
INDIVIDUAL RETIREMENT ANNUITY

DISCLOSURE STATEMENT

This Disclosure Statement is designed to help you understand the requirements of Federal tax law that apply to your Individual Retirement Annuity Contract (*IRA*) that is issued as a result of your purchase of a Traditional IRA, (*Traditional IRA*), a Roth IRA (*Roth IRA*), a Simplified Employee Pension IRA (SEP) for employer contributions or to an IRA you purchased for your spouse (*Spousal IRA*). Collectively, we will refer to an IRA throughout this Disclosure Statement unless specifically referencing one of the IRA types listed above. You can obtain more information regarding your IRA either from your sales representative or from any district office of the Internal Revenue Service.

RIGHT TO REVOKE YOUR IRA

You have the right to revoke your IRA within ten (10) days of its establishment or, if greater, the free look provision provided in your annuity contract. You must notify the Company of the revocation in writing. If revoked, you are entitled to a full return of the initial contributions you paid into your contract. The amount returned to you would not include an adjustment for such items as sales commissions, administrative expenses or fluctuation in market value.

You may make this revocation only by mailing or delivering a written notice to the Company.

If you send your notice first class mail, your revocation will be deemed mailed as of the date of the postmark.

If you have any questions about the procedure for revoking your IRA, please call us at 1-800-325-8583.

IRA Requirements

A. Nontransferable and Nonforfeitable: Your interest in your IRA is nonforfeitable. Also, you may not assign your interest in your IRA to anyone except to a former or separated spouse under a divorce or separation agreement. In this event, we will treat your former or separated spouse as the new Owner under this IRA.

B. IRA Contributions: Except for Transfer or Rollover Contributions (defined below) received from another annuity, your IRA Contributions must be in cash and paid by check, money order and/or electronic funds transfer (EFT).

C. Maximum IRA Contribution: Your IRA does not require that IRA Contributions be made each year. However, if IRA Contributions are made, the total amount contributed for any taxable year cannot exceed the lesser of 100% of your annual compensation or the dollar limit specified below:

Year 2011	\$5,000
Year 2012	\$5,000

These rules do not apply to Transfer or Rollover Contributions, nor do they apply to SEP Contributions.

Once you attain age 50, you may contribute an additional amount for each calendar year as follows:

\$1,000 for taxable year 2011; and
\$1,000 for taxable year 2012.*

*Future limits may adjust annually for inflation but only in increments of \$500.

If you also maintain a Roth IRA, the maximum IRA Contribution to your Traditional IRAs (i.e., IRAs subject to Internal Revenue Code (IRC) Sections 408(a) or 408(b)) is reduced by any IRA Contribution you make to your Roth IRA. Your total annual IRA Contributions to all Traditional IRAs and Roth IRAs cannot exceed the lesser of annual limit listed above or 100% of your compensation.

The SEP is a type of retirement plan that allows an employer to make contributions to his or her own (if self-employed) and employees' retirement. The SEP rules in the code allow an employer to contribute each year for each participating employee's SEP-IRA the smaller of 25% of compensation or \$49,000 for 2011 and \$50,000 for 2012. The deductible contribution rules explained below do not apply to employer contribution made to a SEP-IRA.

D. Roth Contribution Limits: Your 2011 Roth IRA Contribution may be further limited based on your Modified Adjusted Gross Income (MAGI) and your tax filing status as outlined below:

Tax Filing Status	Can Contribute Full Amount If MAGI is less than:	Can Contribute Reduced Amount If MAGI is between:	Cannot Contribute If MAGI is above:
Single or Head of Household	\$107,000	\$107,000 – \$122,000	\$122,000
Married, filing jointly	\$169,000	\$169,000 – \$179,000	\$179,000
Married, filing separately	\$0	\$0 – \$10,000	\$10,000

Your 2012 Roth IRA Contribution may be further limited based on your Modified Adjusted Gross Income (MAGI) and your tax filing status as outlined below:

Tax Filing Status	Can Contribute		Cannot Contribute If MAGI is above:
	Full Amount If MAGI is less than:	Reduced Amount If MAGI is between:	
Single or Head of Household	\$110,000	\$110,000 – \$125,000	\$125,000
Married, filing jointly	\$173,000	\$173,000 – \$183,000	\$183,000
Married, filing separately	\$0	\$0 – \$10,000	\$10,000

For example, if you are single and your MAGI is between \$110,000 and \$125,000, your maximum Roth IRA Contribution for 2012 is determined as follows:

\$125,000 minus your MAGI divided by \$15,000 multiplied by Contribution Limit*
equals Maximum Roth IRA Contribution Amount

Therefore,

If your MAGI is \$113,000, then \$125,000 minus \$113,000 divided by \$15,000 multiplied by \$5,000*
equals \$4,000 is your Maximum Roth IRA Contribution for 2011

*Use applicable dollar limit in Section C above.

Your Roth IRA Contribution is not limited by your participation in a retirement plan, other than a Traditional IRA, as discussed above. In addition, unlike Traditional IRAs, you may continue to fund a Roth IRA after age 70½ so long as you have earned income and your MAGI is below the maximum thresholds discussed above.

For purposes of your IRA, *Compensation* means your wages, salaries, professional fees, or other amounts derived from or received for 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 IRS Code Section 401(c)(2) (reduced by the deduction the self-employed individual takes for contributions made to a self-employed retirement plan). For purposes of this definition, IRS Section 401(c)(2) shall be applied as if the term trade or business for purposes of IRS 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 includible in gross income.

Compensation also does not include any amount received as a pension or annuity or as deferred compensation. Compensation shall include any amount includible in your gross income under IRS Code Section 71 with respect to a divorce or separation instrument described in Subparagraph (A) of IRS Code Section 71(b)(2).

E. Refund of IRA Contributions: If IRA Contributions are refunded, they shall be subject to a tax penalty as set forth in the Code. This tax penalty does not apply to excess IRA Contributions. Any excess IRA Contribution will be refunded to you upon your request. IRA Contributions that are returned may be subject to any Company charges or adjustments as outlined in the Contract. You should request a refund of excess IRA Contributions prior to the due date of your tax return for the year of Contribution.

F. Required Minimum Distributions: The Internal Revenue Service (*IRS*) requires you to take minimum distributions from your IRA at certain times as noted below:

1. You are required to take at least a minimum distribution from your Traditional IRA for the year in which you reach age 70½ and for each year thereafter. If applicable, we will waive any withdrawal charges and market value adjustment (both positive and negative adjustment) that would normally be applied to requested withdrawals. You are not required to take a minimum distribution from your Roth IRA during your life.
2. You must take your first payout by April 1 of the year following the year you attain age 70½ (*Required Beginning Date*). Minimum distributions are taken by annuitizing your contract or taking withdrawals to receive a series of periodic payouts made at intervals not longer than one year. If you annuitize, your payouts must be in nonincreasing amounts or they may increase as provided by in Q&A-14 of IRS Code Section 1.401(a)(9)-6 of the Income Tax Regulations. In addition, any distribution must satisfy the incidental benefit requirements specified in Q&A-2 of 1.401(a)(9)-6.
3. The minimum distribution amount depends on whom you name as the beneficiary. For example:
 - a) If the sole primary beneficiary of the account is your spouse (*Spousal Beneficiary*), and your Spousal Beneficiary is more than ten (10) years younger than you, the minimum distribution is calculated over the joint recalculated life expectancy of you and your Spousal Beneficiary.
 - b) For the year of and any year after you reach 70½, the minimum distribution will be the December 31 account value of the prior year divided by a divisor. The divisor used is dictated by the IRS under the Joint and Last Survivor Table shown under IRS Treasury Regulations Section 1.401(a)(9)-9 Q&A-3, using the ages attained by you and your Spousal Beneficiary on your birthdays in the calendar year in question.
 - c) If the beneficiary is anyone other than a spouse who is more than ten (10) years younger than you (*Nonspousal Beneficiary*), the minimum distribution is figured using a divisor found in the Uniform Table. For the year of and any year after you reach 70½, the minimum distribution will be the December 31 account value of the prior year divided by a divisor. Again, the divisor can be found on the IRS Uniform Table of Treasury Regulation Section 1.401(a)(9)-9 Q&A-2, using the age you attain on your birthday in the calendar year in question.
 - d) You can always select a payment option that will give you a larger amount than the minimum distribution amounts dictated by the IRS.
4. If you are past your Required Beginning Date, you may roll over the balance of another IRA into this IRA without first taking the minimum distribution for the year. You must supply us with the December 31 account value of the rolled funds.
5. If you choose to receive annuity payouts according to a periodic payout schedule for each distribution calendar year (i.e., a year for which a minimum distribution is required) the payouts will be combined and treated as an annual amount. The amount which is required to be distributed on or before April 1 following the year you attain age 70½ is the annual amount for your first distribution calendar year. The annual amount for other distribution calendar years, including the annual amount for the calendar year in which your Required Beginning Date occurs, must be distributed on or before December 31st of the calendar year for which the distribution is required.
6. If you choose to receive annuity payouts according to a period certain, the length of the period certain may not exceed the period determined from the Uniform Table, or, if there is a Spousal Beneficiary more than ten (10) years younger, from the Joint Life Table.

7. If you die before your entire interest is distributed, the remaining interest (for both a Traditional and Roth IRA), will be distributed as follows:

a) If you die after distributions have begun, the entire remaining account value must be distributed *at least as rapidly* as you were taking during life. *At least as rapidly* under final IRS regulations means the following:

(i) If you have selected a Spousal Beneficiary as your primary beneficiary, your spouse must take at least a minimum distribution annually over their recalculated life expectancy.

For any year after the year of your death, the minimum distribution will be the December 31 account value of the prior year divided by a divisor. The divisor will be based on the IRS Single Life Table of Treasury Regulation Section 1.401(a)(9)-9, Q&A-1, using the age attained by the Spousal Beneficiary on their birthday in the calendar year in question.

Following the Spousal Beneficiary's death, the spouse's beneficiary(ies) may take minimum distributions over the spouse's remaining term certain life expectancy, based on the Single Life Table for the age the spouse attained or would have attained on their birthday in the calendar year of death, reduced by one (1) for each subsequent year.

Alternatively, a Spousal Beneficiary may roll over the account as provided in (c) below.

(ii) If you have selected a Nonspousal Beneficiary as your primary beneficiary, the Nonspousal Beneficiary must take at least minimum distributions annually over the oldest beneficiary's term certain life expectancy. The oldest beneficiary must be determined by September 30 of the calendar year after the calendar year of your death (*Designated Beneficiary*). For the year after the year of your death, the minimum distribution will be the December 31st account value of the prior year divided by a divisor. The divisor will be based on the Single Life Table as noted in (i) above, using the age attained by the Designated Beneficiary on their birthday in the year after the year of your death. In each subsequent year, the divisor will be reduced by one (1).

(iii) If you did not name a Designated Beneficiary, the Nonspousal Beneficiary(ies) or heirs must take at least minimum distributions annually over your term certain life expectancy. For any year after the year you die, the minimum distribution will be the December 31st account value of the prior year divided by a divisor. The divisor will be based on the Single Life Table as noted in (i) above, using the age you attained or would have attained on your birthday in the year you died. In each subsequent year, the divisor will be reduced by one (1).

b) If you die before minimum distributions have begun, the entire remaining interest must be distributed as you elected or, if you have not elected, as elected by the beneficiary or beneficiaries, as follows:

(i) A beneficiary may defer distributions as long as a lump sum is distributed by December 31st of the year containing the fifth anniversary of your death; or

(ii) If you have selected a Spousal Beneficiary as your primary beneficiary, the Spousal Beneficiary may take minimum distributions annually over their recalculated life expectancy. This distribution is not required to begin before December 31st of the year in which you would have turned 70½.

For any year, the minimum distribution will be the December 31st account value of the prior year divided by a divisor. The divisor will be based on the Single Life Table as noted in (a)(i) above, using the Spousal Beneficiary's attained age on their birthday in the calendar year in question.

Following the Spousal Beneficiary's death, the spouse's beneficiary(ies) may take minimum distributions over the spouse's remaining term certain life expectancy, based on the life expectancy found in the Single Life Table as noted in (a)(i) above for the age the spouse attained or would have attained on their birthday in the calendar year of their death, reduced by one (1) for each subsequent year.

Alternatively, your spouse may roll over the account as provided in (c) below; or

(iii) If a Nonspousal Beneficiary is the Designated Beneficiary, the beneficiary(ies) may take minimum distributions annually over the oldest beneficiary's term certain life expectancy. The oldest beneficiary must be determined by September 30th of the calendar year after the calendar year of your death.

For the year after the year of your death, the minimum distribution will be the December 31 account value of the prior year divided by a divisor. The divisor will be based on the Single Life Table as noted in (a)(i) above, using the age attained by the Designated Beneficiary on their birthday in the year after the year of their death. In each subsequent year, the divisor will be reduced by one (1).

c) If a Spousal Beneficiary is the sole primary beneficiary, the Spousal Beneficiary may treat your IRA as their own IRA. This will be deemed to have occurred if such Spousal Beneficiary contributes to the IRA, makes a rollover to or from such IRA, or fails to elect a minimum distribution or a distribution within five years. In addition, a Spousal Beneficiary may roll over or transfer your interest to their own IRA. Taking a distribution from the IRA will not prevent the Spousal Beneficiary from later rolling over to their own IRA.

d) Failure to take at least the minimum distribution as outlined in subparagraphs (a) and (b) above will result in a 50% excise tax on the amount which should have been withdrawn but was not.

8. Distributions under this Section are considered to have begun if distributions are made on account of reaching your Required Beginning Date or if prior to the Required Beginning Date distributions irrevocably commence to you over a period permitted and in an annuity form acceptable under Section 1.401(a)(9)-6 of the Regulations.

9. If you die before your entire interest has been distributed and if you have selected a Nonspousal Beneficiary, no additional IRA Contributions may be accepted. Additionally, if you have designated more than one Nonspousal Beneficiary, your IRA may be divided into a separate account for each Nonspousal Beneficiary if elected by December 31st of the year after your death.

10. Except where distribution in the form of an annuity meeting the requirements of Section 408(b)(3) and its related regulations has irrevocably commenced, distributions are treated as having begun on the distributor's Required Beginning Date, even though payments may actually have been made before that date.
11. If you own two or more IRAs, you must determine a separate required minimum distribution for each IRA. However, you can total these minimum amounts and take the total from any one or more of the IRAs. If you elect this method, we will not waive withdrawal charges and/or market value adjustment applicable for distributions made to satisfy minimum required distribution from other IRAs. We will waive withdrawal charges and/or market value adjustments associated with minimum required distributions made from this IRA Contract that was issued to you by the Company. If you have multiple IRA contracts with the Company and elect the alternative method, the preceding sentence will apply and no waiver will be made.

Income Tax Consequences of Establishing an IRA

A. Deductibility of Traditional IRA Contribution: The amount you may deduct for a Traditional IRA Contribution will depend upon whether you (or, in some cases, your spouse) are an *Active Participant* in an employer-maintained retirement plan. If you are not an active participant, the amount of your Traditional IRA Contributions will be totally deductible. If you are an active participant, the deductibility of your IRA Contributions will depend on your modified adjusted gross income (MAGI) for the tax year for which the Traditional IRA Contribution was made. MAGI is determined on your tax return (disregarding any IRA deduction).

Generally, you will be considered an *Active Participant* if you are covered by one or more of the following employer-maintained retirement plans:

- Qualified pension, profit sharing, or stock bonus plan;
- Qualified annuity plan of an employer;
- SEP;
- Retirement plan established by the Federal government, a State, or a political subdivision;
- Tax shelter annuity for employees of certain tax-exempt organizations or public schools;
- Plan meeting the requirements of IRC Section 501(c)(18);
- Qualified plan for self-employed individuals (H.R. 10 or Keogh Plan); and
- SIMPLE IRA plan or a SIMPLE 401(k) plan.

*Does not include certain eligible deferred compensation plans under IRC Section 457;

If you do not know whether your employer maintains one of these plans or whether you are an Active Participant in it, check with your employer and your tax advisor. Also, the Form W-2 (Wage and Tax Statement) that you receive at the end of the year from your employer will indicate whether you are an Active Participant.

If you are an Active Participant in 2012, the deductible amount of your Traditional IRA Contribution is phased out ratably as your adjusted gross income falls between:

<u>Tax Filing Status</u>	<u>Can Deduct Full Amount If AGI is less than:</u>	<u>Can Deduct Reduced Amount If AGI is between:</u>	<u>Cannot Deduct If AGI is above:</u>
Single or Head of Household	\$58,000	\$58,000 - \$68,000	\$68,000
Married, filing jointly	\$92,000	\$92,000 - \$112,000	\$112,000
Married, filing separately	\$0	\$0 - \$10,000	\$10,000

You may not deduct a Roth IRA contribution.

B. Tax-Deferred Earnings: The investment earnings of your IRA are not subject to Federal income tax until distributions are made (or, in certain instances, when distributions are deemed to be made).

C. Nondeductible IRA Contributions: You may make nondeductible IRA Contributions to your IRA to the extent that deductible IRA Contributions are not allowed. The sum of your deductible Traditional IRA Contributions and nondeductible Roth and Traditional IRA Contributions cannot exceed your IRA Contribution limit (as described in the "IRA Deductibility" Section above). You may elect to treat deductible IRA Contributions as nondeductible. Roth Contributions must be paid to a separate annuity.

If you pay nondeductible IRA Contributions for a particular tax year, you must report the amount of the nondeductible IRA Contribution on your Federal income tax return (using IRS Form 8606). If you overstate the amount of designated nondeductible IRA Contributions for any taxable year, you are subject to a \$100 penalty unless reasonable cause for the overstatement can be shown. Failure to file any form required by the IRA to report nondeductible IRA Contributions (e.g., IRS Form 8606) will result in a \$50 per failure penalty.

D. Tax Treatment for Traditional IRA Distributions: The taxation of Traditional IRA distributions depends on whether or not you have ever made nondeductible IRA Contributions. If you have only made deductible Contributions, any IRA distribution will be fully included in income. If you have ever made nondeductible IRA Contributions to any Traditional IRA, the following formula must be used to determine the amount of any IRA distribution excluded from income:

Amount Withdrawn times Aggregate Nondeductible IRA Contributions divided by Aggregate IRA Balance equals Amount Excluded from Income.

NOTE: Aggregate nondeductible Traditional IRA Contributions include all nondeductible Traditional IRA Contributions made by you through the end of the year of the distribution (which have not previously been withdrawn and excluded from income). Also note that aggregate IRA balance includes the total balance of all of your Traditional IRAs as of the end of the year of distribution and any distributions occurring during the year.

E. Roth IRA Distributions

1. In General: The investment earnings of your Roth IRA are not subject to Federal income tax as they accumulate. In addition, distribution of your Roth IRA earnings will be free from Federal income tax if you take a Qualified Distribution as discussed below.
2. Qualified Distributions: A *Qualified Distribution* is not included in your gross income and is defined by the Code as:
 - (a) a payment or distribution made at least five (5) taxable years after you have established and contributed to the Roth IRA (including a conversion from a Traditional IRA); and
 - (b) meeting one of the following conditions:
 - (i) on or after the date you attain age 59½; or
 - (ii) at your death; or
 - (iii) after you become disabled; or
 - (iv) pay for a qualified specific first-time home buyer expenses.*

*A qualified first-time home buyer distribution may not exceed a lifetime limit of \$10,000. You must use the distribution within 120 days of receiving it to pay the cost to acquire, construct or reconstruct your principal residence. Settlement, financing and closing costs can be included. A qualified first-time home buyer includes you, your spouse, any of your children, grandchildren or parents (or the children, grandchildren or parents of your spouse), and only if the home buyer had no ownership interest in a principal residence during the two

years immediately preceding the date the buyer acquires the new residence. The residence must be the home buyer's primary home, not a second home.

3. **Nonqualified Distributions:** Any distribution from your Roth IRA that does not satisfy the requirements for a Qualified Distribution is treated as a *Nonqualified Distribution*. Any Nonqualified Distribution you receive from your Roth IRA shall first be treated as being made from your Contributions to the Roth IRA. This means that no portion of a Nonqualified Distribution is included in your gross income until the total amount of all distributions from your Roth IRA exceed the total amount of Contributions you made to your Roth IRA. The distribution amounts you receive in excess of your total Contributions to your Roth IRA are includable in your gross income.

Nonqualified Distributions paid before age 59½ may be subject to 10% penalty tax to the extent they are included in income. Certain exceptions to the penalty tax may apply under Code Section 72(t)(2).

4. Distributions of conversion contributions within 5-year period. If, within the 5-year period starting with the first day of your tax year in which you convert an amount from a traditional IRA to a Roth IRA, you take a distribution from a Roth IRA, you may have to pay the 10% additional tax on early distributions. You generally must pay the 10% additional tax on any amount attributable to the part of the amount converted (the conversion contribution) that you had to include in income. A separate 5-year period applies to each conversion.
5. **No Required Minimum Distributions:** You are not required to take distributions from your Roth IRA at age 70½.

F. Rollovers: Your Traditional IRA may be rolled over to another IRA or any employer's Qualified Retirement Plan, Tax Sheltered Annuity or governmental 457 Plan you participate in. Conversely, your IRA may receive Rollover Contributions or IRA Contributions from these plans, provided that all of the applicable rollover rules are followed. Rollover is a term used to describe a tax-free movement of cash or other property to or from your IRA or your employer's Qualified Retirement Plan, Tax Sheltered Annuity or 457 Plan. SIMPLE IRA funds may not be rolled to your IRA during the first two years you participate in your employer's SIMPLE IRA plan. The rollover rules are generally summarized below. These transactions are often complex. If you have any questions regarding a rollover, please see a competent tax advisor.

1. **IRA-to-IRA Rollovers:** Funds distributed from your IRA may be rolled over to an IRA of yours if the requirements of IRC Section 408(d)(3) are met. A proper IRA-to-IRA Rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received. You may not have completed another IRA-to-IRA rollover from the distributing IRA during the 12 months preceding the date you receive the distribution. Further, you may roll the same dollars or assets only once every 12 months. This rule does not apply if the rollover is completed by a trustee-to-trustee transfer. Roth IRA assets may only be rolled over to another Roth IRA.
2. **IRA to Qualified Plan, Tax Sheltered Annuity or 457 Plan Rollovers:** Pre-tax amounts distributed from your IRA may be rolled over to a qualified plan, tax sheltered annuity or governmental 457 plan of yours if the requirements of IRC Section 408(d)(3) are met. A proper IRA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received. You may roll the same dollars or assets only once every 12 months. Again, you may always accomplish the rollover by a trustee-to-trustee transfer.
3. **Qualified Plan, Tax Sheltered Annuity or Governmental 457 Plan to IRA Rollovers:** You may roll over, directly or indirectly, any eligible rollover distribution. An eligible rollover distribution is defined generally as any distribution of all or part of the balance from a qualified plan, unless it is part of a series of substantially equal periodic payments, a required minimum distribution or a hardship distribution.

If you elect to receive your rollover distribution prior to placing it in an IRA, thereby conducting an indirect rollover, your plan administrator will generally be required to withhold 20% of your distribution as a prepayment of income taxes. When completing the rollover, you may make up the amount withheld, out of pocket, and roll over the full amount distributed from your qualified plan balance. To qualify as a rollover, your eligible rollover distribution must be rolled over to your IRA not later than 60 days after you receive it. Alternatively, you may claim the withheld amount as income and pay the applicable income tax and, if you are under age 59½, the 10% early distribution penalty (unless an exception to the penalty) applies.

As an alternative to the indirect rollover, your employer generally must give you the option to directly roll over your qualified plan balance to an IRA. If you elect the direct rollover option, your eligible rollover distribution will be paid directly to the IRA (or other qualified plan) that you designate. The 20% withholding requirements do not apply to direct rollovers.

4. **Traditional IRA to Roth IRA Rollovers:** Beginning in 2010, a rollover from a nonRoth IRA can be made to a Roth IRA without regard to the owner's filing status and modified AGI (conversion). A conversion of an existing nonRoth IRA to a Roth IRA shall be treated as a taxable distribution. Although the rollover amount is generally included in income, the 10% early distribution penalty shall not apply to rollovers or conversions from a Traditional IRA to a Roth IRA.

Beginning in 2008 you may rollover (convert) distributions from your IRAs, employer's qualified retirement plan, tax sheltered annuity, or 457 Plan into your Roth IRA. The rollover (conversion) contribution must meet the rollover requirements that apply to the specific type of retirement plan.

- G. Carryback Payments:** An IRA Contribution is deemed to have been made in the prior taxable year if you make an IRA Contribution by the deadline for filing your income tax return (not including extensions), and you designate that IRA Contribution as an IRA Contribution for the prior taxable year. For example, if you are a calendar year taxpayer and you make our IRA Contribution on or before April 15, your IRA Contribution is considered to have been made for the prior tax year if you designated it as such.

Limitations and Restrictions

- A. SEP Plans:** Under a SEP that meets the requirements of IRC Section 408(k), your employer may make Contributions to your IRA. Your employer is required to provide you with information which describes the terms of your employer's SEP Plan.

- B. Spousal IRA:** If you are married, you may make IRA Contributions to an IRA established for the benefit of your spouse. Your spouse must not have attained age 70½ in that year, or any prior year, even if you are age 70½, or older. You must file a joint tax return for the year for which the IRA Contribution is made.

To make a Spousal IRA Contribution, you establish a separate IRA arrangement for your spouse. The Spousal IRA Contribution cannot exceed the lesser of 100% of compensation or the dollar limit described in the "IRA Deductibility" Section above. The combined IRA Contribution to both your own IRA and the Spousal IRA cannot exceed 100% of your compensation for the year.

Your deduction for your IRA Contribution to the Spousal IRA will be partially disallowed if your adjusted gross income for 2012 exceeds \$173,000, and completely disallowed if your adjusted gross income exceeds \$183,000.

Spousal Roth IRA Contributions are further limited if your MAGI exceeds the levels discussed in the section titled "Roth Contribution Limits."

- C. Deduction of Rollovers and Transfers:** You cannot deduct Rollover or Transfer Contributions to your IRA. However, you also do not have to include them in income, either, unless the Rollover Contribution is from a Traditional IRA or other qualified plan to a Roth IRA.
- D. Special Tax Treatment:** Capital gains treatment and the favorable ten year forward averaging tax authorized by IRC Section 402 do not apply to IRA distributions.
- E. Income Tax Treatment:** Any distribution from your IRA, except a Transfer Contribution, is subject to Federal income tax withholding. You may, however, elect not to have withholding apply to your IRA distribution. For Roth IRAs, the 10% withholding will apply if the distribution does not meet the Qualified Distribution definition within the "Roth IRA Distribution" Section of this Disclosure Statement.
- F. Prohibited Transactions:** If you or your beneficiary engages in a prohibited transaction with your IRA, as described in IRC Section 4975, your IRA will lose its tax-exempt status and you must include the value of your IRA in your gross income for that taxable year.
- G. Pledging:** If you pledge any portion of your IRA as collateral for a loan, the amount so pledged will be treated as a distribution and will be included in your gross income for that year.
- H. Loans:** The policy loans provision of this contract shall not be operative.

Federal Tax Penalties

- A. Early Distribution Penalty:** If you are under age 59½ and receive an IRA distribution, an additional tax of 10% will apply, unless made on account of death, disability, a qualifying rollover, a direct transfer, the timely withdrawal of an Excess Contribution; or if the distribution is part of a series of substantially equal periodic payments (at least annual payments) made over your life expectancy or the joint life expectancy of you and your beneficiary. Payments made to pay medical expenses that exceed 7.5% of your adjusted gross income and distributions to pay for health insurance by an individual who has separated from employment and who has received unemployment compensation under a federal or state program for at least 12 weeks are also exempt from the 10% tax. Payments to cover certain qualified education expenses and distributions for first-home purchases (up to life-time maximum of \$10,000) are also exempt from the 10% tax. This additional tax will apply only to the portion of a distribution that is includible in your income.
- B. Excess Payment Penalty:** An excise tax of 6% is imposed upon any Excess Contributions you make. This tax will apply each year in which an excess remains in your IRA. An *Excess Contribution* is any IRA Contribution that exceeds your IRA Contribution limit, excluding Rollover and Transfer Contributions. See the "IRA Requirements" Section above for your IRA Contribution limit.
- C. Excess Accumulation Penalty:** One of the requirements listed above is that you must take a minimum distribution for the year you attain age 70½ and for each year thereafter. Also, your designated beneficiary(ies) (unless your sole beneficiary is your surviving spouse) is required to take certain minimum distributions after your death. An additional tax of 50% is imposed on the amount of the required minimum distribution that should have been taken but was not. This tax is referred to as an excess accumulation penalty tax.
- D. Penalty Reporting:** You must file Form 5329 with the Internal Revenue Service to report and remit any penalties or excise taxes.

Miscellaneous Information Concerning Your IRA

- A. IRS Plan Approval:** The Agreement used to establish this IRA has been approved by the Internal Revenue Service. The Internal Revenue Service approval is a determination only as to form. It is not an endorsement of the plan in operation or of the investments offered.
- B. Life Insurance:** No portion of your IRA may be invested in life insurance contracts.
- C. Collectibles:** You may not invest the assets of your IRA in collectibles (within the meaning of IRC Section 408(m)). A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, platinum coins and certain gold, silver, platinum or palladium bullion, or any other tangible personal property specified by the Internal Revenue Service.
- D. Federal Estate and Gift Tax Considerations:** Generally, at the death of the contract owner, the entire value of an annuity or other payment receivable by any beneficiary will be included in decedent's gross estate for federal estate tax purposes. You should consult your tax advisor concerning estate tax. Generally, naming a beneficiary and any payments from your IRA to your beneficiary are not considered a gift subject to federal gift tax. Contributions to an IRA on behalf of a spouse who has no earned income will qualify for the gift exclusion.

This disclosure notice represents only a brief outline of the tax rules affecting your IRA. If you would like additional information about your contract, you are encouraged to contact your National Integrity Representative or the Company's Home Office. Any tax or legal questions that you have should be referred to a tax advisor or your attorney. In addition, you may receive further information on Internal Revenue requirements, limitations and restrictions from your local district office of the Internal Revenue Service. Information regarding individual retirement annuities is contained in IRS Publication 590. The material contained in this statement is descriptive in nature. It is not intended to bind the Company. The exact terms of the benefits and the provisions and conditions applicable to the Company are contained in the Contract.