

# American Growth Fund, Inc.

403(b)(7)  
CUSTODY  
AGREEMENT



## Who We Are

American Growth Fund, Inc. is a diversified, open-end investment company with the goal of providing the most professional form of investment management attainable anywhere. We are committed to helping serious long-term investors achieve or maintain their financial independence.

We believe we can accomplish our goal by being fully committed to your success and by making investing with us as simple and convenient as possible.

For four decades we have served our shareowners well. We have successfully demonstrated our ability to manage their money through periods of economic expansion and contraction, through years of political tensions and armed conflicts, through times of vast social and technological changes, and through an era of increasingly complex securities markets.

We believe American Growth Fund, Inc. should be the preferred investment of choice for those investors who seek to have serious, professional management. While there can be no guarantee that the future will be as rewarding as the past, we look forward to the future with unbridled enthusiasm, for we feel investing can be a rewarding, enjoyable experience.

## The Benefits of Professional Management

American Growth Fund, Inc. is a professionally managed investment company which:

- Has a proven history of keeping its investors ahead of the cost of living.
- Is managed to try to avoid or reduce the effects of market declines on its investment portfolio.
- Is liquid, with the value of its investment shares determined daily.
- Has a proven history of long-term growth.
- Has a proven history of significant income generation.

American Growth Fund's management believes that long-term investors should invest in a serious manner which takes advantage of opportunities, yet helps safeguard their valuable investment capital against loss. American Growth Fund's investment approach, which emphasizes anticipation of change and awareness of risks, is designed to help you make your financial independence a reality.



## Is American Growth Fund A Good Investment For My 403(b)(7) Custodial Account?

American Growth Fund, Inc. is a good vehicle for your 403(b)(7) Custodial Account.

The management of American Growth Fund, Inc. constantly monitors economic and financial conditions. Before investing, your management must be satisfied that the overall picture is right. When many people think about long-term growth investing, they assume they must always be 80% to 100% invested. If you encounter an unfavorable environment in that position, it stands to reason you can encounter serious setbacks from time to time. For example, if one investment declines 50%, it needs to go up 100% just to get back to break-even; but if a decline only sets you back 25%, you only need to go up 33% to get back to break-even.

Our purchases have often been made when industry and company conditions have seen their bleakest hour, but other investors have not yet recognized the potential profits to come.

We often find prices of good, sound businesses selling for a fraction of their value; yet, no one else seems interested in buying! We seek to invest in companies where, in addition to sound value, competent management and financial strength can combine to create big profits for our shareowners.

We believe that all you can be certain of is change. There are no "always" or "never" rules when it comes to successful investing because opportunities and risks constantly change - change is, in fact, the only constant. It's never enough for us to be satisfied with an investment that has done well. New, fresh ideas and insights offer constant opportunities for those who can understand the nature of change. We don't believe it's enough to say this or that investment area will always be the best investment choice. To do the best you can do, to have the most you can have over the years, we believe you must look at change as your friend. We feel we must invest in a manner which constantly seeks to help you benefit from change.

American Growth Fund, Inc. does more than focus only on a narrow field (such as picking stocks, or bonds, or cash instruments). When you invest in American Growth Fund shares, you become a shareowner of a professionally managed investment company. As a professionally managed investment company, American Growth Fund, Inc. fully manages your money by performing these four important functions:

- Changing the proportions of stocks, bonds, or cash held within the Fund, as times and conditions change.
- Providing selective diversification by investing in several different companies and industries (when management feels equity markets are attractive).

- Carefully selecting the securities the Fund invests in.
- Continuously supervising each investment after it is made.

**\* DOLLAR COST AVERAGING**

One of the most effective ways to build assets is to invest with a consistent, long-term perspective. A primary example is dollar cost averaging. With dollar cost averaging, you determine a preset amount you are going to invest in your mutual fund at regular intervals - monthly, quarterly, semi-annually, etc. By investing the same amount on a regularly scheduled basis, you will buy less shares when the price is high. This “averages” out the cost of shares and, in the long run, means the average you have paid for shares is less than the average cost per share over the same period of time.

	RISING MARKET			FLUCTUATING MARKET			DECLINING MARKET		
	Regular Investment	Share Price	Shares Aquired	Regular Investment	Share Price	Shares Aquired	Regular Investment	Share Price	Shares Aquired
	\$300	\$ 5	60				\$300	\$25	12
	\$300	\$15	20				\$300	\$15	20
	\$300	\$10	30	\$300	\$10	30	\$300	\$20	15
	\$300	\$15	20	\$300	\$ 5	60	\$300	\$10	30
	\$300	\$25	10	\$300	\$10	30	\$300	\$ 5	60
<b>Total</b>	<b>\$1,500</b>	<b>\$70</b>	<b>140</b>	<b>\$900</b>	<b>\$25</b>	<b>120</b>	<b>\$1,500</b>	<b>\$75</b>	<b>137</b>
	Average share cost: \$10.71 (\$1,500/140)			Average share cost: \$7.50 (\$900/120)			Average share cost: \$10.95 (\$1,500/137)		
	Average share price: \$14.00 (\$70/5)			Average share price: \$8.33 (\$25/3)			Average share price: \$15.00 (\$75/5)		

Dollar Cost Averaging does not assure a profit and does not protect against loss in a continually declining market. Since this type of plan involves continuous investment in securities regardless of fluctuating price levels, an investor should consider his financial ability to continue his purchases through periods of low price levels.



## 403(b)(7) Custodial Account Agreement Highlights

### General

A 403(b)(7) custodial account is a tax-sheltered retirement account made available to employees of certain types of non-profit, tax-exempt organizations whereby the employee and the employer agree to reduce the employees salary and invest such amounts in a custodial account.

### Eligibility

If you are an employee of an exempt charitable, educational or religious organization described in Section 501(c)(3) of the Internal Revenue Code (Code) or an employee of a public school system or state or local educational institution, you may be eligible to establish a 403(b)(7) custodial account if you are not eligible to participate in an employer sponsored 403(b) retirement plan. Your employer should be able to tell you whether or not you are able to establish a 403(b)(7) custodial account.

### Contributions

Generally, you may defer on a pre-tax basis an annual amount which does not exceed the "Section 415 limit." The "Section 415 limit" is based upon your current salary and employer contributions for your benefit to annuity contracts and defined contribution plans. The IRS imposes a penalty, currently 6%, on contributions which exceed the Section 415 limit ("excess contributions"). This penalty on excess contributions is imposed annually until the excess is removed from your account. The excess contribution is then included in your taxable income in the year it is withdrawn.

In addition, Section 402(g) limits total salary reduction contributions to all qualified plans to \$11,000 (adjusted beginning in 2003), subject to increase if you are age 50 or older. If the contribution exceeds the 402(g) limit, that excess will be included in your taxable income in the year of the contribution. If you notify the Custodian by March 1 of the following year that the 402(g) limit was exceeded, the excess (plus the income allocable to such amount) will be distributed to you by April 15 of that year and such income will be treated as received in the taxable year of such distribution. Otherwise, the excess plus income will be treated as income in the year of distribution, notwithstanding the fact that the excess was also included as income in the year of contribution. Notwithstanding the limitations set forth above, veterans returning to employment from military service are permitted to make up salary reduction contributions that were not made during the Employee's period of military service. Contributions to your American Growth Fund ("AGF") 403(b)(7) Account are made by your employer on your behalf. You and your employer enter into a salary reduction agreement whereby your employer reduces your salary by the amount you specify and remits that amount to AGF's custodian for investment into your AGF 403(b)(7) Account. Your IRS Form W-2 at the end of the year will show as compensation subject to federal income tax your salary reduced by the amount contributed to your AGF 403(b)(7) account. Your compensation will not be reduced for FICA or FUTA purposes.

Under IRS regulations, you may change the amount contributed to your 403(b)(7) account as permitted by your employer, provided your election applies only to compensation not yet earned. If you discontinue your salary reductions during the year, you may not be able to restart them until the next calendar year. All contributions are transmitted to your account by your employer; you may not contribute directly to your account.

### Tax Advantages

A 403(b) arrangement allows you to defer some of your salary to your 403(b)(7) Custodial Account on a pre-tax basis. In other words, your contributions to your 403(b)(7) account are excluded from your gross income for federal income tax purposes. Federal income taxes on the amounts contributed and the earnings thereon are deferred. You do not pay federal income taxes until you make a withdrawal from your account.

### Portability

If you have changed jobs and contributions were being made to an AGF 403(b)(7) Account through your previous employer and your new employer qualifies as a tax-exempt organization and agrees to continue making your contributions to your AGF 403(b)(7) account, you may take your AGF 403(b)(7) account with you. Simply transfer the assets in your old AGF 403(b)(7) account with your previous employer to a new AGF 403(b)(7) account with your new employer. If you prefer not to transfer the assets, you may maintain your old AGF 403(b)(7) account as is without additional contributions, or you may be able to roll over the assets in your AGF 403(b)(7) account into an American Growth Fund IRA account.

If you have changed jobs and the assets in your 403(b) plan with your previous employer were not invested in an AGF 403(b)(7) account, the assets in your 403(b) plan with your previous employer may be eligible to be transferred to a new AGF 403(b)(7) account with your new employer. However, certain 403(b) plans and certain investments contain restrictions and penalties on withdrawals so you should check your old plan prior to transferring any assets.

If you are eligible to transfer your account, you may elect to (a) have the amount paid directly by specifying the custodian or trustee to which the amount is to be transferred, or (b) have the amount distributed to you and roll over all or a portion of it yourself to such a plan or account within 60 days. Before a

distribution is made, you will be provided with an explanation of this election. If you choose to receive a distribution from your account, an automatic 20% federal income tax withholding requirement will apply. If you decide that you want to have your assets transferred directly to an AGF 403(b)(7) account, we have provided a transfer of assets form later in this booklet to assist you.

### Withdrawals

Funds may be withdrawn from your account when you die, reach age 59½, terminate employment, become disabled or encounter "financial hardship" as determined by IRS regulations. Only assets in your custodial account as of December 31, 1988 and salary reduction contributions after that date (not the earnings thereon) are eligible for distributions due to financial hardship. Distribution on pre-1987 account balances for which the custodian keeps necessary records ("old money") must begin when you attain age 75. You must begin taking minimum distributions from your AGF 403(b)(7) account of all other amounts ("new money") by April 1 of the year following the year in which you attain age 70½, in accordance with rules prescribed by the Code and regulations. (Under certain conditions, the IRS imposed a penalty for excessive retirement distributions made prior to 1997.)

You may choose to withdraw funds from your AGF 403(b)(7) account in a single sum or you may make periodic withdrawals by using AGF's Automatic Withdrawal Plan. All withdrawals are taxed as ordinary income for federal income tax purposes and may be subject to an early withdrawal penalty.

### Beneficiaries

A form is included in this booklet where you may designate your beneficiary or beneficiaries of your AGF 403(b)(7) account if you die. If you want to change that designation, you may do so at any time by notifying AGF's retirement plan custodian in writing by submitting a new form. Such change will be effective upon receipt by the Fund's retirement plan custodian. Any change in beneficiary will cancel all your prior designations.

The last designation of beneficiary which is received by AGF's custodian during your lifetime will be the controlling designation at death. If you do not designate a beneficiary, your surviving spouse will be your beneficiary. If you have no surviving spouse, your AGF 403(b)(7) account will go to your estate.

### Schedule of Fees

No fees are charged to establish or terminate your AGF 403(b)(7) account; however, investments are subject to a sales load as described in the currently effective prospectus of AGF. A custodian fee, currently \$20 per year, is charged to maintain your account. In order to keep all the assets in your AGF 403(b)(7) account working for you, you may prepay this annual fee if you remit a check to AGF's custodian listed on the back of this booklet so the custodian receives it by December 1 of each year. If you prefer not to prepay this fee, the fee will be deducted automatically from the assets of your account in January.

### To Start Your 403(b)(7) Retirement

First, determine how much of your salary you want to be set aside for retirement in your AGF 403(b)(7) account, decide how often you want contributions to be made and then enter into a salary reduction agreement with your employer. Second, complete the American Growth Fund, Inc. Application for 403(b)(7) Custodial Account, sign it and send it to us before your first payroll deduction so that we may open an account in your name. Your employer will automatically deduct the amount you specified in your salary reduction agreement from your salary and send it to AGF's custodian for investment into your AGF 403(b)(7) account. AGF will send you a confirmation of transaction to the address you specified on the application form each time money is applied to your account in January.

### Service On Your Account

If you need personal assistance with your AGF 403(b)(7) account, call our shareholder services department toll-free at 1-800-525-2406.

# AMERICAN GROWTH FUND, INC.

## Section 403(b)(7)

### Custody Agreement Establishing Custodial Account for Investing Contributions under a Retirement Arrangement in Shares of American Growth Fund, Inc.

#### Article I Introduction

1.1 The Participant is an employee of the Employer named on the Application. The Participant has requested that the Custodian establish a Custodial Account for the investment of contributions in the shares of AMERICAN GROWTH FUND, INC. as designated on the Application, upon the terms and conditions set forth in this Agreement.

1.2 This Agreement shall take effect upon acceptance in writing by the Custodian of its appointment by the Participant in the Application to serve as Custodian in accordance herewith. As provided more fully in Article V below, the Custodian is to invest all contributions to the Custodial Account in American Growth Fund, Inc. shares.

1.3 This Agreement is intended to establish a custodial account in accordance with Section 403(b) of the Code and all constructions hereof shall be to that intention.

#### Article II Definitions

2.1 The following terms shall have the meaning hereinafter set forth, unless a different meaning is plainly required by the context: "Agreement" shall mean this Custody Agreement, as may be amended from time to time.

2.1-1 "Application" shall mean the application by which this Custody Agreement is adopted by the Participant. The statements contained therein shall be part of this Agreement.

2.1-2 "Beneficiary" shall mean the person or persons designated by the Participant in a written notice received by the Custodian or any agent thereof to receive the Participant's Custodial Account in the event of his or her death.

2.1-3 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

2.1-4 "Custodial Account" shall mean the account established under Article III.

2.1-5 "Custodian" shall mean the entity appointed by American Growth Fund, Inc. or the Sponsor, or any successor thereto.

2.1-6 "Employee" shall mean a person who performs services as an Employee for (a) an organization described in Section 501(c)(3) of the Code, which is exempt from tax under Section 501(a) of the Code or (b) an educational organization described in Section 170(b)(1)(A)(ii) of the Code which is operated by a state, a political subdivision of a state, or an agency or instrumentality of any one or more of the foregoing.

2.1-7 "Employer" shall mean the Employer named in the Application.

2.1-8 Employer Plan means a plan, fund, or program established and maintained by the Employer pursuant to Section 403(b) of the Code which may provide for Employer contributions other than salary reduction contributions under this Agreement.

2.1-9 "Excess Contribution" shall mean the amount of any contribution made by the Employer on behalf of the Participant for any Plan Year which is an "excess contribution" as defined in Section 4973 (c) of the Code.

2.1-10 "Investment Company Shares" shall mean shares of American Growth Fund, Inc., as specified on the Application.

2.1-11 "Participant" shall mean the Employee named in the application who has entered into a Salary Reduction Agreement with the Employer.

"Salary Reduction Agreement" shall mean an agreement between the Employee and the Employer pursuant to which the Employer will reduce the Employee's salary by the amount specified in such Agreement and the Employer will contribute such amount to the Custodial Account established in accordance with this Custody Agreement.

2.1-12 "Plan Year" shall be the calendar year.

2.1-13 "Salary Reduction Agreement" shall mean an agreement between the Employee and the Employer pursuant to which the Employer will reduce the Employee's salary, or the Employee will agree to forego (during the period said Employee continues to have contributions made to the plan in his behalf) a salary increase, by the amount specified in such Agreement, and the Employer will contribute such amount to the Custodial Account in accordance with this Retirement Plan and Custody Agreement.

2.1-14 "Sponsor" shall mean American Growth Fund Sponsors, Inc. or any successor thereto.

#### Article III Establishment of Custodial Account

3.1 The Custodian shall open and maintain a Custodial Account for the Participant. The Participant shall be the beneficial owner of all amounts held in or credited to the Custodial Account. The Participant's rights to the Custodial Account are not forfeitable.

#### Article IV Contributions

4.1 The Custodian shall accept and invest in the Custodial Account such contributions of money on behalf of the Participant as it may receive from time to time from the Employer. All such contributions shall be in cash and shall be accompanied by written instructions from the Employer specifying the Participant's Custodial Account to which they are to be credited.

4.2 The Employer shall make contributions to the Custodial Account established for the Participant in accordance with the Salary Reduction Agreement entered into between the Employer and the Participant.

4.3 The Participant may make voluntary after-tax contributions to the Custodial Account. All such contributions shall be separately maintained and shall not be commingled with Employer contributions.

4.4 The Participant may transfer (or direct that a prior employer of his transfer) to the Custodial Account all or a portion of an eligible rollover distribution from (a) another custodial account established pursuant to Section 403(b) of the

Code, (b) an annuity contract established pursuant to Section 403(b) of the Code, (c) an individual retirement account, (d) a qualified plan described in Section 401(a) of the Code or (e) an eligible plan established under Section 457 of the Code.

4.5 Contributions to the Custodial Account (excluding contributions made pursuant to Section 4.4 above) may not exceed the limitations specified in Sections 402(g) or 415 (c) of the Code.

#### Article V Investment of Account Assets

5.1 The amount of each contribution to the Custodial Account shall be invested in full and fractional Investment Company Shares at the public offering price (which includes a sales charge) in effect on the date of receipt by the Custodian, and such shares shall be held in such Custodial Account.

5.2 All dividends and capital gain distributions received on the Investment Company Shares held in the Custodial Account shall be reinvested in additional Investment Company Shares which shall be held in such Custodial Account.

5.3 If any distribution made with respect to Investment Company Shares may be received at the election of the shareholder in additional Investment Company Shares or in cash or other property, the Custodian shall elect to receive it in additional Investment Company Shares.

5.4 All Investment Company Shares acquired by the Custodian shall be registered in the name of the Custodian or of its nominee for the benefit of the Participant.

#### Article VI Distributions

6.1 Except as otherwise provided in this Article, the amount credited to the Custodial Account shall not be distributed to the Participant (or a Beneficiary, if applicable) before the Participant has attained age 59 ½, separates from service, dies, becomes disabled (within the meaning of Section 72(m)(7) of the Code) or encounters financial hardship. Distribution from the Custodial Account must begin by April 1st of the year following the later of (a) calendar year in which the Participant reaches age 70 ½, or (b) the calendar year in which the participant retires. Assets held in the Custodial Account shall be distributed at such time and in such manner as the Participant (or the Beneficiary, if applicable) shall direct in writing, subject to the rules of this Article and to the applicable provisions of the Code or other law relating to such distribution. The request for distribution shall be in a form acceptable to the Custodian. Additional documentation may be requested at the discretion of the Custodian. The Custodian shall withhold from the payment of any distribution such amounts, if any, required to be withheld under the Code for federal income tax purposes.

6.2 Distribution of the assets held in the Custodial Account may be made in one of the following ways in accordance with the election of the Participant (or, in the event of death, the Beneficiary) received by the Custodian:

- A lump sum payment
- Payments at least annually over a specified period as determined by regulations under Section 401(a) of the Code.

6.3 If the Participant becomes disabled, the amount credited to the Custodial Account is eligible to be distributed to him or her. The Participant shall be considered to be disabled within the meaning of Section 72(m)(7) of the Code if he or she is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. The Custodian shall not be required to make distribution under this Section until it has received a written request for such distribution from the Participant, accompanied by satisfactory evidence of disability.

6.4 If the Participant encounters "financial hardship" within the meaning of Section 403(b)(7)(A)(ii) of the Code and the rules and regulations promulgated thereunder, the amount credited to the Custodial Account, excluding earnings thereon after December 31, 1988, may be distributed to him or her commencing within the month following the date of such hardship. The Custodian shall not be required to make distribution under this Section until it has received a written request for such distribution accompanied by a supporting affidavit from the Participant in a form acceptable to the Custodian stating that the Participant has incurred a "financial hardship." The Custodian may conclusively rely on the statements in the Participant's affidavit.

6.5 Each Participant may designate one or more Beneficiaries to receive the amount in his or her Custodial Account following the Participant's death. Designation of a Beneficiary shall be effective upon delivery to the Custodian of a duly executed and completed form, a copy of which shall be provided by the Sponsor to the Participant. If a Beneficiary is deceased, his or her rights to the participant's Custodial Account shall lapse unless a contrary intention appears from the Beneficiary Designation Form. If no valid Beneficiary exists for the Participant's Custodial Account, it shall be paid to the Participant's surviving spouse, if any, and if none, to the Participant's estate.

6.6 In the event a Participant dies before the distribution of his benefits has been completed, then the remaining amount credited to the Custodial Account shall be distributed to the Beneficiary, as follows:

- If the Participant dies on or after distribution of his or her benefits has commenced, the remaining portion shall be distributed to the Beneficiary at least as rapidly as under the method of distribution to the Participant.
- If the Participant dies before distribution of his or her benefits has commenced, the entire remaining amount will, at the election of the Participant (or, if the Participant has not so elected, at the election of the Beneficiary) either

- (i) Be distributed by December 31 of the year containing the fifth anniversary of the Participant's death, or
- (ii) Be distributed in payments at least annually over a specified period\* starting by December 31 of the year following the year of the Participant's death.

c. If, however, the beneficiary is the Participant's surviving spouse, then this distribution is not required to begin before December 31 of the year in which the Participant would have turned age 70 ½.

**6.7** Notwithstanding any other provisions of this Article, the participant may elect to have any portion of an eligible rollover distribution from the Custodial Account paid directly to an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, a plan established under Section 403(b) of the Code, another custodial account established pursuant to Section 403(b)(7) of the Code, a qualified plan described in Section 401(a) of the Code or an eligible plan established under Section 457 of the Code, as specified by the Participant.

**6.8** Any provision herein to the contrary notwithstanding, if the Participant or the Employer notifies the Custodian at any time that any portion of a contribution made by or on behalf of the Participant was an Excess Contribution, then the Custodian shall, as soon as practicable distribute to such Participant the amount of such Excess Contribution and the net income attributable thereto (total income reduced by any loading charge or other administrative charge ratably allocable to the Excess Contribution). Notwithstanding these provisions, the Participant may direct the Custodian to retain the Excess Contribution in the Custodial Account and use it to reduce the permissible contribution for the current Plan Year. If the Excess Contribution is not eliminated before April 15th of the year following the year in which it is made, the amount must be included in the Participant's taxable income and shall be subject to a 6% excise tax for each taxable year of the Participant until it has been eliminated.

**6.9** If a qualified domestic relations order under Section 414 of the Code provides for distribution to an alternative payee (within the meaning of Section 206(d) of the Employee Retirement Income Security Act of 1974), then such distribution shall be made pursuant to such order regardless of whether the Participant would otherwise be entitled to a distribution from the Account at such time. Nothing in this Section 6.9 shall permit a distribution to the Participant at a time not otherwise permitted under this Agreement.

#### **Article VII Voting and Other Action**

**7.1** The Custodian shall deliver or cause to be delivered to the Participant all notices, prospectuses, financial statements, proxies and proxy soliciting materials relating to the Investment Company Shares, as are provided to the Custodian. The Custodian shall not vote any Investment Company Shares held hereunder except in accordance with the written instructions of the Participant. However, in the event that the Participant has not instructed the Custodian as to how such Investment Company Shares are to be voted prior to the date on which a vote of the Investment Company Shares is to be taken, the Custodian will vote "present" or otherwise act with respect to such Investment Company Shares for the purpose (and only for the purpose) of allowing such Investment Company Shares to be counted for establishment of a quorum at the meeting of such stockholders.

#### **Article VIII Custodian's Fee and Expenses of the Account**

**8.1** The Custodian's annual service charge is \$20 per Custodial Account.

**8.2** The Custodian may change the foregoing fee schedule in respect to Plan Years beginning at least thirty (30) days after the Custodian gives the Participant written notice of such change.

**8.3** Any income, gift, estate and inheritance taxes and other taxes of any kind whatsoever, including transfer taxes incurred in connection with the investment or reinvestment of the assets of the Custodial Account, that may be levied or assessed in respect to such assets may, at the Custodian's option, be paid from the assets held in such Custodial Account if not paid by the Participant within thirty (30) days after a statement of such fees has been forwarded by the Custodian to the Participant.

**8.4** All fees of the Custodian and taxes and other administrative expenses relating to a Participant's Custodial Account may, at the Custodian's option, be paid from the assets held in such Custodial Account if not paid by the Participant within thirty (30) days after a statement of such fees has been forwarded by the Custodian to the Participant.

**8.5** Fees for legal services incurred by the Custodian in the defense of any suit with respect to the Custodial Account may, at the Custodian's option, be paid from the assets held in such Custodial Account if not paid by the Participant within thirty (30) days after a statement of such fees has been forwarded by the Custodian to the Participant.

#### **Article IX Amendment and Termination**

**9.1** This Agreement may at any time and from time to time be modified or amended in whole or in part (including retroactive amendments) by the Sponsor by delivering to the Custodian, the Employer and the Participant a written copy of such modification, amendment or termination signed by the Sponsor; provided, however, the Sponsor shall not have the right to modify or amend the Plan retroactively in such a manner as to deprive any Participant of any benefit to which he was entitled under the Agreement by reason of contributions made prior to the modification or amendment, unless such modification or amendment is necessary to conform the Agreement to, or satisfy the conditions of, any law, governmental regulation or ruling, and to permit the Agreement and the Custodial Account to meet the requirements of Section 403(b) of the Code or any similar statute enacted in lieu thereof.

**9.2** The Sponsor may elect to terminate this Agreement and liquidate the Custodial Account if, within thirty days after resignation or removal of the Custodian pursuant to Article XII, a successor Custodian has not accepted appointment as such.

**9.3** If the Custodian receives written notice that the Internal Revenue Service

\* as determined by regulations under Section 401(a) of the Code.

has determined that the Plan fails to qualify under Section 403(b) of the Code, as it existed at the time the Plan was adopted, by reason of some inadequacy in the original Plan not removed by a retroactive amendment, the Custodian shall terminate the Custodial Account by distributing the assets in cash or in kind at the then current value thereof to the Participant.

**9.4** Upon termination of the Custodial Account in any manner provided for in this Article, this Agreement shall be considered to be rescinded and of no force and effect, and the Custodian shall be relieved from all further liability with respect to this Agreement, the Custodial Account and all assets thereof so distributed, and any determinations by the Custodian of the mode of distributing the assets of the Custodial Account.

#### **Article X Concerning The Custodian**

**10.1** The Custodian shall not be responsible in any way for the collection of contributions provided for under the Plan. The Custodian shall be under no duty to (a) take any action other than as herein specified with respect to the Custodial Account unless the Participant or the Sponsor shall furnish the Custodian with instructions in proper form and such instructions shall have been specifically agreed to by the Custodian in writing; or (b) 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 may conclusively rely upon and shall be protected in acting upon any written direction from the Participant or any other notice, request, consent, certificate or other instrument or paper 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. The Custodian may conclusively rely upon the truth and accuracy of all matters reported to it by any source ordinarily presumed to be knowledgeable respecting the matter so reported. The Custodian shall have no higher duty than the exercise of good faith and shall incur no liability by reason of any action taken (a) in reliance upon inaccurate or fraudulent information reported by any source assumed to be reliable, or (b) by reason of any information in its possession at the time of any action. No amendment to the Plan shall place any greater burden on the Custodian without its written consent. The Custodian shall not be liable for interest on any cash or cash balances maintained in the Custodial Account.

**10.2** The Participant and the Sponsor shall each have the authority to enforce this Agreement on behalf of any and all persons having or claiming any interest in the Custodial Account by virtue of this Agreement. To protect the Custodial Account from the expenses which might otherwise be incurred, it is imposed as a condition to the acquisition of any interest in the Custodial Account, and it is hereby agreed, that no person other than the Participant or the Sponsor may institute or maintain any action or proceeding against the Custodian in the absence of written authority from the Participant or the Sponsor or a determination of a court of competent jurisdiction that, in refusing such authority, the Participant or the Sponsor has acted fraudulently or in bad faith.

**10.3** Upon full and complete distribution of the Participant's Custodial Account pursuant to this Agreement, the Custodian shall be fully discharged from all liability with respect to such Custodial Account.

**10.4** In the event of reasonable doubt with respect to the proper course of action to take, the Custodian may, in its sole and absolute discretion, resolve such doubt by judicial determination which shall be binding on all parties claiming any interest in the Custodial Account. In such event, all costs, legal expenses and reasonable compensation for time expended by the Custodian in performance of its duties shall be paid from the Participant's Custodial Account pursuant to Article VIII of this Agreement.

#### **Article XI Reports of the Custodian**

**11.1** The Custodian shall keep accurate and detailed records of all receipts, investments, disbursements and other transactions required to be performed hereunder. Not later than sixty (60) days after the close of each Plan year, (or after the Custodian's resignation or removal pursuant to Article XII hereof), the Custodian shall file with the Participant a statement reflecting the receipts, disbursements and other transactions effected by it during such Year (or period ending with such resignation or removal) and the statement of the Custodial Account at its close. Upon the expiration of sixty (60) days after furnishing such report to the Participant, the Custodian shall be forever released and discharged from all liability and accountability to anyone with respect to its acts, transactions, duties, obligations or responsibilities as shown in or reflected by such report, except with respect to any such acts or transactions as to which the Participant shall have filed written objections with the Custodian within such sixty (60)-day period.

**11.2** The Participant, the Custodian and the Sponsor shall furnish to one another such information relevant to the Plan and Custodial Account as may be required under the Code and any Regulations issued or forms adopted by the Treasury Department thereunder.

**11.3** The Custodian shall keep such records, make such identifications, and file with the Internal Revenue Service, such returns and other information concerning the Custodial Account as may be required of it under the Code and any Regulations issued or forms adopted by the Treasury Department thereunder.

**11.4** Nothing in this Agreement can be construed to relieve the Participant of the responsibility for filing any tax returns or tax forms required by the Internal Revenue Service or any other taxing authority or any reports which may be required from the Employer by any other governmental agency.

#### **Article XII Resignation or Removal of Custodian**

**12.1** The Custodian may resign at any time upon thirty (30) days notice in writing to the Sponsor, and may be removed by the Sponsor at any time upon thirty (30) days notice in writing to the Custodian. Upon such resignation or removal, the Sponsor shall appoint a successor custodian, which successor shall be a qualified custodian in accordance with Section 401(f)(2) of the Code. Upon receipt by the Custodian of written acceptance of such appointment by the successor custodian, the Custodian shall transfer and pay over to such successor the assets of the Custodial Account and all records pertaining thereto, provided that any successor custodian shall agree not to dispose of any such records without the Custodian's consent. The Custodian is

authorized, however, to reserve such sum of money or property 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.

**12.2** If within thirty (30) days after the Custodian's resignation or removal the Sponsor has not appointed a successor custodian which has accepted such appointment, the Custodian may appoint such successor itself.

**12.3** The Custodian shall not be liable for the acts or omissions of such successor whether or not it makes such appointment itself.

#### Article XIII Miscellaneous

**13.1 NO DIVERSION.** At no time shall any part of the assets of the Custodial Account to be used for or diverted to purposes other than for the exclusive benefit of the Participant, except as specifically provided in this Agreement.

**13.2 NOTICES.** Any notice from the Custodian to the Participant provided for in this Agreement shall be effective if sent by first-class mail to him at his last address on the Custodian's records.

**13.3 NO ALIENATION.** The benefits provided hereunder and the assets of the Custodial Account shall not be subject to alienation, assignment, process, garnishment, attachment, execution or levy of any kind except by the Custodian for its fees and expenses of the Custodial Account, and no attempt to cause such assets to be so subjected shall be recognized except to such extent as may be required by law or provided for herein.

**13.4 CONDITION OF AGREEMENT.** It is a condition of this Agreement, and the Participant expressly agrees, that he shall look solely to the assets of the Custodial Account for the payment of any amount to which he is entitled under this Agreement.

**13.5 NECESSITY OF QUALIFICATION.** The Custodial Account is established with the intent that it shall qualify under Section 403(b)(7) of the Code as that Section exists at the time this Agreement is executed. Notwithstanding any other provision contained in this Agreement, if the Internal Revenue Service determines that because of some inadequacy in the provisions of this Agreement, it initially fails to so qualify, all of the assets of the Custodial Account shall be distributed to the Participant, and this Agreement shall be considered to be rescinded and of no force and effect unless

such inadequacy is removed by a retroactive amendment. The Sponsor forthwith shall notify the Custodian in writing of any determination made with respect to the qualified status of this Agreement.

**13.6 EMPLOYER'S ACCEPTANCE.** The Employer's actions in remitting or transferring monies to the Custodian at the request of the Participant constitutes acceptance of the terms of this Agreement by the Employer.

**13.7 GOVERNING LAW.** This Agreement shall be construed, administered and enforced according to the laws of the State of Colorado.

## INSTRUCTIONS

### How To Start Your American Growth Fund, Inc. 403(b)(7) Custodial Account

1. Determine the maximum amount which you can contribute to your AGF 403(b)(7) Custodial Account. A worksheet is included later in this booklet. Remember that this amount must be determined annually to ensure that you do not make an excess contribution to your AGF 403(b)(7) account.
2. Enter into a salary reduction agreement with your employer. A sample salary reduction agreement has been provided with these materials. However, your employer may prefer to provide you with a form instead.
3. Establish your AGF 403(b)(7) Custodial Account by completing the Application for 403(b)(7) Custodial Account and sending the manually signed form to the custodian in care of American Growth Fund, Inc. Remember to open your AGF 403(b)(7) Custodial Account before your employer remits the first contribution.
4. Send no money with your application form—your employer will send your salary reduction amount directly to the custodian to be deposited into your AGF 403(b)(7) account. You will be sent a confirmation of transactions every time money is invested in your account.
5. Make sure your employer knows to make the check payable to the

custodian and send all contributions to the custodian in care of American Growth Fund, Inc. at the address listed on the back of this booklet. Your employer should accompany the check with a remittance advice referencing American Growth Fund, Inc., your name, your AGF 403(b)(7) Custodial Account number, your social security number and the amount to be applied to your account. If possible, your employer should consider including the name and telephone number of a contact person to call for assistance.

6. You may complete the Designation of Beneficiary Form found with these materials and file it with the custodian. You may change this information at any time and as many times as you wish by submitting a new form to the custodian. Any change in beneficiary received by the plan custodian will cancel all your prior designations of beneficiary, and the last form received by the custodian during your lifetime will be the controlling designation at death. If you do not file the Designation of Beneficiary Form with the custodian, your surviving spouse will be your beneficiary, or if you have no surviving spouse, the beneficiary of your AGF 403(b)(7) Custodial Account will be your estate.

### How To Transfer Assets From Another 403(b) Plan to Your American Growth Fund, Inc. 403(b)(7) Account

There are two means to transfer assets from another 403(b) plan account or a 403(b) Conduit IRA to your AGF 403(b)(7) Custodial Account—a trustee-to-trustee transfer (also referred to as a direct transfer) or a 60-day rollover. Each method preserves the tax sheltered status of the amount of your retirement fund transferred. A trustee-to-trustee transfer of assets involves transferring assets from the trustee or custodian of one plan or account directly to your AGF 403(b)(7) Custodial Account in a manner so that you do not take actual or constructive receipt of the assets. Nothing is reported on your federal income tax return for the year of transfer. A 60-day rollover involves writing your previous trustee or custodian yourself, requesting that funds be sent directly to you and "rolling" those funds over to your AGF 403(b)(7) Custodial Account within 60 days. You will be required to report the amount distributed to you and the amount rolled over on your federal income tax return. 20% of the amount of the distribution will be withheld for federal income tax purposes.

Because there are specific requirements concerning whether a transfer or withdrawal is eligible for rollover treatment, requirements of Federal income tax withholding and limitations on the number of rollovers that can be made in one year, and because in certain situations it may not be to your tax advantage to make a rollover contribution, you should consult with your tax advisor before requesting any type of transfer or distribution from your previous 403(b) plan, 403(b)(7) account or 403(b) Conduit IRA.

#### Direct Transfer

A transfer of assets form may accompany the application form, or you may transfer assets at any time after you open your AGF 403(b)(7) Custodial Account by taking the following steps:

1. Complete the Authorization to Transfer Assets Form provided in this booklet.

Set forth the exact name and address of your previous 403(b) plan trustee, your previous 403(b)(7) account custodian or your 403(b) Conduit IRA

trustee or custodian as well as the name of the investment and your account number. You can usually find this information on a recent confirmation of transaction that your previous trustee or custodian sent you. Sign the Authorization to Transfer Assets Form exactly as your name appears in the registration of the account you are transferring. Some investments require that your signature be guaranteed by an officer of a bank before any assets are liquidated. If you don't know if this is required, call your previous trustee or custodian and ask.

2. Send the original, manually signed Authorization to Transfer Assets Form to the custodian in care of American Growth Fund, Inc. at the address listed on the back of this booklet.

The custodian will forward the Authorization to Transfer Assets Form to your previous trustee or custodian who will then liquidate the assets in your account and send them directly to the custodian. Upon receipt, the custodian will apply the assets to your AGF 403(b)(7) Custodial Account. You will be sent a confirmation of transactions after the money is applied to your AGF 403(b)(7) Custodial Account.

#### 60-Day Rollover

In order to roll over your assets into your AGF 403(b)(7) Account:

1. Call or write your previous 403(b) plan trustee, your previous 403(b)(7) account custodian or your 403(b) Conduit IRA trustee or custodian and determine what is required to redeem the funds in your account.
2. Send all required documentation to redeem your account to your previous trustee or custodian.
3. Within 60 days after you receive the check for the proceeds of your redemption, send a check for the amount of your rollover contribution to AGF's 403(b)(7) custodian, and include (a) name of the Class of AGF Shares, (b) your AGF account number, and (c) your account registration. Be sure to note that this is a rollover contribution and include the stub found at the bottom of your most recent confirmation of transactions.



**AMERICAN GROWTH FUND, INC.  
403(b)(7) Custodial Account  
Sample Salary Reduction Agreement**

I, \_\_\_\_\_ (please print your name here), hereby request that my compensation from \_\_\_\_\_ (please print the name of your employer here) (hereinafter referred to as "Employer") be reduced effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ in the following respects only:

1. Instead of the Employer paying my full compensation directly to me, an amount of \$ \_\_\_\_\_ per \_\_\_\_\_ shall be paid to the Custodian designated in American Growth Fund, Inc.'s ("AGF") currently effective prospectus for investment in an AGF 403(b)(7) custodial account (the "Custodial Account"), naming me as the owner with my having the right to designate the beneficiary. The remainder of any compensation shall be paid directly to me, subject to such withholdings as presently or otherwise hereafter required by law or agreed to by me.
2. This Agreement will apply to compensation earned by me beginning \_\_\_\_\_, 20\_\_\_\_ (must be after today's date). I understand that this Agreement will be effective so long as I am employed by the Employer and until I advise the Employer in writing of my desire to amend this Agreement for compensation not yet earned. Nothing herein will be construed to obligate the Employer to continue my employment or alter in any other respect the terms of my employment with the Employer.
3. I release the Employer from any and all claims, actions, or suits, in tort or contract, in the event the undersigned should fail to qualify as an employee eligible to establish a 403(b)(7) custodial account, or in the event the payments made to the Custodian are not properly applied, or in the event the amount of payments made to the Custodian pursuant to this Agreement result in an "excess contribution" as defined by the Internal Revenue Code and regulations thereunder. All payments made by the Employer to the Custodian are not to be paid until the compensation is otherwise payable. In the event of the levy of a writ in garnishment or attachment upon any part of my compensation by any court of competent jurisdiction, then payment by the Employer pursuant to this Agreement shall not be made by the Employer until the court has ordered the release of that portion of my compensation from the garnishment or attachment proceedings.

Date: \_\_\_\_\_ Signed: \_\_\_\_\_  
*Participant's Signature*

Accepted and agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
*Name of Employer*

By: \_\_\_\_\_  
*Authorized Signature and Title*



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**American Growth Fund, Inc.**  
 1636 Logan Street  
 Denver, CO 80203  
 800-525-2406  
 303-626-0600  
 303-626-0614 Fax

## Application For 403(b)(7) Custody Agreement

The 403(b)(7) Retirement Plan and Custody Agreement and the Prospectus contain additional information you should know before you establish your account. Please read these documents carefully before you begin your investment plan. Before establishing this retirement plan and custodial account, you should consult with a competent tax advisor or attorney.

**I, being of legal age, wish to purchase: (choose one)**

**\_\_\_\_\_ Class A shares \_\_\_\_\_ Class B shares \_\_\_\_\_ Class C shares \_\_\_\_\_ Class D shares**  
**of American Growth Fund and establish an Investment Account as described in the Prospectus. In the event that I am not eligible to purchase Class D shares, I understand that Class A shares will be purchased.**

### Participant Personal Information

\_\_\_\_\_  
 First Name Middle Initial Last Name

\_\_\_\_\_  
 Address

\_\_\_\_\_  
 City State Zip Code

\_\_\_\_\_  
 Home Phone Work Phone

\_\_\_\_\_  
 Social Security No. Date of Birth

\_\_\_\_\_  
 Employer's Name

\_\_\_\_\_  
 Address

\_\_\_\_\_  
 City State Zip Code Telephone

### Salary Reduction

A Salary Reduction Agreement will be established with the Participant's Employer to reduce the Participant's compensation and authorize the Participant's Employer to make contributions to the Custodial Account established hereunder.

### Designation of Beneficiaries

I hereby designate the person(s) named below as primary beneficiary(ies) to receive payment of the value of this American Growth Fund, Inc. 403(b)(7) retirement account upon my death.

#### Primary Beneficiaries

Full Name	Relationship	Share %
1. _____		
2. _____		

If any primary beneficiary is not living at the time of my death, the balance is to be distributed to the surviving primary beneficiary(ies) in the relative proportions shown under the column entitled "Share %".

If any primary beneficiary is not living at the time of my death, the balance is to be distributed to the contingent beneficiary(ies) designated below.

#### Contingent Beneficiaries

Full Name	Relationship	Share %
1. _____		
2. _____		

*If you wish to name more beneficiaries, please write the detailed information onto a blank sheet of paper and attach it to this application.*

### Account Options

**RIGHTS OF ACCUMULATION** If you or "any person" as that term is defined in the Fund's Prospectus hold shares in other Fund accounts, the assets held in your Fund 403(b)(7) custodial account may be accumulated for a reduced sales charge available based on the cumulative dollar amount held in other currently existing account(s). Please list the existing account numbers here:

1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_ 4. \_\_\_\_\_



**Signature**

By signing this application, the Participant named above (1) establishes a retirement plan pursuant to Section 403(b)(7) of the Internal Revenue Code and in accordance with all of the terms of the 403(b)(7) Retirement Plan and Custody Agreement specifically incorporated herein, which the Participant has received, read, and accepted; (2) acknowledges receipt of a currently effective Prospectus of American Growth Fund, Inc. (Fund) and agrees to the terms and conditions specified therein; (3) consents to the Fund's designated custodian as Custodian; (4) consents to the Custodian Fee outlined in the Fund's currently effective prospectus; (5) agrees to indemnify and hold harmless the Fund from any claim arising out of the Participant's Employer's failure to comply with the terms of the Salary Reduction Agreement between the Participant and the Participant's Employer; (6) certifies that the Participant is of legal age; and (7) under penalties of perjury, certifies that the Participant's Social Security Number provided above is correct. The Participant understands that the Participant's Employer will reduce the Participant's salary by the amount agreed upon and contribute such amount to the Custodial Account to be invested in shares of the Fund. The undersigned hereby ratifies any instructions given on this account and any account into which exchanges are made and acknowledges that neither the Fund, its agents nor State Street Bank and Trust Company will be liable for action upon such instructions (by telephone or in writing) believed to be genuine and in accordance with procedures described in the prospectus. Such entities will employ reasonable procedures to confirm that instructions communicated by telephone are genuine and may be liable for losses due to unauthorized or fraudulent instructions only if such procedures are not followed. Such procedures may include, among others, requiring personal identification prior to acting upon the telephone instructions, providing written confirmation of telephone transaction, and tape recording telephone conversations.

By signing below, I certify that I am of legal age and certify under penalties of perjury that (1) the Social Security Number provided above is correct and (2) the IRS has never notified me that I am subject to backup withholding, or has notified me that I am no longer subject to such backup withholding. (NOTE: If part (2) of this sentence is not true in your case, please strike out that part before signing.)

Signature

Date

**Dealer and Representative Information**

Dealer Name		Authorized Signature		
Registered Representative	Rep Number	Branch Office	Telephone	
Address	City	State	Zip Code	

Addendum for the American Growth Fund  
403(b)(7) Retirement Plan and Custody Agreement dated 08/99

A conservative, long-term growth mutual fund with income as a secondary objective. The figures in this brochure reflect the performance of the Fund's Class D shares. On 3/1/96, the Fund adopted a multi-class distribution arrangement to issue additional classes of shares, designated as Class A, Class B and Class C shares. Shares existing prior to 3/1/96 became Class D shares. Class A and Class D shares are subject to a maximum front-end sales charge of 5.75%, Class B shares are subject to a maximum contingent deferred sales charge of 5% and Class C shares are subject to a 1% contingent deferred sales charge within the first year of purchase. The Fund may incur 12b-1 expenses up to an annual maximum of .30 of 1% on its average daily net assets of its Class A shares, 1% of its average daily net assets of its Class B shares, and 1% of its average daily net assets of its Class C shares. Class D shares have no 12b-1 fees. Performance figures for Class D shares include the 5.75% initial sales charge and assume the reinvestment of income dividends and capital gain distributions. Performance quoted represents past performance. The investment return and principal value of an investment will fluctuate so that the investor's shares, when redeemed, may be worth more or less than their original cost. This material must be preceded or accompanied by a current prospectus. If you have not received, or need a current prospectus, please feel free to call for one. Please read the prospectus carefully before investing.

Period ending 12/31/01.

Class D <sup>1</sup>	Class D <sup>1</sup>	Class D <sup>1</sup>	Class A	Class A	Class B	Class B	Class C	Class C
without load	without load	with load	without load	with load	without load	with load	without load	with load
1 year	-32.85%	-36.68%	-32.97%	-36.84% <sup>2</sup>	-33.79%	-38.79% <sup>3</sup>	-33.65%	-34.65% <sup>4</sup>
5 years	-11.43%	-12.47%						
10 years	-0.16%	-0.43%						
15 years	3.37%	2.97%						
43 years	8.06%	7.92%						
Inception date: 3/1/96 (not annualized)			-42.83%	-46.11% <sup>2</sup>	-45.57%	-49.57% <sup>5</sup>	-45.51%	-45.51%

The performance figures:

<sup>1</sup> Includes a 5.75% sales charge.

<sup>2</sup> Includes a 5.75% initial sales charge at the time of purchase.

<sup>3</sup> Includes a 5% contingent deferred sales charge at the time of redemption.

<sup>4</sup> Includes a 1% contingent deferred sales charge at the time of redemption.

<sup>5</sup> Includes a 4% contingent deferred sales charge at the time of redemption.

Distributor: American Growth Fund Sponsors, Inc. 110 Sixteenth Street, Suite 1400, Denver, CO 80202. Phone (800) 525-2406.