



# **Self-Directed IRA Application Packet**

SIMPLE Application  
Packet

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## **Would you like more investment choices for your retirement funds?**

With an IRA INNOVATIONS self-directed IRA, you are in full control of the investments in your retirement account. You choose what you want to invest in from a wide range of permissible assets.

At IRA INNOVATIONS, our goal is to provide our customers with the most complete and accurate information regarding the full range of investments choices available within your retirement plan.

We specialize in the record keeping and administration of all truly self-directed qualified retirement plans and in educating our clients on the unique investments that are a part of them.

Here are some of the investment options that our current clients have taken advantage of:

- Real Estate – apartments, single family homes, commercial property or undeveloped land
- Limited Liability Companies
- Private Limited Partnerships
- Secured and Unsecured Notes
- Mortgages/Deeds of Trust
- Partnerships and joint ventures
- Private stock
- Publicly traded stocks, bonds, mutual funds
- Other investments
- Judgments/Structured Settlements
- Tax Sale Certificates
- Car Paper
- Factoring
- Accounts Receivable
- Commercial Paper
- Equipment Leasing

The new tax laws affecting retirement plans can be confusing and complicated. And depending upon your financial situation, your future goals and whether you might have an employee-sponsored plan available, you will need to choose between several alternatives.

Consult with your tax advisor or financial planner on the best course of action. If you decide that a self-directing your retirement investments is for you, IRA INNOVATIONS is here to help.

Call IRA Innovations at (205) 985-0860 and get started on your self-directed IRA today.

***We are never in conflict with your investment decisions because we do not endorse or sell any investment products.***



## What's included in this packet?

<b>Application form</b>	Use this form to open a SIMPLE IRA
<b>Fee Schedule</b>	This document outlines the fees associated with a self-directed IRA.
<b>Transfer form</b>	Use this form to move your cash directly from your existing IRA to your Innovations self-directed IRA <b>without taking receipt of the funds</b> . Do not use this form to make a direct rollover.
<b>Rollover form</b>	<p>This form is intended to document the roll over of your money and/or asset from your previous 401k to your IRA Innovations account. IRA Innovations does not initiate the roll over. To rollover your money and/or asset, <b>please contact your current IRA holder and indicate that you would like to move your money and/or assets from your existing IRA account to your Innovations IRA</b>. For multiple transactions, please use a separate form for each. Use this form to:</p> <ul style="list-style-type: none"><li>• Document your rollover contribution to IRA Innovations (<b>take receipt of the assets for up to 60 days before reinvesting in a new retirement plan</b>).</li><li>• Document your direct rollover contribution (move assets directly from your <b>qualified retirement plan to a new retirement plan</b>).</li></ul>
<b>IRS form 5304-SIMPLE – Employer to Complete</b>	Your employer will provide you with IRS Form 5304-SIMPLE which defines the employee eligibility requirements, the salary reduction agreements, contributions and other requirements and provisions for establishing a SIMPLE plan. Please read this important document in order to understand your rights.
<b>IRS form 5305-SA (SIMPLE Individual Retirement Custodial Account disclosure) – Employee to Receive</b>	<p>The 5305-SA is an IRS booklet. The purpose of the disclosure is to:</p> <ul style="list-style-type: none"><li>• Identify you as the Account Holder</li><li>• Establish IRA Innovations as the IRA Administrator (see Article 8.02) and document the administrator's role and responsibilities</li><li>• Identify the Custodian (a financial institution designated by IRA Innovations)</li><li>• Define the terms and conditions of a SIMPLE IRA as well as acceptable and prohibited transactions, your rights, and the process of making contributions and distributions</li></ul> <p>You must receive this disclosure in order to open an account. You will certify that you received a copy of the 5305-SA in your IRA application. Retain the original for your records and forward a copy to IRA Innovations.</p>

## Before you fill out the form, you'll want to make sure you have:

- Your social security number
- Your beneficiary information

If you have a current IRA or 401(k) and you'd like to roll over or transfer funds into your account with IRA Innovations, you'll also need:

- Your employer address
- Your employer phone number
- Your account number



## Application Checklist

Once you've completed your application, use this checklist to make sure you have not missed anything:

- ☐ ***Have you included a clear, legible copy of your photo ID (where you can identify the person in the photo clearly)? Please make sure that the copy of the photo ID is clearly readable and legible.***
- ☐ Have you included your account set up fee, if applicable?
- ☐ Have you indicated which fee option you would prefer? Have you signed the fee option page?
- ☐ Have you completed the application?
- ☐ Have you indicated the type of account that you'd like to open?
- ☐ Have you indicated how you would like to fund your account?
- ☐ Have you documented your beneficiaries, including their Social Security Numbers?
- ☐ If applicable, have you signed your name?
- ☐ If you're married, have you reviewed the beneficiary section of the application?
- ☐ If so, has your spouse signed this section?
- ☐ Have you signed the application?

**Once you've completed this form, please send it to:**

**IRA Innovations**  
**P.O. Box 360750**  
**Birmingham, AL 35236**  
Fax: (205) 985-0860  
Email:  
info@irainnovations.com

## I. Personal Information

All information is required.

☐ Mr. ☐ Ms. ☐ Mrs. ☐ Dr. Legal Name \_\_\_\_\_

Legal Address (no P. O. Box allowed) \_\_\_\_\_

City, State, Zip \_\_\_\_\_

Mailing Address (optional) \_\_\_\_\_

City, State, Zip \_\_\_\_\_

Date of birth (MM/DD/YYYY)

		/			/				
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Social Security Number (Required)

				-			-				
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Home phone: \_\_\_\_\_ Fax: \_\_\_\_\_ Cell: \_\_\_\_\_

Occupation: \_\_\_\_\_ Industry: \_\_\_\_\_

*(If retired, please also state former occupation and industry.)*

County of Residence: \_\_\_\_\_ Marital Status: ☐ Single ☐ Married

Email: \_\_\_\_\_

From what office did you learn about IRA Innovations? ☐ Alabama ☐ Tennessee

## 2. Account Type

Please select one.

☐ Traditional IRA ☐ Roth IRA ☐ Health Savings Account Type: ☐ Self-only coverage ☐ Family coverage

☐ SEP IRA (Please attach 5305 SEP form.) Name of Business: \_\_\_\_\_

☐ Simple IRA (Please attach 5305 SIMPLE form.) Name of Business: \_\_\_\_\_

☐ Beneficiary IRA Original IRA Holder Name: \_\_\_\_\_

Type: ☐ Traditional ☐ Roth ☐ SEP ☐ SIMPLE

## 3. Application Fee

Please note there is a \$60 application fee to open an account.

Credit Card Type: ☐ Visa ☐ Mastercard ☐ Discover ☐ American Express ☐ Check (made payable to IRA Innovations LLC)

Credit Card Number: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

Expiration Date: \_\_\_\_\_ / \_\_\_\_\_ Card Identification Number \_\_\_\_\_  
*(Amex - ID on card front. All others, last three digits on back of card.)*

## 4. How You Heard About Us

☐ Internet ☐ Radio ☐ TV ☐ Article ☐ Event \_\_\_\_\_

☐ Referred by \_\_\_\_\_ ☐ Other \_\_\_\_\_

## 5. Indicate Beneficiaries If designating a Trust as the beneficiary, please include a copy of the Trust Abstract.

I designate the persons named below as the Primary and/or Contingent Beneficiaries of this account. A beneficiary shall be deemed to be a Primary Beneficiary if the Primary or Contingent box is not selected for said beneficiary. In the event of my demise, Primary Beneficiaries who survive me shall receive the assets of the account in equal shares (or in the specified shares, as designated). If all Primary Beneficiaries pre-decease me, Contingent Beneficiaries who survive me shall receive the assets of the account in equal shares (or in the specified shares, as designated). A Primary or Contingent beneficiary's interest and the interest of such beneficiary's heirs shall terminate completely, in the event that the aforementioned beneficiary does not survive me. In such cases, the share for any remaining Primary or Contingent Beneficiary shall be increased on a pro rata basis. In the event that there are no surviving Primary or Contingent Beneficiaries, remaining assets of the account shall be distributed to my estate in accordance with the plan provisions. This section is to be completed if your legal residence is in a Community Property State and your spouse has not been designated as your Primary Beneficiary with 100% share.

***I understand that I may change or add beneficiaries at any time by completing and delivering the proper form to the Administrator.***

*Please initial.*

☐ Primary ☐ Contingent

Name: \_\_\_\_\_ SSN: \_\_\_\_\_

Address: \_\_\_\_\_ Relationship: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Share: \_\_\_\_\_ %

If I named a Beneficiary which is a Trust, I understand I must supply a copy or abstract of the Trust.

☐ Primary ☐ Contingent

Name: \_\_\_\_\_ SSN: \_\_\_\_\_

Address: \_\_\_\_\_ Relationship: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Share: \_\_\_\_\_ %

If I named a Beneficiary which is a Trust, I understand I must supply a copy or abstract of the Trust.

☐ Primary ☐ Contingent

Name: \_\_\_\_\_ SSN: \_\_\_\_\_

Address: \_\_\_\_\_ Relationship: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Share: \_\_\_\_\_ %

If I named a Beneficiary which is a Trust, I understand I must supply a copy or abstract of the Trust.

☐ Primary ☐ Contingent

Name: \_\_\_\_\_ SSN: \_\_\_\_\_

Address: \_\_\_\_\_ Relationship: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Share: \_\_\_\_\_ %

If I named a Beneficiary which is a Trust, I understand I must supply a copy or abstract of the Trust.

## 6. Spousal Consent (only required if your spouse is not the primary beneficiary-see note below).

The consent of spouse must be signed only if all of the following conditions are present:

- Your spouse is living;
- Your spouse is not the sole primary beneficiary named

I am the spouse of the account holder listed above. I hereby certify that I have reviewed the Beneficiary Designation and I understand that I have a property interest in the account. I hereby acknowledge and consent to the above Beneficiary Designation other than, or in addition to, myself as primary beneficiary. I further acknowledge that I am waiving part or all of my rights to receive benefits under this plan when my spouse dies.

I, \_\_\_\_\_ hereby consent to the above Beneficiary Designation.

Spouse Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## 7. Appointment of Custodian, Investment Direction and Important Disclosures.

Your signature is required. Please read before signing. The account holder shown on the front of this application must read this agreement carefully and sign and date this part. By signing this application, you acknowledge the following:

**Custodian and Administrator:** The Custodian for my account is First Trust Company of Onaga (FTCO) and the Administrator for my account is IRA Innovations, LLC. I understand that the Custodian and the Administrator may resign by giving me written notice at least 30 days prior to the effective date of such resignation. I understand that if I fail to notify the Administrator of the appointment of a successor trustee or custodian within such 30 day period, then the assets held by the Custodian in my account (whether in cash or personal or real property, wherever located, and regardless of value) will be distributed to me, outright and free of trust, and I will be wholly responsible for the tax consequences of such distribution.

**No Tax, Legal or Investment Advice:** I acknowledge that the Custodian and the Administrator do not provide or assume responsibility for any tax, legal or investment advice with respect to the investments and assets in my account, and will not be liable for any loss which results from my exercise of control over my account. I understand that my account is self-directed, and I take complete responsibility for any investments I choose for my account. I further understand that neither the Custodian nor the Administrator sells or endorses any investment products. If the services of the Custodian and the Administrator were marketed, suggested or otherwise recommended by any person or entity, such as a financial representative or investment promoter, I understand that such persons are not in any way agents, employees, representatives, affiliates, partners, independent contractors, consultants, or subsidiaries of the Custodian or the Administrator, and that the Custodian and Administrator are not responsible for and are not bound by any statements, representations, warranties or agreements made by any such person or entity. I agree to consult with my own CPA, attorney, financial planner, or other professional prior to directing the Administrator to make any investment in my account.

**Prohibited Transactions:** I understand that my account is subject to the provisions of Internal Revenue Code (IRC) Section 4975, which defines certain prohibited transactions. I acknowledge and agree that neither the Custodian nor the Administrator will make any determination as to whether any transaction or investment in my account is prohibited under sections 4975, 408(c) or 408A, or under any other state or federal law. I accept full responsibility to ensure that none of the investments in my account will constitute a prohibited transaction and that the investments in my account comply with all applicable federal and state laws, regulations and requirements.

**Unrelated Business Income Tax:** I understand that my account is subject to the provisions of IRC Sections 511-514 relating to Unrelated Business Taxable Income (UBTI) of tax-exempt organizations. I agree that if I direct the Administrator to make an investment in my account which generates UBTI, I will be responsible for preparing or having prepared the required IRS Form 990-T tax return, an application for an Employer Identification Number (EIN) for my account, and any other documents that may be required, and to submit them to the Administrator for filing with the Internal Revenue Service at least ten (10) days prior to the date on which the return is due, along with an appropriate directive authorizing the Administrator to execute the forms on behalf of my account and to pay the applicable tax from the assets in my account. I understand that the Custodian and the Administrator do not make any determination of whether or not investments in my account generate UBTI; have no duty to and do not monitor whether or not my account has incurred UBTI; and do not prepare Form 990-T on behalf of my account.

**Valuations:** I understand that the assets in my account are required to be valued annually at the end of each calendar year in accordance with IRC Section 408(i) and other guidance provided by the IRS, and that the total value of my account will be reported to the IRS on Form 5498 each year. I agree to provide the year end value of any illiquid and/or non-publicly traded investments, which may include without limitation limited partnerships, limited liability companies, privately held stock, real estate investment trusts, hedge funds, real estate, secured and unsecured promissory notes, and any other investments as the Custodian shall designate, by no later than January 10th of each year, with substantiation attached to support the value provided. I agree to indemnify and hold harmless the Custodian and the Administrator from any and all losses, expenses, settlements, or claims with regard to investment decisions, distribution values, tax reporting or any other financial impact or consequence relating to or arising from the valuation of assets in my account.

**Indemnification:** I agree that the Custodian and the Administrator have no duty other than to follow my written instructions, and will be under no duty to question my instructions and will not be liable for any investment losses sustained by me or my account under any circumstances.

Under penalties of perjury, I certify that the above information (including my Social Security number) is correct. I hereby agree to participate in the Individual Retirement Custodial Account offered by the Custodian. I acknowledge receipt of a copy of the plan document under which this Individual Retirement Account is established, a copy of this Adoption Agreement, and a copy of this Disclosure Statement with respect to the Individual Retirement Account. I direct that all benefits upon my death be paid as indicated above. In the event that this is a rollover contribution, I hereby irrevocably elect, pursuant to the requirements of Section 1.402(a)(5)-1T of the IRS regulations, to treat this contribution as a rollover contribution. If I named a beneficiary which is a trust, I understand I must provide certain information concerning such trust to the Custodian.

Account Holder's Signature: \_\_\_\_\_

Date: \_\_\_\_\_

I understand that the Custodian and the Administrator are acting only as my agent, and nothing will be construed as conferring fiduciary status on the Custodian or the Administrator. I agree to indemnify and hold harmless the Custodian and the Administrator from any and all claims, damages, liability, actions, costs, expenses (including reasonable attorneys' fees) and any loss to my account as a result of any action taken (or omitted to be taken) pursuant to and/or in connection with any investment transaction directed by me or my investment advisor or resulting from serving as the Custodian or the Administrator, including, without limitation, claims, damages, liability, actions and losses asserted by me.

**Electronic Communications, Signatures, and Records:** I acknowledge and agree that my account will be subject to the provisions of the Uniform Electronic Transactions Act, as passed in the state where the Custodian is organized (Kansas Statutes Annotated (KSA) Sections 16-601 et seq.), and the federal Electronic Signature in Global and National Commerce Act (ESIGN Act, as contained in 15 U.S.C. 7001), as those laws pertain to electronic communication, electronic signatures, and electronic storage of Custodial Account records. I understand that, in lieu of the retention of the original records, the Administrator and Custodian may cause any, or all, of their records, and records at any time in their custody, to be photographed or otherwise reproduced to permanent form, and any such photograph or reproduction shall have the same force and effect as the original thereof and may be admitted in evidence equally with the original.

**Responsibility for determining eligibility and tax consequences:** I assume complete responsibility for 1) determining that I am eligible to make a contribution to my account; 2) ensuring that all contributions I make are within the limits set forth by the relevant sections of the Internal Revenue Code; and 3) the tax consequences of any contribution (including a rollover contribution) and distributions.

**No FDIC Insurance for Investments:** I recognize that investments purchased and/or held within my account: 1) are not insured by the Federal Deposit Insurance Corporation (FDIC); 2) are not a deposit or other obligation of, or guaranteed by, either the Custodian or the Administrator; and 3) are subject to investment risks, including possible loss of the principal amount invested.

**Our Privacy Policy:** You have chosen to do business with the Custodian and the Administrator. As our client, the privacy of your personal non-public information is very important. We value our customer relationships and we want you to understand the protections we provide in regard to your accounts with us.

**Information We May Collect:** We collect non-public personal information about you from the following sources to conduct business with you:

- Information we receive from you on applications or other forms;
- Information about your transactions with us, or others;

Non-public personal information is non-public information about you that we may obtain in connection with providing financial products or services to you. This could include information you give us from account applications, account balances, and account history.

**Information We May Share:** We do not sell or disclose any non-public information about you to anyone, except as permitted by law or as specifically authorized by you. We do not share non-public personal information with our affiliates or other providers without prior approval by you. Federal law allows us to share information with providers that process and service your accounts. All providers of services in connection with the Custodian and Administrator have agreed to the Custodian's and the Administrator's confidentiality and security policies. If you decide to close your account or become an inactive customer, we will adhere to the privacy policies and practices as described in this notice.

**Confidentiality and Security:** We restrict access to non-public personal information to those employees who need to know that information to provide products and services to you. We maintain physical, electronic, and procedural guidelines that comply with federal standards to guard your non-public personal information. The Custodian and the Administrator reserve the right to revise this notice and will notify you of any changes in advance.

If you have any questions regarding this policy, please contact us at the address and or telephone number listed on this Adoption Agreement.

*For office use only:*

Custodian or Authorized Representative Signature \_\_\_\_\_

Date: \_\_\_\_\_

**1. Annual Asset Holding Fees are due when your IRA purchases an asset and annually on the anniversary month of the asset purchase:**

**Annual Asset Holding Fee – Please choose ONE option:**

☐ **Option One:** Fee Based on Number of Investments:  
\$295 Per Asset and/or Liability

☐ **Option Two:** Fee Based on Total Account Value

*Account will be  
closed if not funded  
within 60 days.*

**OR**

Total Account Value:		Annual Asset Fee:
\$0	\$14,999.99	\$195
\$15,000	\$29,999.99	\$260
\$30,000	\$44,999.99	\$325
\$45,000	\$59,999.99	\$390
\$60,000	\$89,999.99	\$450
\$90,000	\$124,999.99	\$525
\$125,000	\$249,999.99	\$650
\$250,000	\$499,999.99	\$775
\$500,000	\$749,999.99	\$1,500
\$750,000 and up		\$1,850

**2. Transaction Fees**

Account set up fee: <i>Fee is due when application paperwork is submitted &amp; includes a copy of <u>The Self Directed IRA Handbook</u>.</i>	\$60
Purchase, Sale, Exchange or Re-Registration of any non-Real Estate Asset/Liability:	\$95
Purchase, Sale, Exchange or Re-Registration of any Real Estate Asset/Liability:	\$125
Outgoing wires:	\$30 each
Cashiers or other official bank check:	\$10 each
Trust checks	\$5
Overnight mail:	\$30
Returned Items or Stop Payment Request:	\$30
Special services, such as research on any account (including closed accounts), expedited services or additional processing	\$150/hour
required for certain complex transactions: Rush fee for services requested within 24 hours	\$100 plus normal transaction charges
Account Termination	\$150

**3. Pay fees by:** *Please note there is a \$60 application fee to open an account.*

☐ IRA Account ☐ Visa ☐ Mastercard ☐ Discover ☐ American Express ☐ Check (*made payable to IRA Innovations*)

Credit Card Number: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

Expiration Date: \_\_\_\_\_ / \_\_\_\_\_ Card Identification Number (CVC): \_\_\_\_\_

Billing Method: ☐ Always charge my credit card ☐ Only charge my credit card if no funds are available in my retirement

*Accounts with no credit card on file are required to maintain minimum undirected cash balance as prepayment of fees in the amount of \$500.*

Annual asset holding fees are normally withdrawn from your undirected funds within 20 days after the invoice date. In accordance with your plan and trust disclosure which you received as part of your application, Custodial fees are part of the plan and trust disclosure. In accordance with your Account Application, this Fee Disclosure is part of your Agreement with the Administrator and must accompany your Application. If a signed Fee Disclosure is not received with your Application, fees will be based on "Option 2—Account Value". **Custodians Fees.** I agree that Mainstar Trust (MST), Custodian shall be entitled to receive from the assets held in my account, a fee equal in amount to all income that is generated from any undirected cash (defined as any cash in my account not invested pursuant to a specific investment direction by me) which has been deposited by the Custodian into FDIC or other United States government insured financial institutions, United States government securities, or securities that are insured or guaranteed by the United States government as provided by the Plan Agreement and Disclosure. I agree that this fee may be retained by MST as compensation for the services provided by MST in relation to my account. MST may pay all or an agreed portion of this fee to IRA Innovations Inc. as agreed between MST and IRA Innovations, LLC. I acknowledge and agree that MST may hold any Undirected Cash in a deposit or product of any FDIC insured financial institution or in United States government securities or in securities that are insured or guaranteed by the United States government without any further approval or direction by me. I agree that IRA Innovations, LLC may change its fee schedule at any time by giving me 30 days prior written notice. If payment is not received within 20 days from the date reflected on the invoice, a past due notice will be mailed to me and a late fee equal to the lower of (a) 1.5% of the outstanding invoice for every month or partial month that the invoice is outstanding or (b) the maximum late penalty permitted under the state law of Alabama. Additionally, IRA Innovations, LLC may liquidate assets from the account, without notice, for any outstanding fee which has not been paid. If fees are not paid within thirty (30) days after IRA Innovations, LLC has mailed a past due notice, IRA Innovations, LLC will begin the process of closing the account. I understand that any asset distributed directly to me as part of closing my account will be reported to the IRS on Form 1099 and may subject me to possible taxes and penalties. I agree that accounts with past due fees, underfunded accounts, and accounts with zero value will continue to incur administration fees until such time as I notify IRA Innovations, LLC of my intent to close the account or until IRA Innovations, LLC and/or Custodian resigns.

Printed Name \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_

Use this form to move assets directly from one custodian to your IRA Innovations self-directed IRA without taking receipt of the funds. Do not use this form to make a direct rollover. If you wish to liquidate any assets as part of your transfer to IRA Innovations, ensure that the liquidation process is completed PRIOR to completing this form. Transfer of your funds may be delayed if this step is not taken. The terms and conditions of this document are incorporated into the Account holder's account application (the "Account Application"), and the terms and conditions of the Account Application are incorporated herein. Please return this form to IRA Innovations, the Administrator of your plan.

## I. Personal Information

Legal Name: \_\_\_\_\_ Account #: \_\_\_\_\_

Legal Address (Required) \_\_\_\_\_

City, State, Zip \_\_\_\_\_

Home phone: \_\_\_\_\_ Fax: \_\_\_\_\_ Cell: \_\_\_\_\_

Date of birth (MM/DD/YYYY)

  /   /    

Social Security Number (Required)

   -   -    

## 2. Resigning Custodian/Trustee (Where your funds are currently. Express deliveries cannot be delivered to a PO Box)

*Please include a recent statement from the resigning custodian account.*

Name of Custodian/Trustee \_\_\_\_\_ Account number \_\_\_\_\_

Office address \_\_\_\_\_

City, State, Zip \_\_\_\_\_

Phone number: \_\_\_\_\_ Fax#: \_\_\_\_\_ Contact name: \_\_\_\_\_

## 3. Type of account to be transferred/eligibility (Must transfer to the same type of account at IRA Innovations.)

I am transferring FROM the following type of plan: (Check one.)

☐ Traditional ☐ Roth ☐ Beneficiary IRA ☐ SEP ☐ SIMPLE ☐ ESA ☐ HSA

I am transferring TO the following type of plan: (Check one.)

☐ Traditional ☐ Roth ☐ Beneficiary IRA ☐ SEP ☐ SIMPLE ☐ ESA ☐ HSA

I am an eligible person to perform this transaction: (Check one.)

☐ Account owner ☐ Responsible Individual (ESA) ☐ Death Beneficiary

## 4. Type of asset to be transferred (Indicate whether this is A. COMPLETE Transfer OR B. PARTIAL Transfer.)

Please indicate what you would like to transfer by indicating CASH and/or IN-KIND. If you need to liquidate investments, please contact your resigning Custodian to ensure the liquidation process is completed PRIOR to submitting this form. *Please select one below.*

### Option 1: COMPLETE TRANSFER

- ☐ Cash - Send cash to "IRA Innovations as agent for Custodian FBO [your name] IRA # \_\_\_\_\_
- ☐ In Kind. *Additional transaction documents are required to facilitate this transfer. Please reference the Incoming In-Kind Transfer Checklist and complete next section on form.*

### Option 2: PARTIAL TRANSFER

- ☐ Cash - Send cash to "IRA Innovations as agent for Custodian FBO [your name] IRA # \_\_\_\_\_
- ☐ In Kind. *Additional transaction documents are required to facilitate this transfer. Please reference the Incoming In-Kind Transfer Checklist and complete next section on form.*

\*Please allow five business days for checks and one business day for wires to clear.

## 5. Description of assets to be transferred: Please attach additional delivery instructions if needed. Fees may apply from your resigning custodian.

Asset description (For cash balances, please indicate amount.)	Amount

## 6. Delivery Instructions:

a. How would you like us to send this transfer request to your current resigning Custodian?

- Via ☐ Mail ☐ Express delivery (\$30 fee) - *Cannot express to a PO Box - Please select how you would like to pay the fee:*
- ☐ Fax ☐ Check (Made payable to IRA Innovations)
- ☐ Credit card on file ☐ Credit Card authorization form attached

b. How would you like your cash sent from your resigning Custodian to IRA Innovations?

- Via ☐ Mail/Check ☐ Wire/Electronic (Please note fees may apply from your resigning custodian)
- Please allow five business days to clear. Please allow one business day to clear.*

## 7. Signature and Acknowledgement (This does not constitute a direct rollover.)

- I understand the rules and conditions applicable to the Account Transfer set forth herein.
- I qualify for the account transfer of assets listed in the Asset Description above and authorize such transfer.
- I understand that no person affiliated with Administrator has any authority to agree to anything different than as set forth herein.
- I hereby agree to the terms and conditions set forth in this Transfer Form and my Account Application.

\_\_\_\_\_  
Account Holder Signature

\_\_\_\_\_  
Date

PRIOR TO SIGNING, PLEASE CONSULT YOUR  
RESIGNING CUSTODIAN TO DETERMINE IF A  
MEDALLION GUARANTEE STAMP IS REQUIRED

*(Medallion Guarantee Stamp)*

## For office use only

### ACCEPTANCE OF RECEIVING CUSTODIAN

Pursuant to a limited written delegation, First Trust Company of Onaga, as Custodian ("Custodian"), has authorized IRA Innovations, LLC to sign this form on Custodian's behalf to verify Custodian's acceptance of the transfer described above and in agreement to apply the proceeds upon receipt to the Account established by IRA Innovations, LLC on the account holders behalf. Custodian ASSUMES NO TRUST OR FIDUCIARY OBLIGATIONS TO ACCOUNT HOLDER AS IT HAS NO INVESTMENT CONTROL OVER ACCOUNT HOLDER'S FUNDS AND ACTS ONLY AS A CUSTODIAN OF ACCOUNT HOLDER'S FUNDS. IRA Innovations, LLC on behalf of Custodian, First Trust Company of Onaga.

By: \_\_\_\_\_

Date: \_\_\_\_\_

Account #: \_\_\_\_\_

Type of Account:

- ☐ Traditional ☐ Roth ☐ Beneficiary IRA ☐ SEP ☐ SIMPLE ☐ ESA ☐ HSA

## I. Personal Information All information is required.

Legal Name \_\_\_\_\_ IRA Innovations Account Type and # \_\_\_\_\_

Legal Address (no P. O. Box allowed) \_\_\_\_\_

City, State, Zip \_\_\_\_\_

Date of birth (MM/DD/YYYY)

Social Security Number (Required)

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Home phone: \_\_\_\_\_ Fax: \_\_\_\_\_ Cell: \_\_\_\_\_

## 2. Name of Resigning Custodian/Sponsor

Company Name \_\_\_\_\_ Account # \_\_\_\_\_

Legal Address (no P. O. Box allowed) \_\_\_\_\_

City, State, Zip \_\_\_\_\_

Contact Name: \_\_\_\_\_ Contact phone: \_\_\_\_\_

## 3. Type of Plan You Are Rolling Over From

☐ Traditional ☐ ROTH ☐ SEP ☐ SIMPLE ☐ HSA ☐ 401K ☐ Other \_\_\_\_\_

## 4. Verify that you are eligible to perform this transaction - select one.

*I am an eligible person to perform this transaction: (Select one):* ☐ Plan participant ☐ Spouse beneficiary of account

☐ Non-spouse beneficiary of account ☐ Ex-Spouse of account due to divorce/legal separation ☐ Responsible individual

## 5. Rollover Instructions

To Rollover **CASH:**

Rollover Amount: \$ \_\_\_\_\_

By **CHECK** - Make check payable to IRA INNOVATIONS, LLC as agent for Custodian FBO \_\_\_\_\_ [your name] By **WIRE** - Please contact our office for wiring instructions  
IRA # \_\_\_\_\_ Please allow one business day for wires to clear.

Please allow five business days for checks clear.

To Rollover **IN-KIND ASSETS:**

Please complete the section below and contact our office regarding the re-registration of your asset.

Asset Description: \_\_\_\_\_ Amount: \_\_\_\_\_

Asset Description: \_\_\_\_\_ Amount: \_\_\_\_\_

## 6. Signature Please print this form first, then sign and mail the document to your IRA Innovations office. Please note: Your resigning Custodian may require additional documentation. Please read the following statement carefully

IRA Innovations, L.L.C. ("Administrator") performs record keeping and administration duties in connection with Account holder's self-directed retirement account (the "Account") on behalf of the custodian ("Custodian") as set forth in Account holder's account application (the "Account Application"). The terms and conditions of this document are incorporated into the Account Application, and the terms and conditions of the Account Application are incorporated herein. I hereby agree to the terms and conditions set forth in this Rollover Certification and acknowledge having established an Account through execution of the Account Application. I understand the rules and conditions applicable to a (check one) ☐ Rollover ☐ Direct Rollover, I qualify for the Rollover or Direct Rollover of assets listed in the Asset Liquidation above and authorize such transactions. If this is a Rollover or Direct Rollover, I have been advised to see a tax advisor due to the important tax consequences of rolling assets into a self-directed account. If this is a Rollover or Direct Rollover, I assume full responsibility for this Rollover or Direct Rollover transaction and will not hold Administrator or Custodian of either the distributing or receiving plan liable for any adverse consequences that may result. I understand that no one at Administrator or any of its licensees or franchisees has authority to agree to anything different as set forth herein. If this is a Rollover or Direct Rollover, I irrevocably designate this contribution of assets with a value of \$ \_\_\_\_\_ as a rollover contribution. By signing this form, I certify that I am completing this rollover within 60 calendar days following the day I received the assets. I have not performed a rollover from an IRA within the last 12 months and the rollover DOES NOT contain my Required Minimum Distribution. If I am a non-spouse beneficiary, this is a direct rollover from an employer plan and the rollover contribution DOES NOT contain my Required Minimum Distribution.

Account holder's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

# Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) Not for Use With a Designated Financial Institution

The Employer establishes the following SIMPLE IRA plan under section 408(p) of the Internal Revenue Code and pursuant to the instructions contained in this form.

## Article I—Employee Eligibility Requirements

- 1.01 **General Eligibility Requirements.** The Employer agrees to permit salary reduction contributions to be made in each calendar year to the SIMPLE IRA established by each employee who meets the requirements selected in the Adoption Agreement.
- 1.02 **Excludable Employees.** If elected in the Adoption Agreement, the Employer shall exclude employees covered under a collective bargaining agreement for which retirement benefits were the subject of good faith bargaining. If the Employer maintains a qualified plan covering only such employees, the Employer is deemed to select this provision.

## Article II—Salary Reduction Agreements

- 2.01 **Salary Reduction Election.** An eligible employee may make an election to have his or her compensation for each pay period reduced. The total amount of the reduction in the employee's compensation for a calendar year cannot exceed the applicable amount for that year.
- 2.02 **Timing of Salary Reduction Elections.**
- (a) For a calendar year, an eligible employee may make or modify a salary reduction election during the 60-day period immediately preceding January 1 of that year. However, for the year in which the employee becomes eligible to make salary reduction contributions, the period during which the employee may make or modify the election is a 60-day period that includes either the date the employee becomes eligible or the day before.
  - (b) No salary reduction election may apply to compensation that an employee received, or had a right to immediately receive, before execution of the salary reduction election.
  - (c) An employee may terminate a salary reduction election at any time during the calendar year.

## Article III—Contributions

- 3.01 **Salary Reduction Contributions.** The amount by which the employee agrees to reduce his or her compensation will be contributed by the Employer to the employee's SIMPLE IRA.
- 3.02 (a) **Matching Contributions.**
- (i) For each calendar year, the Employer will contribute a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year.
  - (ii) The Employer may reduce the 3% limit for the calendar year in (i) only if:
    - (1) The limit is not reduced below 1%;
    - (2) The limit is not reduced for more than 2 calendar years during the 5-year period ending with the calendar year the reduction is effective; and
    - (3) Each employee is notified of the reduced limit within a reasonable period of time before the employees' 60-day election period for the calendar year (described in Article II, section 2.02(a)).
- (b) **Nonelective Contributions**
- (i) For any calendar year, instead of making matching contributions, the Employer may make nonelective contributions equal to 2% of compensation for the calendar year to the SIMPLE IRA of each eligible employee who has at least the amount of compensation indicated in the Adoption Agreement, but not more than \$5,000, in compensation for the calendar year. No more than \$210,000\* in compensation can be taken into account in determining the nonelective contribution for each eligible employee.
  - (ii) For any calendar year, the Employer may make 2% nonelective contributions instead of matching contributions only if:
    - (1) Each eligible employee is notified that a 2% nonelective contribution will be made instead of a matching contribution; and
    - (2) This notification is provided within a reasonable period of time before the employees' 60-day election period for the calendar year (described in Article II, section 2.02(a)).

3.03 **Time and Manner of Contributions.**

- (a) The Employer will make the salary reduction contributions (described in section 2.02(a) above) for each eligible employee to the SIMPLE IRA established at the financial institution selected by that employee no later than 30 days after the end of the month in which the money is withheld from the employee's pay. See SIMPLE IRA Plan Disclosure.
- (b) The Employer will make the matching or nonelective contributions (described in sections 3.02(a) and 3.02(b) above) for each eligible employee to the SIMPLE IRA established at the financial institution selected by that employee no later than the due date for filing the Employer's tax return, including extensions, for the taxable year that includes the last day of the calendar year for which the contributions are made.

\* This is the amount for 2005. For later years, the limit may be increased for cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS's internet website at [www.irs.gov](http://www.irs.gov).

#### Article IV—Other Requirements and Provisions

- 4.01 **Contributions in General.** The Employer will make no contributions to the SIMPLE IRAs other than salary reduction contributions (described in Article III, section 3.01) and matching or nonelective contributions (described in Article III, sections 3.02(a) and 3.02(b)).
- 4.02 **Vesting Requirements.** All contributions made under this SIMPLE IRA plan are fully vested and nonforfeitable.
- 4.03 **No Withdrawal Restrictions.** The Employer may not require the employee to retain any portion of the contributions in his or her SIMPLE IRA or otherwise impose any withdrawal restrictions.
- 4.04 **Selection of IRA Trustee.** The employer must permit each eligible employee to select the financial institution that will serve as the trustee, custodian, or issuer of the SIMPLE IRA to which the employer will make all contributions on behalf of that employee.
- 4.05 **Amendments To This SIMPLE IRA Plan.** This SIMPLE IRA plan may not be amended except to modify the entries inserted in the blanks or boxes provided in the Adoption Agreement.
- 4.06 **Effects Of Withdrawals and Rollovers.**
- (a) An amount withdrawn from the SIMPLE IRA is generally includible in gross income. However, a SIMPLE IRA balance may be rolled over or transferred on a tax-free basis to another IRA designed solely to hold funds under a SIMPLE IRA plan. In addition, an individual may roll over or transfer his or her SIMPLE IRA balance to any IRA after a 2-year period has expired since the individual first participated in any SIMPLE IRA plan of the Employer. Any rollover or transfer must comply with the requirements under section 408.
  - (b) If an individual withdraws an amount from a SIMPLE IRA during the 2-year period beginning when the individual first participated in any SIMPLE IRA plan of the Employer and the amount is subject to the additional tax on early distributions under section 72(t), this additional tax is increased from 10% to 25%.

#### Article V—Definitions

- 5.01 **Compensation.**
- (a) **General Definition of Compensation.** Compensation means the sum of the wages, tips, and other compensation from the Employer subject to federal income tax withholding (as described in section 6051(a)(3)) the amounts paid for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority, and the employee's salary reduction contributions made under this Plan, and, if applicable, elective deferrals under a section 401(k) plan, a SARSEP, or a section 403(b) annuity contract and compensation deferred under a section 457 plan required to be reported by the Employer on Form W-2 (as described in section 6051(a)(8)).
  - (b) **Compensation for Self-Employed Individuals.** For self-employed individuals, compensation means the net earnings from self-employment determined under section 1402(a), without regard to section 1402(c)(6), prior to subtracting any contributions made pursuant to this plan on behalf of the individual.
- 5.02 **Employee.** Employee means a common-law employee of the Employer. The term employee also includes a self-employed individual and a leased employee described in section 414(n) but does not include a nonresident alien who received no earned income from the Employer that constitutes income from sources within the United States.
- 5.03 **Eligible Employee.** An eligible employee means an employee who satisfies the conditions in the Adoption Agreement and is not excluded under section 1.02.
- 5.04 **SIMPLE IRA.** A SIMPLE IRA is an individual retirement account described in section 408(a), or an individual retirement annuity described in section 408(b), to which the only contributions that can be made are contributions under a SIMPLE IRA plan and rollovers or transfers from another SIMPLE IRA.

#### Article VI—Procedures for Withdrawal

- 6.01 The Employer will provide each Employee with the procedures for withdrawals of contributions received by the financial institution selected by that Employee, and that financial institution's name and address by attaching that information to this Plan unless: **(1)** that financial institution's procedures are unavailable, or **(2)** that financial institution provides the procedures directly to the employee.

#### General Instructions

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

#### Purpose of Form

Form 5304-SIMPLE is a model Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) plan document that an employer may use to establish a SIMPLE IRA plan described in section 408(p), under which each eligible employee is permitted to select the financial institution for his or her SIMPLE IRA.

These instructions are designed to assist in the establishment and administration of the SIMPLE IRA plan. They are **not** intended to supersede any provision in the SIMPLE IRA plan.

**Do not** file Form 5304-SIMPLE with the IRS. Instead, keep it with your records.

For more information, see **Pub. 560**, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans), and **Pub. 590**, Individual Retirement Arrangements (IRAs).

# SIMPLE IRA PLAN DISCLOSURE

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## IN GENERAL

### Which Employers May Establish and Maintain a SIMPLE IRA Plan?

To establish and maintain a SIMPLE IRA plan, you must meet **both** of the following requirements:

1. Last calendar year, you had no more than 100 employees (including self-employed individuals) who earned \$5,000 or more in compensation from you during the year. If you have a SIMPLE IRA plan but later exceed this 100-employee limit, you will be treated as meeting the limit for the 2 years following the calendar year in which you last satisfied the limit.
2. You do not maintain during any part of the calendar year another qualified plan with respect to which contributions are made, or benefits are accrued, for service in the calendar year. For this purpose, a qualified plan (defined in section 219(g)(5)) includes a qualified pension plan, a profit-sharing plan, a stock bonus plan, a qualified annuity plan, a tax-sheltered annuity plan, and a simplified employee pension (SEP) plan.

A qualified plan that only covers employees covered under a collective bargaining agreement for which retirement benefits were the subject of good faith bargaining is disregarded if these employees are excluded from participating in the SIMPLE IRA plan.

If the failure to continue to satisfy the 100-employee limit or the one-plan rule described in 1 and 2 above is due to an acquisition or similar transaction involving your business, special rules apply. Consult your tax advisor to find out if you can still maintain the plan after the transaction.

Certain related employers (trades or businesses under common control) must be treated as a single employer for purposes of the SIMPLE IRA requirements. These are:

- (1) a controlled group of corporations under section 414(b);
- (2) a partnership or sole proprietorship under common control under section 414(c); or
- (3) an affiliated service group under section 414(m). In addition, if you have leased employees required to be treated as your own employees under the rules of section 414(n), then you must count all such leased employees for the requirements listed above.

### What is a SIMPLE IRA Plan?

A SIMPLE IRA plan is a written arrangement that provides you and your employees with an easy way to make contributions to provide retirement income for your employees. Under a SIMPLE IRA plan, employees may choose whether to make salary reduction contributions to the SIMPLE IRA plan rather than receiving these amounts as part of their regular compensation. In addition, you will contribute matching or nonelective contributions on behalf of eligible employees (see **Employee Eligibility Requirements and Contributions** below). All contributions under this plan will be deposited into a SIMPLE individual retirement account or annuity established for each eligible employee with the financial institution selected by him or her.

### When To Use Form 5304-SIMPLE

A SIMPLE IRA plan may be established by using this Model Form or any other document that satisfies the statutory requirements.

**Do not** use Form 5304-SIMPLE if:

1. You want to require that all SIMPLE IRA plan contributions initially go to a financial institution designated by you. That is, you do not want to permit each of your eligible employees to choose a financial institution that will initially receive contributions. Instead, use Form 5305-SIMPLE, Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)—for Use With a Designated Financial Institution.
2. You want employees who are nonresident aliens receiving no earned income from you that constitutes income from sources within the United States to be eligible under this plan; or
3. You want to establish a SIMPLE 401(k) plan.

### Completing Form 5304-SIMPLE

The Form 5304-SIMPLE along with the Adoption Agreement contain the operative provisions of your SIMPLE IRA plan. This SIMPLE IRA plan is considered adopted when you have completed all applicable boxes and blanks in the Adoption Agreement and it has been executed by you.

The SIMPLE IRA plan is a legal document with important tax consequences for you and your employees. You may want to consult with your attorney or tax advisor before adopting this Plan.

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## ANALYSIS OF PLAN ARTICLES

### Employee Eligibility Requirements (Article I)

Each year, for which this SIMPLE IRA plan is effective, you must permit salary reduction contributions to be made by all of your employees who are reasonably expected to receive at least \$5,000 in compensation from you during the year, and who received at least \$5,000 in compensation from you in any 2 preceding years. However, you can expand the group of employees who are eligible to participate in the SIMPLE IRA plan by completing the options provided in Item 5 of the Adoption Agreement. To choose full eligibility, check the box 5(a) in the Adoption Agreement. Alternatively, to choose limited eligibility, check the box 5(b) in the Adoption Agreement, and then complete the blank boxes in Item 5(b)(i) and (ii) as instructed on the Adoption Agreement.

In addition, you can exclude from participation those employees covered under a collective bargaining agreement for which retirement benefits were the subject of good faith bargaining. You may do this by checking the box in Item 6 of the Adoption Agreement. Under certain circumstances, these employees must be excluded. See “Which Employers May Establish and Maintain a SIMPLE IRA Plan?” above.

## Salary Reduction Agreements (Article II)

As indicated in Article II, section 2.01, a salary reduction agreement permits an eligible employee to make a salary reduction election to have his or her compensation for each pay period reduced by a percentage (expressed as a percentage or dollar amount). The total amount of the reduction in the employee’s compensation cannot exceed the applicable amount for any calendar year. The applicable amount since 2002 is:

### Applicable Annual Dollar Limitations

<u>Tax Year</u>	<u>Contribution Limit</u>
2002	\$7,000
2003	\$8,000
2004	\$9,000
2005	\$10,000
2006	\$10,000
2007 - 2008	\$10,500
2009 - 2012	\$11,500

In the case of an eligible employee who will be 50 or older before the end of the calendar year, the above limitation is increased by the following:

<u>Tax Year</u>	<u>Catch-Up Limit</u>
2002	\$500
2003	\$1,000
2004	\$1,500
2005	\$2,000
2006	\$2,500
2007- 2012	\$2,500

## Timing of Salary Reduction Elections

For any calendar year, an eligible employee may make or modify a salary reduction election during the 60-day period immediately preceding January 1 of that year. However, for the year in which the employee becomes eligible to make salary reduction contributions, the period during which the employee may make or modify the election is a 60-day period that includes either the date the employee becomes eligible or the day before.

You can extend the 60-day election periods to provide additional opportunities for eligible employees to make or modify salary reduction elections using the blank in Item 7 of the Adoption Agreement. For example, you can provide that eligible employees may make new salary reduction elections or modify prior elections for any calendar quarter during the 30 days before that quarter.

You may use the **Model Salary Reduction Agreement** to enable eligible employees to make or modify salary reduction elections.

Employees must be permitted to terminate their salary reduction elections at any time. They may resume salary reduction contributions for the year if permitted under the Adoption Agreement. However, by checking the box in Item 8 of the Adoption Agreement, you may prohibit an employee who terminates a salary reduction election outside the normal election cycle from resuming salary reduction contributions during the remainder of the calendar year.

## Contributions (Article III)

Only contributions described below may be made to this SIMPLE IRA plan. No additional contributions may be made.

### Salary Reduction Contributions

As indicated in Article III, section 3.01, salary reduction contributions consist of the amount by which the employee agrees to reduce his or her compensation. You must contribute the salary reduction contributions to the financial institution selected by each eligible employee.

### Matching Contributions

In general, you must contribute a matching contribution to each eligible employee’s SIMPLE IRA equal to the employee’s salary reduction contributions. This matching contribution cannot exceed 3% of the employee’s compensation. See **Definition of Compensation**, below.

You may reduce this 3% limit to a lower percentage, but not lower than 1%. You cannot lower the 3% limit for more than 2 calendar years out of the 5-year period ending with the calendar year the reduction is effective.

**Note:** *If any year in the 5-year period described above is a year before you first established any SIMPLE IRA plan, you will be treated as making a 3% matching contribution for that year for purposes of determining when you may reduce the employer matching contribution.*

To elect this option, you must notify the employees of the reduced limit within a reasonable period of time before the applicable 60-day election periods for the year. See **Timing of Salary Reduction Elections** above.

### Nonelective Contributions

Instead of making a matching contribution, you may, for any year, make a nonelective contribution equal to 2% of compensation for each eligible employee who has at least \$5,000 in compensation for the year. Nonelective contributions may not be based on more than \$245,000 (2010 limit) of compensation. To elect to make nonelective contributions, you must notify employees within a reasonable period of time before the applicable 60-day election periods for such year. See **Timing of Salary Reduction Elections**, above.

**Note:** Insert “\$5,000” in Item 10 of the Adoption Agreement to impose the \$5,000 compensation requirement. You may expand the group of employees who are eligible for nonelective contributions by inserting a compensation amount lower than \$5,000.

#### Effective Date (Article VII)

Insert in Item 11 of the Adoption Agreement, the date you want the provisions of the SIMPLE IRA plan to become effective. You must insert January 1 of the applicable year unless this is the first year for which you are adopting any SIMPLE IRA plan. If this is the first year for which you are adopting a SIMPLE IRA plan, you may insert any date between January 1 and October 1, inclusive of the applicable year.

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### ADDITIONAL INFORMATION

#### Timing of Salary Reduction Contributions

The employer must make the salary reduction contributions to the financial institution selected by each eligible employee for his or her SIMPLE IRA no later than the 30th day of the month following the month in which the amounts would otherwise have been payable to the employee in cash.

The Department of Labor has indicated that most SIMPLE IRA plans are also subject to Title I of the Employee Retirement Income Security Act of 1974 (ERISA). Under Department of Labor regulations at 29 CFR 2510.3-102, salary reduction contributions must be made to each participant’s SIMPLE IRA as of the earliest date on which those contributions can reasonably be segregated from the employer’s general assets, but in no event later than the 30-day deadline described above. These rules also apply in the case of self-employed individuals. Thus, the latest day for the deposit of salary reduction contributions made on behalf of a self-employed individual for a calendar year is 30 days after the end of such year, which is January 30<sup>th</sup>. In order to meet the “as soon as you can reasonably segregate” standard, the DOL regulations provide for a 7-business day deadline for depositing the employee’s salary deferral into their account.

#### Definition of Compensation

“Compensation” means the amount described in section 6051(a)(3) (wages, tips, and other compensation from the employer subject to federal income tax withholding under section 3401(a), and, amounts paid for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority. Usually, this is the amount shown in box 1 of **Form W-2**, Wage and Tax Statement. For further information, see **Pub. 15**, Circular E, Employer’s Tax Guide. Compensation also includes the salary reduction contributions made under this plan, and, if applicable, compensation deferred under a section 457 plan. In determining an employee’s compensation for prior years, the employee’s elective deferrals under a section 401(k) plan, a SARSEP, or a section 403(b) annuity contract are also included in the employee’s compensation.

For self-employed individuals, compensation means the net earnings from self-employment determined under section 1402(a), without regard to section 1402(c)(6), prior to subtracting any contributions made pursuant to this SIMPLE IRA plan on behalf of the individual.

#### Employee Notification

You must notify each eligible employee prior to the employee’s 60-day election period described above that he or she can make or change salary reduction elections and select the financial institution that will serve as the trustee, custodian, or issuer of the employee’s SIMPLE IRA. In this notification, you must indicate whether you will provide:

1. A matching contribution equal to your employees’ salary reduction contributions up to a limit of 3% of their compensation;
2. A matching contribution equal to your employees’ salary reduction contributions subject to a percentage limit that is between 1 and 3% of their compensation; or
3. A nonelective contribution equal to 2% of your employees’ compensation.

You can use the **Model Notification to Eligible Employees** to satisfy these employee notification requirements for this SIMPLE IRA plan.

A **Summary Description** must also be provided to eligible employees at this time. This summary description requirement may be satisfied by providing a completed copy of Form 5304-SIMPLE (including the information described in Article VI - Procedures for Withdrawal) and the executed Adoption Agreement.

If you fail to provide the employee notification (including the summary description) described above, you will be liable for a penalty of \$50 per day until the notification is provided. If you can show that the failure was due to reasonable cause, the penalty will not be imposed.

If the financial institution’s name, address, or withdrawal procedures are not available at the time the employee must be given the summary description, you must provide the summary description without this information. In that case, you will have reasonable cause for not including this information in the summary description, but only if you ensure that it is provided to the employee as soon as administratively feasible.

#### Reporting Requirements

You are not required to file any annual information returns for your SIMPLE IRA plan, such as Forms 5500 or 5500-EZ. However, you must report to the IRS which eligible employees are active participants in the SIMPLE IRA plan and the amount of your employees’ salary reduction contributions to the SIMPLE IRA plan on Form W-2. These contributions are subject to social security, medicare, railroad retirement, and federal unemployment tax.

#### Deducting Contributions

Contributions to this SIMPLE IRA plan are deductible in your tax year containing the end of the calendar year for which the contributions are made. Contributions will be treated as made for a particular tax year if they are made for that year and are made by the due date (including extensions) of your income tax return for that year.

#### Summary Description

Each year the SIMPLE IRA plan is in effect, the financial institution for the SIMPLE IRA of each eligible employee must provide the employer the information described in section 408(l)(2)(B). This requirement may be satisfied by providing the employer a current copy of Form 5304-SIMPLE (including instructions) together

with the financial institution's procedures for withdrawals from SIMPLE IRAs established at that financial institution, including the financial institution's name and address. The summary description must be received by the employer in sufficient time to comply with the **Employee Notification** requirements above.

There is a penalty of \$50 per day imposed on the financial institution for each failure to provide the summary description described above. However, if the failure was due to reasonable cause, the penalty will not be imposed.

## SUMMARY DESCRIPTION

### PLAN INFORMATION

1. Name of Employer: \_\_\_\_\_  
Address of Employer: \_\_\_\_\_
2. Name of Trustee/Custodian: \_\_\_\_\_  
Address of Trustee/Custodian: \_\_\_\_\_

### ELIGIBILITY REQUIREMENTS

3. All Employees of the Employer shall be eligible to participate under the Plan except:
- a. Employees included in a unit of employees covered under a collective bargaining agreement described in Section 2.02(a) of the Plan.
  - b. Non-resident alien employees who did not receive US source income described in Section 2.02(b) of the Plan.
  - c. Employees who are not reasonably expected to earn \$\_\_\_\_\_ (not to exceed \$5,000) during the Plan Year for which the contribution is being made.
  - d. There are no eligibility requirements. All Employees are eligible to participate upon the later of the plan's effective date or the employee's date of hire.
4. Each Eligible Employee will be eligible to become a Participant after having worked for the Employer during any \_\_\_\_\_ prior years (not to exceed 2) and received at least \$\_\_\_\_\_ in compensation (not to exceed \$5,000), during each of such prior years.

### WRITTEN ALLOCATION FORMULA

5. The Employer has agreed to provide contributions for the \_\_\_\_\_ Plan Year as follows (complete only one choice):
- a). Matching Contribution - The amount of the Participant's Elective Deferral not in excess of 3% of such Participant's Compensation.
  - b). Matching Contribution - The amount of the Participant's Elective Deferral not in excess of \_\_\_\_% (not less than 1% nor more than 3%) of each Participant's Compensation.
  - c). Nonelective Employer Contribution - 2% of each Eligible Employee's Compensation, who receives at least \$5,000, or \_\_\_\_\_, if lesser, in Compensation from the Employer for the Plan Year.

### ADDITIONAL INFORMATION

The Employer has designated \_\_\_\_\_ (insert Name & title) to provide additional information to participants about the Employer's SIMPLE Plan.

### GENERAL DISCLOSURE INFORMATION

The following information explains what a Savings Incentive Match Plan for Employees ("SIMPLE") is how contributions are made, and how to treat these contributions for tax purposes. For more specific information, refer to the SIMPLE Retirement Plan document itself, the completed Adoption Agreement and the accompanying "Employer Disclosure".

For a calendar year, you may make or modify a salary reduction election during the 60-day period immediately preceding January 1 of that year. However, for the year in which you first become eligible to make salary reduction contributions, the period during which you may make or modify the election is a 60 day period that includes either the date you become eligible or the day before. If indicated on the Adoption Agreement, you may have additional opportunities during a calendar year to make or modify your salary reduction election.

### I. SIMPLE Retirement Plan and SIMPLE IRA Defined

A SIMPLE Retirement Plan is a retirement income arrangement established by your employer. Under this SIMPLE Plan, you may choose to defer compensation to your own SIMPLE Individual Retirement Account or Annuity ("SIMPLE IRA"). You may base these "elective deferrals" on a salary reduction basis that, at your election, may be contributed to a SIMPLE IRA or received in cash. This type of plan is available only to an employer with 100 or fewer employees who earned at least \$5,000 during the prior calendar year.

A SIMPLE IRA is a separate IRA plan that you establish with an eligible financial institution for the purpose of receiving contributions under this SIMPLE Retirement Plan. Your employer must provide you with a copy of the SIMPLE agreement containing eligibility requirements and a description of the basis upon which contributions may be made. All amounts contributed to your SIMPLE IRA belong to you, even after you quit working for your employer.

## II. Elective Deferrals - Not Required

You are not required to make elective deferrals under this SIMPLE Retirement Plan. However, if the Employer is matching your elective deferrals, no Employer contribution will be made on your behalf unless you elect to defer under the plan.

## III. Elective Deferrals - Annual Limitation

The maximum amount that you may defer under this SIMPLE Plan for any calendar year is limited to the lesser of the percentage of your compensation indicated in the Deferral Form or "the applicable annual dollar limitation" described below:

<b>Applicable Annual Dollar Limitations</b>	
<u>Tax Year</u>	<u>Contribution Limit</u>
2002	\$7,000
2003	\$8,000
2004	\$9,000
2005	\$10,000
2006	\$10,000
2007 - 2008	\$10,500
2009 - 2012	\$11,500

The maximum amount will be adjusted for cost-of-living increases in multiples of \$500.

If you attain age 50 or over by the end of a calendar year, you can elect to have your compensation reduced by an additional "catch-up" amount listed below. The maximum additional amount will be adjusted for cost-of-living increases in multiples of \$500.

<u>Tax Year</u>	<u>Catch-Up Limit</u>
2002	\$500
2003	\$1,000
2004	\$1,500
2005	\$2,000
2006 - 2012	\$2,500

If you work for other employers (unrelated to this Employer) who also maintain a salary deferral plan, there is an overall limit on the maximum amount that you may defer in each calendar year to all elective SEPs, cash or deferred arrangements under section 401(k) of the Code, other SIMPLE plans and 403(b) plans regardless of how many employers you may have worked for during the year. This limitation is referred to as the section 402(g) limit. The section 402(g) limit on elective deferrals is listed below and is indexed according to the cost of living.

\$11,000 for 2002
\$12,000 for 2003
\$13,000 for 2004
\$14,000 for 2005
\$15,000 for 2006
\$15,500 for 2007 - 2008
\$16,500 for 2009 – 2011
\$17,000 for 2012

## IV. Elective Deferrals - Tax Treatment

The amount that you may elect to contribute to your SIMPLE IRA is excludible from gross income, subject to the limitations discussed above, and is not includible as taxable wages on Form W-2. However, these amounts are subject to FICA taxes.

## V. Elective Deferrals - Excess Amounts Contributed

When "excess elective deferrals" (i.e., amounts in excess of the SIMPLE elective deferral limit ("the applicable annual dollar limitation" described in Section III above) or the section 402(g) limit) are made, you are responsible for calculating whether you have exceeded these limits in the calendar year. The section 402(g) limit for contributions made to all elective deferral plans is listed in Section III above.

## **VI. Excess Elective Deferrals - How to Avoid Adverse Tax Consequences**

Excess elective deferrals are includible in your gross income in the calendar year of deferral. Income on the excess elective deferrals is includible in your income in the year of withdrawal from the SIMPLE IRA. You should withdraw excess elective deferrals and any allocable income, from your SIMPLE IRA by April 15 following the year to which the deferrals relate. These amounts may not be transferred or rolled over tax-free to another SIMPLE IRA.

## **VII. Income Allocable To Excess Amounts**

The rules for determining and allocating income attributable to excess elective deferrals and other excess SIMPLE contributions are the same as those governing regular IRA excess contributions. The trustee or custodian of your SIMPLE IRA will inform you of the income allocable to such excess amounts.

## **VIII. Availability of Regular IRA Contribution Deduction**

In addition to any SIMPLE contribution, if you are under age 70 1/2 you may contribute to a separate Traditional IRA the lesser of 100% of compensation or the regular IRA contribution dollar limit to a Traditional IRA as a regular IRA contribution. However, the amount that you may deduct is subject to various limitations since you will be considered an "active participant" in an employer-sponsored plan. Instead of a Traditional IRA, you may be eligible to make a regular contribution to a Roth IRA. See Pub. 590, "Individual Retirement Arrangement", for more specific information.

## **IX. SIMPLE IRA Amounts - Rollover or Transfer to another IRA**

You may not roll over or transfer from your SIMPLE IRA any SIMPLE contributions (or income on these contributions) made during the plan year to another IRA (other than a SIMPLE IRA) or to an employer plan until the 2 years following the date you first participated in the SIMPLE plan. Also, any distribution made before this time will be includible in your gross income and may also be subject to a 25% additional income tax for early withdrawal. You may, however, remove excess elective deferrals and income allocable to such excess amounts from your SIMPLE IRA before this time, but you may not roll over or transfer these amounts to another IRA.

If the Adoption Agreement indicates that all initial SIMPLE contributions will be made to a single designated Trustee or Custodian, you may transfer your SIMPLE IRA without cost or penalty to another SIMPLE IRA (if within the 2 year period) or thereafter to any other IRA.

After the 2-year restriction described above no longer applies, you may withdraw, or receive, funds from your SIMPLE IRA, and no more than 60 days later, place such funds in another IRA, SIMPLE IRA, qualified plan, 403(b) plan, or 457 plan. This is called a "rollover" and may not be done without penalty more frequently than at one-year intervals, if you are rolling to another SIMPLE IRA or IRA. However, there are no restrictions on the number of times that you may make "transfers" if you arrange to have such funds transferred between the trustees/custodians so that you never have possession of the funds. You may not, however, roll over or transfer excess elective deferrals and income allocable to such excess amounts from your SIMPLE IRA to another IRA. These excess amounts may be reduced only by a distribution to you.

## **X. Filing Requirements**

You do not need to file any additional forms with the IRS because of your participation in your employer's SIMPLE Plan.

## **XI. Employer to Provide Information on SIMPLE IRAs and the SIMPLE Agreement**

Your employer must provide you with a copy of the executed SIMPLE agreement, this Summary Description, the form you should use to elect to defer amounts to the SIMPLE, and a statement for each taxable year showing any contribution to your SIMPLE IRA.

## **XII. Financial Institution Where IRA is Established to Provide Information**

The financial institution must provide you with a disclosure statement that contains the following items of information in plain nontechnical language.

1. The statutory requirements that relate to the SIMPLE IRA;
2. The tax consequences that follow the exercise of various options and what those options are;
3. Participation eligibility rules and rules on the deductibility and nondeductibility of retirement savings;
4. The circumstances and procedures under which you may revoke the SIMPLE IRA, including the name, address, and telephone number of the person designated to receive notice of revocation (this explanation must be prominently displayed at the beginning of the disclosure statement);
5. Explanations of when penalties may be assessed against you because of specified prohibited or penalized activities concerning the SIMPLE IRA; and
6. Financial disclosure information which:
  - a) Either projects value, growth, rates of the SIMPLE IRA under various contribution and retirement schedules, or describes the method of computing and allocating annual earnings and charges which may be assessed;

- b) Describes whether, and for what period, the growth projections for the plan are guaranteed or a statement of earnings rate and terms on which these projections are based, and;
- c) States the sales commission to be charged in each year expressed as a percentage of \$1,000.

See Publication 590, "Individual Retirement Arrangements", which is available at most IRS offices, for a more complete explanation of the disclosure requirements. IRS Publication 560 also contains more information regarding SIMPLE IRA Plans.

In addition to the disclosure statement, the financial institution is required to provide you with a financial statement each year. It may be necessary to retain and refer to statements for more than one year in order to evaluate the investment performance of your SIMPLE IRA and in order that you will know how to report SIMPLE IRA distributions for tax purposes.

**MODEL SIMPLE IRA PLAN  
EMPLOYER'S ADOPTION AGREEMENT**

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**EMPLOYER INFORMATION**

1. Name of Employer: \_\_\_\_\_
2. Address: \_\_\_\_\_
3. EIN #: \_\_\_\_\_ 4. Phone: \_\_\_\_\_
- 

**ELIGIBILITY REQUIREMENTS**

5. The Employer agrees to permit salary reduction contributions to be made in each calendar year to the SIMPLE IRA established by each employee who meets the following requirements (select either (a) or (b)):
- (a) **Full Eligibility.** All employees are eligible.
  - (b) **Limited Eligibility.** Eligibility is limited to employees who are described in both (i) and (ii) below:
    - (i) **Current compensation.** Employees who are reasonably expected to receive at least \$ \_\_\_\_\_ in compensation (not to exceed \$5,000) for the calendar year.
    - (ii) **Prior compensation.** Employees who have received at least \$ \_\_\_\_\_ in compensation (not to exceed \$5,000) during any \_\_\_\_\_ calendar year(s) (insert 0, 1, or 2) preceding the calendar year.
6. The Employer shall not include employees covered under a collective bargaining agreement for which retirement benefits were the subject of good faith bargaining. (Note: "shall not" applies if the Employer maintains a qualified plan covering only such employees).
- 

**SALARY REDUCTION AGREEMENTS**

7. In addition to the election periods in 2.02(a) of the Plan, eligible employees may make salary reduction elections or modify prior elections: \_\_\_\_\_ . If the Employer chooses this option, insert a period or periods (e.g. semi-annually, quarterly, monthly, or daily) that will apply uniformly to all eligible employees.
8. An employee who terminates a salary reduction election in accordance with 2.02 of the Plan may not resume salary reduction contributions during the calendar year.
- 

**EMPLOYER CONTRIBUTIONS (Select one)**

9. **Matching Contributions:** The Employer will contribute a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions up to \_\_\_\_\_ % of the employee's compensation for the calendar year.
10. **Nonelective Contributions:** The Employer will make Nonelective Contributions equal to 2% of the employee's compensation for the calendar year to the SIMPLE IRA of each eligible employee who has at least \_\_\_\_\_ (not more than \$5,000) in compensation for the calendar year.
- 

**EFFECTIVE DATE**

11. This SIMPLE IRA plan is effective \_\_\_\_\_. See SIMPLE IRA Plan Disclosure.
- 

**SIGNATURES**

Employer Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Print name of Signer: \_\_\_\_\_ Title: \_\_\_\_\_

## MODEL NOTIFICATION TO ELIGIBLE EMPLOYEES

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### SIMPLE IRA Plan Information

Name of Employer: \_\_\_\_\_

Address of Employer: \_\_\_\_\_

Phone: \_\_\_\_\_ Plan Year: \_\_\_\_\_

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### Opportunity to Participate in the SIMPLE IRA Plan

You are eligible to make salary reduction contributions to the above referenced Employer's SIMPLE IRA plan. This notice and the attached summary description provide you with information that you should consider before you decide whether to start, continue, or change your salary reduction agreement.

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### Employer Contribution Election

For the calendar year, the employer elects to contribute to your SIMPLE IRA (*employer must select either (1), (2), or (3)*):

- (1) A matching contribution equal to your salary reduction contributions up to a limit of 3% of your compensation for the year;
- (2) A matching contribution equal to your salary reduction contributions up to a limit of \_\_\_\_\_% (*employer must insert a number from 1 to 3 and is subject to certain restrictions*) of your compensation for the year; or
- (3) A nonelective contribution equal to 2% of your compensation for the year (limited to \$250,000\*) if you are an employee who makes at least \$\_\_\_\_\_ (*employer must insert an amount that is \$5,000 or less*) in compensation for the year.

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### Administrative Procedures

To start or change your salary reduction contributions, you must complete the salary reduction agreement and return it to \_\_\_\_\_ (*employer should designate a place or individual*) by \_\_\_\_\_ (*employer should insert a date that is not less than 60 days after notice is given*).

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### Employee Selection of Financial Institution

You must select the financial institution that will serve as the trustee, custodian, or issuer of your SIMPLE IRA and notify your employer of your selection. You may indicate the financial institution on your Salary Reduction Agreement.

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\* This is the amount for 2012. For later years, the limit may be increased for cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS web site at [www.irs.gov](http://www.irs.gov).

## MODEL SALARY REDUCTION AGREEMENT

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### SIMPLE IRA Plan Information

Name of Employer: \_\_\_\_\_

Plan Year: \_\_\_\_\_

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### Salary Reduction Election

Name of Employee: \_\_\_\_\_

Subject to the requirements of the SIMPLE IRA plan of the above named Employer.

I authorize \_\_\_\_\_ % or \$ \_\_\_\_\_ (which equals \_\_\_\_\_ % of my current rate of pay) to be withheld from my pay for each pay period and contributed to my SIMPLE IRA as a salary reduction contribution.

I elect to terminate my salary reduction contributions.

I elect not to participate in my Employer's SIMPLE Plan with respect to salary reduction contributions.

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### Maximum Salary Reduction

I understand that the total amount of my salary reduction contributions in any calendar year cannot exceed the applicable amount for that year. (See SIMPLE IRA Plan Disclosure)

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### Date Salary Reduction Begins

I understand that my salary reduction contributions will start as soon as permitted under the SIMPLE IRA plan and as soon as administratively feasible or, if later, \_\_\_\_\_. *(Fill in the date you want the salary reduction contributions to begin. The date must be after you sign this agreement.)*

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### Employee Selection of Financial Institution

I select the following financial institution to serve as the trustee, custodian, or issuer of my SIMPLE IRA.

Name of financial institution: \_\_\_\_\_

Address of financial institution: \_\_\_\_\_

SIMPLE IRA account name and number: \_\_\_\_\_ Phone: \_\_\_\_\_

I understand that I must establish a SIMPLE IRA to receive any contributions made on my behalf under this SIMPLE IRA plan. If the information regarding my SIMPLE IRA is incomplete when I first submit my salary reduction agreement, I realize that it must be completed by the date contributions must be made under the SIMPLE IRA plan. If I fail to update my agreement to provide this information by that date, I understand that my employer may select a financial institution for my SIMPLE IRA.

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### Duration of Election

This salary reduction agreement replaces any earlier agreement and will remain in effect as long as I remain an eligible employee under the SIMPLE IRA plan or until I provide my employer with a request to end my salary reduction contributions or provide a new salary reduction agreement as permitted under this SIMPLE IRA plan.

Signature of Employee: \_\_\_\_\_ Date: \_\_\_\_\_

**Simplified Employee Pension  
Individual Retirement Account  
Contribution Agreement**

*(Rev. March 2002) Department of the Treasury (Under Section 408(a)  
and 408(p) of the Internal Revenue Code) Internal Revenue Service*

**PROTOTYPE SIMPLIFIED EMPLOYEE PENSION  
PLAN AGREEMENT**

The individual whose name appears on the accompanying Simplified Employee Pension Application Form (hereinafter called "Depositor") is establishing a Simplified Employee Pension Account (a "Custodial Account") with IRA Innovations LLC or its successor (hereinafter referred to as "Custodian"). This Simplified Employee Pension Account is established for the exclusive benefit of the individual (or his beneficiaries) within the meaning of §408(a) of the Internal Revenue Code and the related Treasury regulations. Custodian has delegated certain Custodial Account record keeping and administrative functions ("Administrative Services") to the administrator whose name appears on the SEP Application Form as the "Administrator".

**ARTICLE I****Adoption and Purpose of Plan**

- 1.01 Adoption of Plan: By completing and signing the Adoption Agreement, the Employer adopts the Sponsoring Organization's Prototype Simplified Employee Pension Plan. This Agreement must be used with an Internal Revenue Service Model traditional IRA (Form 5305 or Form 5305-A) or an IRS approved Master or Prototype traditional IRA.
- 1.02 Purpose: The purpose of this Plan is to provide benefits for the individuals who are eligible to participate hereunder. It is intended that this Plan be for the exclusive benefit of the Employer's Employees, and that the Plan qualify under Section 408(k) of the Code.
- 1.03 Limitation: If the Employer amends this plan other than by making an election permitted in the Adoption Agreement, the Employer will no longer participate in the Sponsoring Organization's Prototype Simplified Employee Pension Plan, the Employer will be considered to have an individually designed SEP Plan, and the Employer may no longer rely on the IRS opinion letter received in connection with this Prototype Simplified Employee Pension Plan.

**ARTICLE II****Eligibility and Participation**

- 2.01 Eligible Employees: All Employees of the Employer shall be eligible to participate in this Plan except for Excludible Employees as defined under Section 2.02 of this Plan.
- 2.02 Excludible Employees: If the Employer elects in the Adoption Agreement, the following Employees shall be excluded from eligibility:
- (a) Employees included in a unit of employees covered by a collective bargaining agreement between employee representatives and the Employer, provided that there is evidence that retirement benefits were the subject of good faith bargaining between such parties, unless such agreement provides that some or all of such covered employees are to be covered by this Plan. For purposes of this paragraph, the term "employee representatives" does not include any organization more than half of whose members are employees who are owners, officers, or executives of the Employer.
  - (b) Non-resident alien employees who receive no earned income from the Employer which constitutes income from sources within the United States.
  - (c) Employees who have not met the age and service requirements specified in the Adoption Agreement.
  - (d) Employees who did not earn at least \$450 (as adjusted for cost of living increases in accordance with Code §408(k)(8)) of Compensation from the Employer during the Plan Year.
- 2.03 Participation:
- (a) Each Employee who meets the eligibility requirements as specified in the Adoption Agreement shall, as a condition for further employment, become a Participant under this SEP Plan.
  - (b) Each eligible Employee shall establish an IRA in order to receive Employer contributions under this Agreement, and any Employer contributions shall be made directly to such IRA plan. Unless otherwise elected in the Adoption Agreement, such IRA shall be established with the Trustee.
  - (c) If a Participant fails to timely establish or to maintain an IRA in which SEP contributions may be made on such Participant's behalf, the Employer may execute any necessary documents to establish an IRA with the Trustee into which such contributions shall be made on behalf of the Participant.
  - (d) If an Employer maintained a SEP Plan and desires to change to a Plan Year other than a calendar year, an Employee who has any service during the short Plan Year must be given credit for that service in three of the last five years. Such an Employee must also receive a contribution for the short Plan Year if such Employee would have been entitled to a contribution for the calendar year in which the short Plan year begins if there had been no change.

**ARTICLE III****Written Allocation Formula**

- 3.01 Amount of Contribution: The Employer agrees to contribute on behalf of each eligible Employee for the Plan Year an amount determined under the written allocation formula specified in the Adoption Agreement.
- 3.02 Uniform Relationship to Compensation:
- (a) All Employer contributions to this Plan shall bear a uniform relationship to the total Compensation (not to exceed \$200,000, or such higher amount as may be permitted under law) of each Participant.
  - (b) If the Employer elects the Flat Dollar Contribution allocation in the Adoption Agreement, such contributions shall be deemed to bear a uniform relationship to the total compensation of each Participant.
- 3.03 Limitation on Employer Contributions: The maximum employer contribution which may be made for any one Plan Year with respect to any Participant and allocated to each Participant's IRA is the lesser of 25% of such Participant's Compensation for the Plan Year or \$40,000 as adjusted under Code § 415(d). For purposes of the 25% limitation described in the preceding sentence, a participant's compensation does not include any elective deferral described in Code § 402(g)(3) or any amount that is contributed by the employer at the election of the employee and that is not includible in the gross income of the employee under Code §§ 125, 132(f)(4) or 457.
- 3.04 Permitted Disparity for Certain Contributions:
- (a) Definite Integrated Contribution Formula: If elected in the Adoption Agreement, the Employer will contribute an amount equal to the Base Contribution Percentage selected in the Adoption Agreement (but not less than 3%) of each Participant's Compensation (as defined in Section 4.04 of the Plan) for the Plan Year, up to the Integration Level plus an amount equal to the Excess Contribution Percentage selected in the Adoption Agreement (but not less than 3% and not to exceed the Base Contribution Percentage by more than the lesser of: (i) the Base Contribution Percentage, or (ii) the Maximum Disparity Rate) of such Participant's Excess Compensation.
  - (b) Discretionary Integrated Contribution Formula: If elected in the Adoption Agreement, Employer contributions for the Plan Year will be allocated to Participants' accounts as follows:
    - STEP 1: Contributions will be allocated to each Participant's account in the ratio that each Participant's total Compensation bears to the total Compensation of all Participants, at a rate not in excess of 3% of each Participant's Compensation.
    - STEP 2: Any contributions remaining after the allocation in Step One will be allocated to each Participant's account in the ratio that each Participant's Excess Compensation bears to the Excess Compensation of all Participants, at a rate not in excess of 3% of such Excess Compensation. For purposes of this Step Two, in the case of any Participant who has exceeded the Cumulative Permitted Disparity Limit described below, such Participant's total Compensation for the calendar year will be taken into account.
    - STEP 3: Any contributions remaining after the allocation in Step Two will be allocated to each Participant's account in the ratio that the sum of each Participant's total Compensation and Excess Compensation bears to the sum of all Participants' total Compensation and Excess Compensation, at a rate not in excess of the Maximum Disparity Rate. For purposes of this Step Three, in the case of any Participant who has exceeded the Cumulative Permitted Disparity Limit described below, 2 times such Participant's total Compensation for the calendar year will be taken into account.
    - STEP 4: Any remaining Employer contributions will be allocated to each Participant's account in the ratio that each Participant's total Compensation bears to the total Compensation of all Participants.
  - (c) For purposes of the allocations made pursuant to this Section 3.04, in no event can the amount allocated to each Participant's IRA exceed the lesser of 25% of the first \$200,000 (or such higher amount, as may be permitted under law) of compensation or \$40,000, as adjusted under Code §415(d). For purposes of the 25% limitation described in the preceding sentence, a Participant's compensation does not include any elective deferral described in Code §402(g)(3) or any amount that is contributed by the employer at the election of the employee and that is not includible in the gross income of the employee under Code §§125, 132(f)(4) or 457.
  - (d) Annual Overall Permitted Disparity Limit: Notwithstanding the preceding paragraphs, for any calendar year this SEP benefits any Participant who benefits under another SEP or qualified plan described in Code Section 401(a) maintained by the Employer that provides for Permitted Disparity (or imputes disparity), Employer contributions will be allocated to each Participant's IRA in the ratio that the participant's total compensation for the calendar year bears to all Participants' total Compensation for that year.
  - (e) Cumulative Permitted Disparity Limit: Effective for calendar years beginning on or after January 1, 1995, the Cumulative Permitted Disparity Limit for a Participant is 35 total Cumulative Permitted Disparity Years. Total Cumulative Permitted Disparity Years means the number of years credited to the Participant for allocation or accrual purposes under this SEP or any other SEP or any qualified plan described in Code Section 401(a) (whether or not terminated) ever maintained by the Employer. For purposes of determining the Participant's Cumulative Permitted Disparity Limit, all years ending in the same Calendar Year are treated as the same year. If the Participant has not benefited under a defined benefit or target benefit plan for any year beginning on or after January 1, 1994, the Participant has no Cumulative Permitted Disparity Limit.

## ARTICLE IV Glossary of Plan Terms

- 4.01 Adoption Agreement: The document executed by the Employer through which it adopts the Plan and agrees to be bound by all terms and conditions of the Plan.
- 4.02 Base Contribution Percentage: The percentage of Compensation contributed under the Plan (but in no event less than 3%) with respect to that portion of each Participant's Compensation not in excess of the Integration Level.
- 4.03 Code: The Internal Revenue Code of 1986 and the regulations issued thereunder as heretofore or hereafter amended. Reference to a section of the Code shall include that section and any comparable section or sections of future legislation that amends, supplements or supersedes that section.
- 4.04 Compensation; 415 Safe Harbor Compensation: Compensation is defined as wages, salaries, and fees for professional services and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the employer maintaining the plan to the extent that the amounts are includible in gross income (including but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, and reimbursements, or other expense allowances under a nonaccountable plan (as described in Section 1.61-2(c) IRC), and excluding the following:
- (a) Employer contributions to a plan of deferred compensation which are not includible in the employee's gross income for the taxable year in which contributed, or employer contributions under a simplified employee pension plan, or any distributions from a plan of deferred compensation;
  - (b) Amounts realized from the exercise of a nonqualified stock option, or when restricted stock (or property) held by the employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;
  - (c) Amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option; and
  - (d) Other amounts which received special tax benefits, such as premiums for group-term life insurance (but only to the extent the premiums are not includible in the gross income of the employee).
- For any Self-Employed individual covered under the plan, Compensation will mean Earned Income. Compensation shall include only that compensation which is actually paid or made available to the Participant during the year. Except where specifically stated otherwise in this plan, a Participant's Compensation shall include any elective deferral described in Code § 402(g) (3) or any amount that is contributed by the employer at the election of the employee and that is not includible in the gross income of the employee under Code §§ 125, 132(f)(4) or 457.
- The annual compensation of each participant taken into account under the SEP for any year shall not exceed \$200,000, as adjusted for increases in the cost of living in accordance with Code § 401(a) (17)(B). If the SEP determines compensation for a period of time that contains fewer than 12 calendar months, then the annual compensation limit is an amount equal to the annual compensation limit for the calendar year in which the compensation period begins multiplied by a fraction, the numerator of which is the number of full months in the short compensation period, and the denominator of which is 12.
- 4.05 Earned Income: The net earnings from self-employment in the trade or business with respect to which the Plan is established, for which personal services of the individual are a material income-producing factor. Net earnings will be determined without regard to items not included in gross income and the deductions allocable to such items. Net earnings are reduced by contributions by the Employer to qualified plans or to a SEP plan to the extent deductible under Section 404 of the Code. Net earnings shall be determined with regard to the deduction allowed to the Employer by Section 164(f) of the Code.
- 4.06 Employee: An individual, including a Self-Employed, employed by the Employer, who performs services with respect to the trade or business of the Employer. Also any employee of any other employer required to be aggregated under Section 414(b), (c) or (m) of the Code; any leased employee within the meaning of Section 414(n) of the Code shall be considered an Employee; and all Employees required to be aggregated under section 414(o) of the Code.
- 4.07 Employer: The sole proprietorship, partnership, corporation or other entity identified as such in the Adoption Agreement.
- 4.08 Excess Compensation: A Participant's Compensation in excess of the Integration Level.
- 4.09 Excess Contribution Percentage: The percentage of Compensation contributed under the Plan with respect to each Participant's Excess Compensation.
- 4.10 Integration Level: The taxable wage base, or such lesser amount elected by the Employer in the Adoption Agreement. The taxable wage base is the maximum amount of earnings which may be considered wages for a year under section 3121(a)(1) of the Code in effect as of the beginning of the Plan Year.
- 4.11 Maximum Disparity Rate:
- (a) If the Definite Integrated Contribution Formula is selected by the Employer under Section 3.04(a) above, the Maximum Disparity Rate is equal to the lesser of:
    - (i) 5.7%; or
    - (ii) the applicable percentage determined in accordance with Table I below.

Table I		
is more than	If the Integration Level But not more than	the applicable percentage is:
\$0	X*	5.7%
	X* of Taxable Wage Base	80% of Taxable Wage Base 4.3%
	80% of Taxable Wage Base Y**	5.4%
	Equal to the Taxable Wage Base N/A	5.7%
	*X = the greater of \$10,000 or 20% of the Taxable Wage Base.	
	**Y = any amount more than 80% of the Taxable Wage Base but less than 100% of the Taxable Wage Base.	

- (b) If the Discretionary Integrated Contribution Formula is selected by the Employer under Section 3.04(b) above, the Maximum Disparity Rate is equal to the lesser of:
  - (i) 2.7%; or
  - (ii) the applicable percentage determined in accordance with Table II below:

Table II

If the Integration Level

is more than But not more than the applicable percentage is:

\$0	X* 2.7%
X* of Taxable Wage Base	80% of Taxable Wage Base 1.3%
80% of Taxable Wage Base Y**	2.4%
Equal to the Taxable Wage Base	N/A 2.7%
*X = the greater of \$10,000 or 20% of the Taxable Wage Base	
**Y = any amount more than 80% of the Taxable Wage Base but less than 100% of the Taxable Wage Base.	

- (c) In no event can the amount allocated to each participant's IRA exceed the lesser of 25% of the participant's compensation or \$40,000, as adjusted under Code § 415(d). For purposes of the 25% limitation described in the preceding sentence, a participant's compensation does not include any elective deferral described in Code § 402(g)(3) or any amount that is contributed by the employer at the election of the employee and that is not includible in the gross income of the employee under Code §§ 125, 132(f)(4) or 457.

- 4.12 Participant: Any Employee who has met the eligibility requirements of this Plan and who is eligible to receive an Employer contribution.
- 4.13 Plan: The Sponsoring Organization's Prototype Simplified Employee Pension Plan consisting of this plan document and the Adoption Agreement as completed and signed by the Employer.
- 4.14 Plan Year: The 12-consecutive month period specified by the Employer in the Adoption Agreement.
- 4.15 Self-Employed: An individual who has Earned Income for a Plan Year from the trade or business for which the Plan is established. A Self-Employed also includes an individual who would have had Earned Income but for the fact that the trade or business had no net profits for the Plan Year.
- 4.16 Sponsoring Organization: The entity specified in the Adoption Agreement.
- 4.17 Trustee: The financial institution or other organization specified in the Adoption Agreement which qualifies under section 408(a) of the Code and is serving as Trustee or Custodian of the IRA plan to which an Employer contribution is made.

## PROTOTYPE SEP DISCLOSURE STATEMENT INFORMATION FOR THE EMPLOYEE

The information provided below explains what a Simplified Employee Pension (SEP) plan is, how contributions are made, and how to treat your employer's contributions for tax purposes. Please read the questions and answer carefully. For more specific information, see the Prototype SEP Plan document and Adoption Agreement executed by your Employer. Also, see IRS Publication 560.

## QUESTIONS & ANSWERS

### Q1 What is a Simplified Employee Pension, or SEP?

A1 A SEP is a written arrangement (a plan) that allows an employer to make contributions toward your retirement. Contributions are made to a traditional individual retirement account/annuity (IRA). Your employer will provide you with a copy of the agreement containing participation rules and a description of how employer contributions may be made to your IRA. All amounts contributed to your IRA by your employer belong to you even after you stop working for that employer.

### Q2 Must my employer contribute to my IRA under the SEP?

A2 No. An employer is not required to make SEP contributions. If a contribution is made, it must be allocated to all the eligible employees according to the SEP agreement. The Prototype SEP Plan specifies that the contribution for each eligible employee will be the same percentage of compensation (excluding compensation higher than a specified dollar limit that is subject to cost-of-living adjustments) for all employees. The compensation limit is:

2006	\$220,000
2007	\$225,000
2008	\$230,000
2009-2011	\$245,000
2012	\$250,000

### Q3 How much may my employer contribute to my SEP IRA in any year?

A3 Your employer will determine the amount to be contributed to your traditional IRA each year. However, the amount for any year is limited to the smaller of \$40,000 or 25% of your compensation for that year. The \$40,000 maximum SEP contribution limit is subject to cost-of-living adjustments. Compensation does not include any amount that is contributed by your employer to your traditional IRA under the SEP. Your employer is not required to make contributions every year or to maintain a particular level of contributions. See [Question 5](#). The SEP contribution limit is:

2006	\$44,000
2007	\$45,000
2008	\$46,000
2009-2011	\$49,000
2012	\$50,000

### Q4 How do I treat my employer's SEP contributions for my taxes?

A4 Employer contributions to your SEP IRA are excluded from your income unless there are contributions in excess of the applicable limit. See [Question 3](#). Employer contributions within these limits will not be included on your Form W-2.

### Q5 May I also contribute to my IRA if I am a participant in a SEP?

A5 Yes. You may contribute the smaller of the annual regular IRA contribution limit or 100% of your compensation to an IRA. However, the amount you can deduct may be reduced or eliminated because, as a participant in a SEP, you are covered by an employer retirement plan. See [Question 11](#).

### Q6 Are there any restrictions on the IRA I select to have my SEP contributions deposited?

A6 Contributions must be made to either a Model traditional IRA executed on an IRS form or a master or prototype traditional IRA for which the IRS has issued a favorable opinion letter.

### Q7 What if I do not want to participate in a SEP?

A7 If your employer does not require you to participate in a SEP as a condition of employment, and you elect not to participate, all other employees of your employer may be prohibited from participating. If one or more eligible employees do not participate and the employer fails to establish a SEP IRA for the remaining eligible employees, it could cause adverse tax consequences for the participating employees.

### Q8 Can I move funds from my SEP IRA to another traditional IRA?

A8 Yes. You can withdraw or receive funds from your SEP IRA if within 60 days of receipt, you place those funds in the same or another traditional IRA or SEP IRA. This is called a "rollover" and can be done without penalty only once in any 1-year period. However, there are no restrictions on the number of times you may make "transfers" if you arrange to have these funds transferred between the trustees or the custodians so that you never have possession of the funds.

### Q9 Can I move my funds from my SEP IRA to another employer plan?

A9 Yes. Beginning with distributions received in 2002, you may also roll over to a qualified plan (under section 401(a)), a qualified annuity, a 403(b) tax sheltered annuity or custodial agreement, or an eligible 457(b) plan of a state or local government.

### Q10 Are there any restrictions to rollovers from my IRA?

A10 Yes. You may not roll over to an employer plan (See [Question 9](#)) any basis in your IRA. Basis includes nondeductible IRA contributions, after-tax monies that were rolled into the IRA from an employer plan, or repayments of qualified reservist distributions.

### Q11 What happens if I withdraw my employer's contribution from my IRA?

A11 You may withdraw your employer's contribution at any time, but any amount withdrawn is includible in your income unless rolled over. Also, if withdrawals occur before you reach age 59 1/2, you may be subject to an additional tax on early withdrawal.

### Q12 Are there any restrictions in withdrawing the funds in my SEP IRA?

A12 You may withdraw the funds in your IRA at any time. However, a withdrawal from a certificate of deposit prior to maturity may result in a forfeiture of principal or interest. These penalties, as well as any fees which may be charged, are set forth in the IRA disclosure statement you received when you opened your account and/or any specific disclosure accompanying your certificate of deposit (including rules of class) or other investment. An IRA with another institution may have different terms concerning transfers, withdrawals, rates of return, etc. It is possible that the terms offered at another institution may be more advantageous.

### Q13 May I participate in a SEP even though I am covered by another plan?

A13 An employer may adopt this Prototype SEP in conjunction with any qualified plan, including a defined benefit plan. Also, if your employer maintained in the past a defined benefit plan, which is now terminated the employer may adopt this Prototype SEP.

**Q14 What happens if too much is contributed to my SEP IRA in one year?**

A14 Contributions exceeding the yearly limitations may be withdrawn without penalty by the due date (plus extensions) for filing your tax return (normally April 15), but are includible in your gross income. Excess contributions left in your SEP IRA account after that time may have adverse tax consequences. Withdrawals of those contributions may be taxed as premature withdrawals.

**Q15 Is my employer required to provide me with information about SEP IRAs and the SEP agreement?**

A15 Yes. Your employer must provide you with a copy of the executed SEP Plan agreement with Adoption Agreement and a yearly statement showing any SEP contributions to your traditional IRA.

**Q16 Is the financial institution where my traditional IRA is established required to provide me with information?**

A16 Yes. It must provide you with a disclosure statement that contains the following information in plain, nontechnical language.

- (1) The law that relates to your traditional IRA.
- (2) The tax consequences of various options concerning your traditional IRA.
- (3) Participation eligibility rules, and rules on the deductibility of retirement savings.
- (4) Situations and procedures for revoking your traditional IRA, including the name, address, and telephone number of the person designate to receive notice of revocation. This information must be clearly displayed at the beginning of the disclosure statement.
- (5) A discussion of the penalties that may be assessed because of prohibited activities concerning your traditional IRA.
- (6) Financial disclosure that provides the following information:
  - (a) Projects value growth rates of your traditional IRA under various contribution and retirement schedules, or describes the method of determining annual earnings and charges that may be assessed.
  - (b) Describes whether, and for when, the growth projections are guaranteed, or a statement of the earnings rate and the terms on which the projections are based.
  - (c) States the sales commission for each year expressed as a percentage of \$1,000.

In addition, the financial institution must provide you with a financial statement each year. You may want to keep these statements to evaluate your traditional IRA's investment performance.

See IRS Publication 590, Individual Retirement Arrangements (IRAs), available at most IRS offices, for a more complete explanation of the IRA disclosure requirements.

In addition to this disclosure statement, the financial institution is required to provide you with a financial statement each year. It may be necessary to retain and refer to statements for more than one year in order to evaluate the investment performance of the traditional IRA and in order that you will know how to report traditional IRA distributions for tax purposes.

## PROTOTYPE SEP CONTRIBUTION DISCLOSURE WRITTEN ALLOCATION FORMULA

**1. How much will my Employer contribute to my SEP IRA?**

The Employer has agreed to provide contributions for the Plan Year as follows (complete one):

- a). Fixed Percentage - % of each Participant's Compensation.
- b). Flat Dollar - \$ per Participant.
- c). Contributions made by the Employer are integrated with Social Security. This means that in determining contributions made to your SEP IRA your Employer has taken into account Social Security taxes paid by the Employer on your compensation.

**2. If #1 (c) is checked above, how will social security integration affect Employer contributions to my SEP IRA?**

Employer contributions made on your behalf would be reduced by certain amounts being contributed on your behalf to the Social Security System, subject to strict guidelines under the Internal Revenue Code.

For more information on the effect of Social Security Integration in your particular situation, contact the individual named below.

## ADDITIONAL INFORMATION

The Employer has designated (insert Name & title) to provide additional information to participants about the Employer's SEP Plan.

## PROTOTYPE SIMPLIFIED EMPLOYEE PENSION PLAN ADOPTION AGREEMENT

The undersigned Employer hereby establishes on the date indicated, the Sponsoring Organization's Prototype Simplified Employee Pension Plan and agrees that the following elections and terms shall be part of such Plan.

### EMPLOYER INFORMATION

1. Name:
2. Address:
3. Phone:
4. Contact Person:

### PLAN INFORMATION

5. IRA Trustee/Custodian:
6. Sponsoring Organization:
7. Plan Year shall mean (check one):
  - a. The calendar year.
  - b. The 12-consecutive month period commencing on , and each anniversary thereof.

If the Employer maintains a SEP and desires to change to a year other than a calendar year, the provisions of Section 2.03(d) must be met.

### ELIGIBILITY

8. All Employees of the Employer shall be eligible to participate under the Plan except:
  - a. Employees included in a unit of employees covered under a collective bargaining agreement described in Section 2.02(a) of the Plan.
  - b. Nonresident aliens described in Section 2.02(b) of the Plan.

- c. Employees who are otherwise eligible but earn less than \$450 (as adjusted for cost of living increases) during the Plan Year for which the contribution is being made.
9. Each eligible Employee will be eligible to become a Participant after having attained age (not to exceed age 21) and having worked for the Employer \_\_\_\_\_ (not to exceed 3) years out of the immediately preceding 5 Plan Years.

**WRITTEN ALLOCATION FORMULA**

10. The Employer shall contribute on behalf of each Participant for each Plan Year as follows (check one):
- a. Fixed Percentage - \_\_\_\_% (not to exceed 25%) of each Participant's Compensation.
  - b. Flat Dollar - \$ \_\_\_\_ per Participant (not to exceed \$40,000, as indexed.)
  - c. Discretionary Employer Contribution: In each Plan Year, the Employer agrees to provide contributions on behalf of each Participant in the same proportion as such Participant's Compensation bears to all Participants' Compensation for such year.
  - d. Integrated Formula (Check one (i) or (ii) and (iii), if applicable):
    - (i) Definite Integrated Formula: The Employer shall contribute to the Plan based on the following and in accordance with Section 3.04(a) of the Plan.  
Base Contribution Percentage (BCP) - First an amount equal to \_\_\_\_% (at least 3%) of each Participant's Compensation not in excess of the Integration Level; plus  
Excess Contribution Percentage - An amount equal to \_\_\_\_% (at least 3% but not to exceed the BCP by more than the lesser of (a) the BCP, or (b) the Maximum Disparity Rate) of the Participant's Excess Compensation.
    - (ii) Discretionary Integrated Formula: The amount of Employer contributions shall be determined by the Employer and allocated in accordance with Section 3.04(b) of the Plan.
    - (iii) The Integration Level is equal to: Taxable Wage Base; or \_\_\_\_% of the TWB (not to exceed 100%). In no event shall the Employer contributions indicated above exceed the lesser of 25% of each Participant's Compensation or \$40,000, as indexed.

**INVESTMENT PROVISIONS**

11. The IRA accounts of each Participant shall be maintained and established with the:  
IRA Trustee/Custodian, named above. OR A Trustee/Custodian of each Participant's choice.

**SIGNATURES**

Employer: Trustee:

By (Authorized Signature): By (Authorized Signature):

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