ALABAMA FAMILY TRUST
Administering Special Needs Trusts

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THIRD-PARTY REVOCABLE AGREEMENT

Not funded with Life Beneficiary's assets, No Medicaid pay back

By executing this third-party revocable trust agreement between the Settlor and the Contributor and the Trustee, all named hereinbelow and hereinafter referred to collectively as the Parties, the Parties hereby create and establish an Alabama Family Trust Corporation account, hereinafter referred to as AFT account, for the benefit of the Life Beneficiary, named hereinbelow.

1. SETTLOR AND CONTRIBUTOR

The **Settlor**, C*ode of Alabama* §38-9B-2(15), and the **Contributor**, *id.,* §38-9B-2(7), are the same person, namely _____, who as Settlor names a Representative in ¶5 below and as Contributor names the Residuary Beneficiaries in ¶17 below and chooses the initial investment option allocation for the AFT account and chooses whether to authorize the Representative to amend that investment option by executing the separate Investment Options Agreement entered into between the Contributor and the Trustee contemporaneously with this Agreement.

2. LIFE BENEFICIARY

The Settlor/Contributor, hereby names _____ as the **Life Beneficiary**, *Code of Alabama* §38-9B-2(11), of this third-party AFT account.

3. CONTRIBUTION

The initial amount contributed to establish this account is $_____.

4. TRUSTEE

The **Trustee**, *Alabama Code* §38-9B-2(16), is the Alabama Family Trust Corporation, which is one of the Alabama domestic non-profit corporations created by the Board of Trustees of the Alabama Family Trust, *id.,* §38-9B-5, which qualifies as a non-profit organization under §501(c) of the *Internal Revenue Code* and as a pooled special needs trust under 42 U.S.C. §1396p(d)(4)(C). The Board of Trustees of the Alabama Family Trust is appointed as provided by *Code of Alabama* § 38-9B-4 and also serves as the Board of Trustees of the Alabama Family Trust Corporation.

5. REPRESENTATIVE

The Settlor hereby designates and appoints the following person or persons as **Representative**, who shall have the duties, powers, and authority as the Co-trustee, as that term is defined in *Code of Alabama* §38-9B-2(8), who shall serve individually one at a time and in the order listed unless otherwise stated:

_____

_____

_____

_____

If none of the persons named above is able and willing to serve or to continue to serve as such Representative, then the Parties agree that the Trustee by vote of its Board of Trustees may appoint a Successor Representative.

6. COMPENSATION OF THE REPRESENTATIVE

The Representative shall not be paid any salary, wage, or other compensation for service as Representative, but shall be entitled to be reimbursed for reasonable and necessary out-of-pocket expenses incurred for the benefit of the Life Beneficiary.

7. LIMITATION OF LIABILITY OF THE REPRESENTATIVE AND THE TRUSTEE

As provided in *Code of Alabama* §38-9B-7, neither the Trustee nor any Representative serving with respect to the AFT account shall at any time be liable for any mistake of law or fact or of both law and fact, or errors of judgment, or for any loss sustained by the AFT account or the AFT Charitable Trust, or by the Life Beneficiary, or by any other person, except through actual fraud or willful misconduct on the part of such Trustee or Representative.

8. ALABAMA FAMILY TRUST CHARITABLE TRUST

The Alabama Family Trust Charitable Trust is the other Alabama domestic non-profit corporation created by the Board of Trustees of the Alabama Family Trust as directed by *Alabama Code* §38-9B-5 and which qualifies as a non-profit organization under §501(c) of the *Internal Revenue Code* and which as required by *Alabama Code* §38-9B-5(d)(1) provides benefits for Life Beneficiaries whose individual AFT accounts no longer have sufficient assets and income to meet their special needs. The Board of Trustees of the Alabama Family Trust also serves as the Board of Trustees of the Alabama Family Trust Charitable Trust.

9. AFT ACCOUNT DISBURSEMENTS

During the lifetime of the Life Beneficiary, the Representative shall work with the Trustee to determine the special needs of the Life Beneficiary that cannot be met by the government benefits of the Life Beneficiary. The Representative shall periodically

request in accordance with procedures established by the Trustee that disbursements be made by the Trustee from the AFT account for goods and services for the benefit of the Life Beneficiary to meet these special needs that will improve the quality of life of the Life Beneficiary.

10. ARBITRATION OF DISPUTED DISBURSEMENTS FROM THE AFT ACCOUNT

IN THE EVENT THAT THE REPRESENTATIVE AND THE TRUSTEE CANNOT AGREE ON A DISBURSEMENT TO BE MADE FROM THE AFT ACCOUNT, EITHER PARTY SHALL HAVE THE RIGHT TO REQUEST ARBITRATION OF SUCH DISPUTE AS PROVIDED BY *CODE OF ALABAMA* §38-9B-5(c)(7*).*

11. DISBURSEMENT REQUESTS SHOULD BE SUBMITTED TIMELY

Because at the death of the Life Beneficiary, the remaining AFT account will be paid to the Residuary Beneficiaries, who are not obligated to pay expenses incurred by the Life Beneficiary, the Representative must submit disbursement requests to the Trustee as soon as expenses that are eligible for payment from the AFT account are incurred to assure that these costs can be paid by the Trustee, **including especially funeral and burial costs, which can be paid from the AFT account on a pre-need basis prior to the death of the Life Beneficiary.** The Representative should submit requests for approval of payments for expenses that are incurred monthly or on some other recurring basis, such as telephone, internet, cable, vehicle insurance, and facility private room charges using the Trustee's Request for Approval of Recurring Disbursement form to allow more rapid payment of these costs and to prevent the accumulation of several months of these costs from becoming unpayable at the death of the Life Beneficiary.

12. AFT CHARITABLE TRUST DISBURSEMENTS FOR THE LIFE BENEFICIARY

In the event that the assets and income of the AFT account are insufficient to pay for the special needs of the Life Beneficiary, income accumulated in the Alabama Family Trust Charitable Trust may be available to meet some of the special needs of the Life Beneficiary. In such event, the Representative should request in accordance with procedures established by the Alabama Family Trust Charitable Trust that disbursements be made for the benefit of the Life Beneficiary from the income available at that time from the Alabama Family Trust Charitable Trust to meet those special needs that will improve the quality of life of the Life Beneficiary. Because the amount of income available for distribution annually from the Alabama Family Trust Charitable Trust is limited to the sum determined in accordance with the procedures established as required by *Code of Alabama* §38-3B-5(c)(1), funds may not be available to pay all disbursement requests made by Representatives of all Life Beneficiaries eligible to request such disbursements made to the Alabama Family Trust Charitable Trust for that month. Consequently, such requests are evaluated by the Board of Trustees based on established ranking procedures to determine which such disbursement requests will be approved, and these decisions made by the Board of Trustees of the Alabama Family Trust Charitable Trust are therefore final.

13. AGREEMENT REVOCABLE, CONTRIBUTIONS CAN BE WITHDRAWN,

The parties acknowledge that under *Code of Alabama* §38-9B-5(c)(5), the following provisions apply to this Agreement because the Settlor/Contributor is not the same person as the Life Beneficiary:

(A) The Contributor does hereby elect to make this Agreement revocable and retains the right to withdraw funds contributed to the AFT account;

(B) The assets of the Trust account may be considered countable resources of the Contributor in determining Contributor's future eligibility for means-tested government benefits because the Agreement is revocable and allows withdrawal of contributions by the Contributor;

(C) The Contributor can choose to amend this Agreement prior to the death of the Life Beneficiary by providing written notice to the Trustee stating that the Contributor revokes this right to withdraw funds contributed to the AFT account and elects to amend this Agreement to make it irrevocable subject only to amendment for purposes described in ¶14 below;

(D) If the Contributor by written notice to the Trustee elects to withdraw the contributions made to the Trust account prior to the death of the Life Beneficiary and the Life Beneficiary has not been provided any goods or services paid for from the income or assets of the Trust account, then the remaining balance of the Trust account after the payment to the Trustee of any fees and costs under the rules established by the Trustee governing the closing of Trust accounts shall be paid to the Contributor; and

(E) If the Contributor by written notice to the Trustee elects to withdraw the contributions made to the Trust account prior the death of the Life Beneficiary and the Life Beneficiary has been provided any goods or services paid for from the income or assets of the Trust account, then five percent of the balance of the Trust account at the time of the receipt of the Contributor's notice shall be deposited to the AFT Charitable Trust and the remaining balance of the Trust account after the payment to the Trustee of any fees and costs under the rules established by the Trustee governing the closing of Trust accounts shall be paid to the Contributor.

14. NO LIFE BENEFICIARY OWNERSHIP/CONTROL, SPENDTHRIFT PROVISION

The parties acknowledge that *Code of Alabama* §38-9B-6 provides that the Life Beneficiary has no ownership or control of the AFT account, that except for the Contributor's right to revoke this Trust agreement and to withdraw contributions described in ¶12 above, neither the Settlor, the Contributor, the Representative, nor the Life Beneficiary can sell, assign, convey, alienate, or otherwise encumber, for consideration or otherwise, any interest in the income or the principal of the AFT account, nor shall any interest of the Life Beneficiary be liable for any debt incurred by the Life Beneficiary, the Settlor, the Contributor, or the Representative, and that neither the principal nor the income of the AFT account shall be subject to seizure by any creditor of the Life Beneficiary, the Settlor, the Contributor, or the Representative, under any writ or procedure in law or equity.

15. AMENDMENTS TO AGREEMENT TO MAINTAIN BENEFITS ELIGIBILITY

The Parties acknowledge that pursuant to *Code of Alabama* §38-9B-5(b), this AFT account agreement may be amended to comply with applicable federal and state law and regulations governing special needs trusts and that any such amendments shall be deemed to apply to all past, existing, and future AFT account agreements.

16. AFT ACCOUNT TERMINATION UPON DEATH OF THE LIFE BENEFICIARY

Upon the death of the Life Beneficiary, the AFT account shall be terminated and distributed as follows: (1) payment of any taxes due from the AFT account to the State of Alabama or any other state or the federal government because of the death of the Life Beneficiary; (2) payment of reasonable fees for administration of the AFT account

such as an accounting to a court, completion and filing of documents, or other required actions associated with terminating and wrapping up of the AFT account; (3) payment of ten percent of the balance of the AFT account to the AFT Charitable Trust; and (4) payment of the remaining balance to the Remainder Beneficiaries named hereinbelow.

17. REMAINDER BENEFICIARIES

The Contributor hereby names the following persons and or entities as Remainder Beneficiaries (shown as RB below) in the following shares, percentages, or sums or amounts of money:

RB1 Name & Share: _____

If RB1 does not survive, then Share either lapses and is distributed among the surviving RB's or is distributed as follows:

_____

_____

RB2 Name & Share: _____

If RB2 does not survive, then Share either lapses and is distributed among the surviving RB's or is distributed as follows:

_____

_____

RB3 Name & Share: _____

If RB3 does not survive, then Share either lapses and is distributed among the surviving RB's or is distributed as follows:

_____

_____

RB4 Name & Share: _____

If RB4 does not survive, then Share either lapses and is distributed among the surviving RB's or is distributed as follows:

_____

_____

RB5 Name & Share: _____

If RB5 does not survive, then Share either lapses and is distributed among the surviving RB's or is distributed as follows:

_____

_____

RB6 Name & Share: _____

If RB6 does not survive, then Share either lapses and is distributed among the surviving RB's or is distributed as follows:

_____

_____

18. DISABILITY REQUIRED FOR ELIGIBILITY

Pursuant to *Code of Alabama* Code §38-9B-2(10), the Life Beneficiary must have impairments that satisfy the medical and vocational guidelines in Title II (Social Security disability) and Title XVI (SSI disability) of the Social Security Act.

19. AFT ACCOUNT INTENDED TO PAY FOR SUPPLEMENTAL NEEDS

Pursuant to *Code of Alabama* Code §38-9B-3(a), the purpose of this AFT account is to improve the quality of life of the Life Beneficiary by supplementing rather than replacing government benefits with the AFT account used to purchase goods and services the cost of which is not covered by existing benefits.

20. POOLED TRUST ALLOWS ACCESS FOR PERSONS OF MODEST MEANS

Because the AFT account established by this Agreement is part of a pooled special needs trust, the Trustee can offer affordable high-quality management of trusts even for beneficiaries whose trusts have asset values far below the minimum commonly required to open a trust with a corporate trustee. Current AFT policy for new accounts requires either a minimum initial deposit of $1,500 or that a documented stream of income be assigned to the account. Although assets administered by the Alabama Family Trust Corporation are administered as one trust for purposes of investment and management, a separate account is maintained for each Life Beneficiary so that individual account information is provided on paper statements mailed monthly and is also accessible by round-the-clock online access.

21. MINIMUM BALANCE, ACCESS TO AFT CHARITABLE TRUST

Although any AFT account will be closed when the balance falls below the minimum that may be changed from time to time by the AFT Board of Trustees, which is now and has been set at $525 since at least 2015, the income generated by the Alabama Family Trust Charitable Trust remains available to make disbursements for the benefit of Life Beneficiaries whose accounts have been exhausted.

22. INCOME TAX LIABILITY OF LIFE BENEFICIARY

Income earned by each Life Beneficiary of an AFT account is reported on a Form K-1 both to the IRS and to the Life Beneficiary. Persons with larger trust balances may incur some income tax liability, while most Life Beneficiaries of more modest means do not receive enough income to exceed the threshold for filing income tax returns.

23. FORMS AND INFORMATION FOR USE BY REPRESENTATIVE

The Settlor acknowledges having reviewed the following AFT information sheets and forms and states that copies of these documents have been provided to the Representative:

A. How can trust funds be used?

B. Request for Disbursement Form

C. Request for Recurring Disbursement Form

D. Request for Disbursement from AFT Charitable Trust Form

E. Mileage Reimbursement Form

F. Schedule of Fees and Costs

This Agreement is executed by the Settlor and by the Alabama Family Trust Corporation as Trustee as of the date executed by the Trustee below.

Printed Name: _____, **SETTLOR**

Signature: _____

by: _____, **as** _____

Printed Name: _____

TWO WITNESSES TO THE SETTLOR'S SIGNATURE **Date:** _____

First Witness Signature: _____

First Witness Printed Name: _____

First Witness Address: _____

Second Witness Signature: _____

Second Witness Printed Name: _____

Second Witness Address: _____

ALABAMA FAMILY TRUST CORPORATION, TRUSTEE

By: _____

Printed Name: _____

Title: _____

Date: _____