodian PO BOX 8024, BOSTON MA 00266-8024	

The depositor named above is establishing a Coverdell education savings account under section 530 for the benefit of the designated beneficiary 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 assigned the custodial account _____ dollars (\$ _____) in cash

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 above-listed amount assigned to the custodial account (including earnings thereon) in the investment choices offered by the Custodian. The responsible individual, however, shall have the power to redirect the Custodian regarding the investment of such amounts, as well as the power to direct the Custodian regarding the investment of all additional contributions (including earnings thereon) to the custodial account. In the event 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 below, at the time that the designated beneficiary attains the age of majority under state law, the designated beneficiary becomes the responsible individual. If a family member under the age of majority under state law becomes the designated beneficiary by reason of being a named death beneficiary, the responsible individual shall be such designated beneficiary's parent or guardian.

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

Article VI

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

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 the Custodian whose signatures appear below.

Article X

Article X may be used for any additional provisions. If no other provisions will be added, draw a line through this space. If provisions are added, they must comply with applicable requirements of state law and the Internal Revenue Code.

Depositor's signature _____ Date _____
Custodian's signature Principal Life Insurance Company _____ Date _____
Witness' signature _____ Date _____
(Use only if signature of the depositor or the Custodian is required to be witnessed.)

General Instructions

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

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's 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" in the block where the number is requested. 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.

ARTICLE XI

Investments — All funds shall be invested in shares of such Principal Funds, Inc. (a Family of mutual funds managed by Principal Management Corporation which are made available for the investment of Coverdell Education Savings Account contributions) as the Depositor or the Responsible Individual shall designate. Information about the Funds, including sales charges and the method by which the annual earnings are computed and allocated to each shareholder's account is described in the prospectus accompanying this disclosure statement. The Depositor must have received a prospectus before submitting its application to create a Coverdell Education Savings Account ("Account").

At the time the Depositor executes this Agreement, the Depositor shall specify the particular mutual fund or funds in which contributions shall be invested. After the initial contribution, the Responsible Individual may, at any time, direct the Custodian to transfer contributions then invested in any such fund into any other such funds. Transfers made pursuant to such direction shall not be considered a distribution.

Subject to any applicable Principal Funds, Inc. contribution requirements, any contribution received by the Custodian as to which the Individual fails to direct the Custodian within 2 business days to invest in any particular Mutual Fund or Funds shall be invested by the Custodian in the Principal Funds, Inc. Money Market Mutual Fund.

In the event any Mutual Fund or share class of a Mutual Fund in which the Individual contributions are invested liquidates and the Individual fails to provide direction in the manner and within the timeframe requested in the related notice, the Custodian shall invest the liquidation proceeds of the Individual in the Principal Funds, Inc. Money Market Fund.

No party identified herein shall be required to comply with any direction of the Depositor or Responsible Individual which in the judgment of such party may subject it to liability or expense unless such party shall be indemnified in manner and amount satisfactory to it.

The funds in this Account may not be borrowed at any time by any of the parties named in this Agreement, nor may the funds be used as security for any loan or extension of credit.

Except as provided herein, no right, interest or claim in or to any funds held in the mutual fund shall be transferable, assignable or subject to pledge by the Depositor, Responsible Individual, or Designated Beneficiary ("Beneficiary"), and any attempt to transfer, assign or pledge the same shall not be recognized except as required by law. The right, interest or claim in or to any funds held in the mutual fund shall not be subject to garnishment, attachment, execution or levy except as permitted by law.

The Account and its funds established hereunder shall be governed by all applicable laws, rules and regulations of the United States of America and the State of Iowa.

Contributions — All contributions must be in cash. All initial contributions shall be paid to the Custodian at the time this agreement is executed. Additional contributions may be paid to the Custodian in such manner and in such amounts as the Custodian shall specify.

Contributions made by or on behalf of the Beneficiary may be paid at any time during the calendar year, but in no event later than the due date prescribed by Internal Revenue Code ("Code") Section 530 or regulations thereunder. Contributions are not permitted after the Beneficiary attains the age of 18.

Before the Custodian shall accept a contribution by or on behalf of the Beneficiary as a rollover contribution, the Responsible Individual shall deliver to the Custodian a written declaration, in a form acceptable to the Custodian, that such contribution is eligible for treatment as a rollover contribution to a Coverdell Education Savings Account. Once the Custodian has received a declaration that a contribution is a rollover contribution, the Custodian may conclusively rely on the Responsible Individual's declaration and may accept and treat the contribution as a rollover contribution.

Excess Contributions — Contributions (except for rollovers) in excess of \$2,000 or such amount as may be permitted under Section 530 of the Code are not permitted.

If an excess contribution is made by or on behalf of the Beneficiary for any calendar year, upon written request for distribution from the Responsible Individual stating the amount of the excess contribution to be distributed, the Custodian will distribute such amount of the excess contribution to the Responsible Individual, together with the income attributable thereto. The Custodian shall not have any duty to determine whether an excess contribution has been made by or on behalf of the Beneficiary, and the Custodian shall not be held liable by the Beneficiary or any other person for failing to determine whether an excess contribution was made or for failing to make distribution of such excess contribution without request of the Responsible Individual. The Custodian shall not be liable for taxes or other penalties incurred as a result of an excess contribution and any income attributable thereto or as a result of a distribution of an excess contribution and any income attributable thereto.

Distributions — The duty to determine the amount of the distributions hereunder shall be the Responsible Individual's or, when applicable, the Beneficiary. The Custodian shall not be liable to any person for taxes or other penalties incurred as a result of an improper distribution or failure to distribute any minimum amount required by law.

Designation of Beneficiary — The Depositor may designate the Beneficiary of the account. This designation is made on the application or another written form acceptable to and filed with the Custodian. If authorized by the Depositor, the Responsible Individual may change the Beneficiary to another family member as described in Code Section 529(e)(2) by notifying the Custodian in writing and providing the identification number and the date of birth of the intended Beneficiary. Unless the Depositor indicates on the application that the Beneficiary may not be changed, the Responsible Individual shall have the right to substitute a new Beneficiary at any time.

Upon death, the Beneficiary's entire interest in the Account shall pass to the Beneficiary's estate.

Revocation of Participation — The Responsible Individual may terminate participation in the Account at any time by notifying the Custodian in writing of the intention to terminate and instructing the Custodian in writing to whom and by what means the funds on deposit in the account shall be transferred. Withdrawal of all funds invested in the mutual fund shall terminate participation in the Account.

Designation of Responsible Individual — The Depositor shall indicate on the application and the IRS Form 5305-EA who is to serve as the Responsible Individual under this Coverdell Education Savings Account. Unless otherwise directed by the responsible individual, at the time the designated beneficiary

reaches the age of majority under state law, the designated beneficiary becomes the responsible individual.

If the Responsible Individual dies while the Beneficiary is a minor, Custodian will recognize the other parent or legal guardian as the Responsible Individual upon receipt of written notification and proof of death.

Administrative Duties — The Custodian shall maintain the Account in the name of the Beneficiary and shall be responsible only for the contributions of which it receives notice from any Depositor. The Custodian shall make distributions and transfers only in accordance with the directions of the Responsible Individual acting on behalf of the Beneficiary. The Custodian shall keep records of all receipts, investments and disbursements relating to the Account. The Custodian shall furnish the Responsible Individual with a written statement of transactions relating to the Account. Unless the Responsible Individual shall have filed with the Custodian written exceptions or objections to such statement within thirty (30) days after it is furnished, the Custodian shall be forever released and discharged from liability or accountability to the Depositor, Responsible Individual, or the Beneficiary, with respect to the acts and transactions shown in the statement. The Responsible Individual is the only party that shall be entitled to statements hereunder.

The duties and responsibilities of all parties to this Agreement are limited those specifically stated herein and no other or further duties or responsibilities shall be implied.

Miscellaneous — All instructions to the Custodian shall be in writing and shall be effective as of the day the Custodian receives the instructions in good order at its transaction processing center and before the close of normal trading on the New York Stock Exchange (generally, 3 P.M. Central Time). The Responsible Individual may authorize an agent to give instructions hereunder. Any such agent, including any broker authorized to direct the investment of an Account, must be authorized in writing by the Responsible Individual in such form which is approved by and filed with the Custodian. Any instruction by an agent so authorized shall be binding on all parties. Any authorization hereunder shall remain in effect until revoked by the Responsible Individual in a writing filed with the Custodian.

Principal Life Insurance Company shall substitute another trustee or Custodian upon notification by the Internal Revenue Service that such substitution is required because it has failed to comply with the requirements of Section 1.401-12(n) of the Treasury Regulations, or is not keeping such records, or mailing such returns or sending such statements as are required by forms or regulations.

In no event shall the Custodian be liable or responsible for the payment of any tax or any penalty attributable to excess contributions, retention of excess contributions, failure to make any required distribution from the Account, or withdrawals or distributions made from the Account. Custodian shall not be required to make any distribution which, in the judgment of Custodian, will render Custodian directly liable for any such tax or penalty.

In the event Custodian shall receive any claim to the funds held under the Account which claim is adverse to the interest of the

Beneficiary and which claim Custodian, in its absolute discretion, deems meritorious, Custodian may withhold distribution until the claim is resolved or until instructed by a court of competent jurisdiction or Custodian may pay all or any portion of the funds then invested in the mutual fund into such court. Payment to a court shall relieve Custodian of any further obligation to anyone for the amount so paid.

In the event any question arises or ambiguity exists as to the meaning, interpretation or construction of any provisions of the Agreement, the Custodian is authorized to construe or interpret any such provision and such construction and interpretation shall be binding upon all parties.

Any notices required or permitted to be given to the Custodian shall be given to the Custodian at the office of the Custodian or any of its offices, and any notices required or permitted to be given to the Responsible Individual or Beneficiary under the Plan shall be given or sent to the Responsible Individual at the address for notice the Responsible Individual may file with the Custodian from time to time. Notices hereunder may be personally served or sent through the United States Postal Service, a private overnight delivery service or any electronic means approved by the Custodian. Any required notices regarding the Custodial Account or the Custodian will be considered effective when the Custodian sends it to the Responsible Individual at the last address that the Custodian has in its records. Any notices to the Custodian will be considered effective when the Custodian actually receives it.

Any provision of this Agreement which disqualifies it as a Coverdell Education Savings Account shall be disregarded to the extent necessary to continue to qualify it as a Coverdell Education Savings Account under the Code.

Definitions —

Account shall mean the Principal Life Insurance Company Coverdell Education Savings Account which has been established in accordance with Section 530 of the Code and consists of the terms and conditions herein set forth together with the provisions of the Principal Coverdell Education Savings Account Application.

Agreement means the written custodial agreement adopted by the Depositor.

Amendments — The Custodian shall have the authority to amend this Agreement from time to time in order to comply with the provisions of the Code and regulations thereunder. The Custodian shall have the right to amend its fee structure and amounts. Such an amendment shall apply to current and/or future years only. The Custodian shall also have the right to amend this Agreement by adding additional investment alternatives.

Custodian — shall mean Principal Life Insurance Company.

Custodial Fee — As compensation for its service hereunder, the Custodian shall be paid an annual maintenance fee of \$15 during December each year or upon account closure. Such fee shall be deducted from the Account as applicable and paid to the Custodian unless the Responsible Individual elects, in a writing filed with the Custodian, to pay such fee directly. Any fee not paid directly by November 15, may be deducted from the Account and paid to the Custodian.