

SIMPLE IRA

Plan sponsor guide



Everything you need to:

- Understand how an American Funds SIMPLE IRA can benefit you and your employees
- Establish an American Funds SIMPLE IRA at your company

Attract and retain top-notch employees with a SIMPLE IRA plan

What's inside

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Everything you wanted (or needed) to know about an American Funds SIMPLE IRA plan

American Funds is ideal for retirement plans because our investment approach is similar to that of most investors saving for retirement — long term with proper attention to risk. Through an American Funds SIMPLE IRA, your employees can participate in a quality retirement plan that's similar to a 401(k) but designed especially for small businesses. The benefits of the plan speak for themselves.

Investors should carefully consider the objectives, risks, charges and expenses of the American Funds and, if applicable, any other investments in their plan. This and other important information is contained in the funds' prospectuses, which are available from the plan's adviser and on the Web. It is important that investors read the prospectuses carefully before investing.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so investors may lose money.

Benefits to you

Easy employee qualification

- Employees who earned at least \$5,000 per year during any two preceding years and who are expected to earn at least \$5,000 in the current year are eligible to participate in the plan.

Tax-deductible contributions

- Employee deferrals are deductible as part of salary expenses. Your company contributions are deductible business expenses.

Flexible employer contribution program

- Employer contributions are mandatory. You can choose to make either a dollar-for-dollar match (limited to 3% of each eligible employee's compensation) or a nonelective contribution equal to 2% of each eligible employee's compensation per year (\$220,000 compensation limit for each employee for 2006 and \$225,000 for 2007). The 2% contribution may be given only to employees who have earned at least \$5,000 the year the contribution is made, regardless of whether they made contributions to the plan.

- You can change your contribution option annually.
- Maximum match is \$10,000 per employee for 2006 (\$10,500 for 2007) and, if applicable, up to \$2,500 match on catch-up contributions limited to 3% of compensation.
- You can even adjust the employer match to as little as 1% of participating employees' compensation — but for no more than two calendar years in any five-year period.

Electronic submission of investments

- Investments can be entered individually or uploaded from a spreadsheet in a fraction of the time it takes to handle this task manually.
- No more mailing or postage hassles — purchases are funded immediately and directly from your company bank account via Automated Clearing House (ACH).
- You control participant purchase amounts and the total amount withdrawn from your company's bank account, reducing the possibility of investment errors.

No complex IRS reporting

- Employee deferrals are reported on W-2 forms.
- No ADP or ACP testing or 5500 reporting is required.

Reduced fiduciary responsibility

- Because employees direct the investments of their own accounts, liability for investment results is limited.

Worry-free setup and administration

- One point of contact — your adviser is available to provide assistance and answer all of your questions.
- American Funds enrollment materials serve as a valuable resource for employee education.

Benefits to your employees

Tax-deferred contributions and earnings

- The IRS does *not* tax the money your employees contribute, or its earnings, until they withdraw the money at retirement. (However, withdrawals prior to the age of 59½ are subject to ordinary income taxes and, if applicable, to a 10% federal tax penalty. If withdrawals are made within the first two years of participation, the 10% tax penalty is increased to 25%.)
- Employees can save more for retirement with a company-matching contribution.

- Employer and employee contributions are vested immediately.
- Employees can choose from a diverse group of the American Funds.
- Employees can monitor their investments and make exchanges via a 24-hour voice response system or on the American Funds website.

Low start-up and maintenance fees

- The plan costs \$10 per employee to establish plus an annual maintenance fee, currently \$10, for each account.

Ongoing investment education available

- American Funds provides employees with ongoing education materials about retirement investing.

Maximum annual employee contribution amounts for SIMPLE plans

- Employees may contribute up to \$10,000 in 2006 and \$10,500 in 2007.
- Employees 50 and older may contribute up to \$12,500 in 2006 and \$13,000 in 2007.

Seven steps to establishing your plan

Your adviser will guide you through the entire process.

1. Complete the *SIMPLE IRA Adoption Agreement*.

Make a copy for your files and send the original agreement to American Funds Service Company (see page 6 for the appropriate address).

2. Decide whether your company will pay the \$10 per participant setup fee or have it deducted from each participant's account.

3. Notify your employees about the plan.

(Use the *SIMPLE IRA Notification to Eligible Employees*, which is available through your adviser.) Because this is a new plan, the effective date may be anytime between January 1 and October 1. Be sure to plan ahead — your employees must be allowed 60 days to enroll in the plan after they've received notification.

4. Conduct an enrollment meeting.

You can request the assistance of your adviser or arrange to distribute the following materials to all eligible employees:

- *SIMPLE IRA Employee Guide*
- Prospectuses for all of the plan's investment options
- Salary Deferral Agreement (you'll find a model agreement on page 11 of the *SIMPLE IRA Employee Guide*)
- *Summary Description for the SIMPLE IRA Plan* (see the back cover of this brochure)

5. Collect completed *SIMPLE IRA Applications* from employees.

6. Complete the *Submitting Contributions* form.

This form, found on page 5, provides instructions for submitting contributions electronically.

7. Send the following to American Funds Service Company:

- Each participant's American Funds *SIMPLE IRA Application*
- A check for \$10 for each new participant establishing an account (if this setup fee is *not* received, \$10 will be deducted from each participant's account)
- The *Submitting Contributions* form you've completed with a voided check attached
- Salary deferrals and employer match. Deposit electronic deferrals and any employer matching contributions into each participant's SIMPLE IRA account. **Please do not submit any contributions until you have been notified that your plan has been established.**

Salary deferrals must be received as soon as the money can be segregated from your general assets, but in no event later than the 30th day after the end of the month in which the money was withheld.

Employer contributions can be sent or deposited with the salary deferrals, but should be made no later than the company's tax return due date.

1 Employer and Plan information

Please type or print clearly.

Employer name _____ Phone (____) _____ Ext. _____ TIN _____

Address _____ City _____ State _____ ZIP _____

Form of business:

☐ Sole proprietor ☐ Corporation ☐ Partnership ☐ S corporation ☐ Other _____

2 Effective dates

Please complete either A or B.

A. This is a **new Plan** that is effective as of
(insert any date between January 1 and October 1)

____-____-____
Date (mm/dd/yyyy)

B. This is an **amended and restated Plan**.

The effective date of the original Plan was

____-____-____
Date (mm/dd/yyyy)

The effective date of the amended and restated Plan is

____-____-____
Date (mm/dd/yyyy)

3 Eligibility requirements

*Not to exceed \$5,000. If left blank, \$5,000 will apply. †Not to exceed two years. If left blank, "two" will apply.

A. All Employees receiving at least \$ _____* in Compensation, as defined in the Plan, during any _____† prior years and who are reasonably expected to receive at least \$ _____* in Compensation during the current year are eligible to participate in the Plan pursuant to the terms of the Plan, unless any such Employees are members of a properly excluded class.

B. The following Employees will be excluded from participation in the Plan unless you check the box below to include them:

☐ Employees covered by a collective bargaining agreement under which retirement plan benefits have been the subject of good faith bargaining

NOTE: If this box is checked, the special rule for one-plan requirement in Section 2.1 of the Terms and Conditions does not apply.

☐ Employees who are nonresident aliens with no U.S. income from the Employer

4 Salary deferral elections

*If left blank, "monthly" will apply. †If left blank, "may" will apply.

A. In addition to the 60-day period preceding the first day of the Plan Year, a Participant may make or amend his or her Salary Deferral Agreement*:

☐ Not applicable ☐ Weekly ☐ Biweekly ☐ Semi-monthly ☐ Monthly
☐ Quarterly ☐ Semi-annually ☐ Other _____

B. A Participant who terminates his or her Salary Deferral Agreement during the year†

☐ may **OR** ☐ may not enter into a new Salary Deferral Agreement as provided above

5 Financial adviser information

Name _____ Rep number _____ Phone (____) _____ Ext. _____



Complete only if Class A shares were selected. Purchases in The Cash Management Trust of America® or The U.S. Treasury Money Fund of AmericaSM do not apply toward a Class A share SOI or Rights of Accumulation (cumulative discount).

Please list Plan Sponsor's other American Funds retirement plan accounts:

☐ We, the Plan Sponsors, plan to invest over a 13-month period in one or more American Funds accounts. The aggregate amount will be at least:

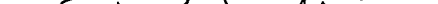
To review the tax consequences of adopting this Plan, the Sponsor recommends that you consult with your attorney or tax adviser prior to executing this *Adoption Agreement*.

The undersigned Employer hereby establishes a SIMPLE IRA Plan ("Plan") for the exclusive benefit of eligible Employees and appoints the Custodian as the Designated Financial Institution for the Plan. A related Employer must jointly co-sponsor the Plan by signing the Co-Sponsor adoption section. The terms of the Plan are set forth in the accompanying Plan document.

A. By the Employer: The undersigned Employer is an Eligible Employer. This *Adoption Agreement* and the corresponding provisions of the Plan were adopted by the Employer on _____
Date (mm/dd/yyyy)

Signed for the Employer by _____ Title _____ **X**
Name (print) Authorized signature

B. By the Designated Financial Institution: The undersigned agrees to serve as the Designated Financial Institution, receiving all contributions made pursuant to this Plan and depositing those contributions to the SIMPLE IRA of each Participant.

For the Custodian by  Thomas J. Hamblin, President
Name and Title
135 S. State College Blvd., Brea, CA 92821
Address

Each related Employer (as described under Section 1.6 of the Terms and Conditions) must execute the following and adopt the Plan as a Co-Sponsor. If there is more than one related Employer, each one must execute a separate Co-Sponsor adoption section. Any reference to the Employer in this Agreement is also a reference to the Co-Sponsor unless otherwise noted.

Co-Sponsor company name

Tax ID number (TIN) of the Co-Sponsor

By signing below, the Co-Sponsor agrees to adopt (or continue its participation in) the Plan identified in Section 1 of this *Adoption Agreement*.

Name _____ Title _____

X _____ / /

Authorized signature _____ Date (mm/dd/yyyy) _____

Fold first, then tear here.

1 About employer and plan

Please type or print clearly.

Name of employer or plan name _____		Plan ID (if known) _____	
Contact name _____	Phone (____) _____	Ext. _____	E-mail* _____
Plan address _____	City _____	State _____	ZIP _____

***Note:** We're requesting your e-mail address to send you a user ID and a link to the website. We respect your privacy, and this information is never shared with any third parties. For more information on our privacy policy, please feel free to visit americanfunds.com.

2 Electronic investment transmissions

Please use the American Funds Online Group Investments website to submit investments for plan participants. To allow American Funds to use Automated Clearing House (ACH) to transmit investments electronically, we need to collect the bank information requested below.

Note: Investments and participant allocations cannot be processed electronically until this form is returned with an unsigned, voided check attached to Section 3 below.

Benefits of using the Online Group Investments website, for the employer and for participants, include:

- Faster deposits
- Secure transactions
- Administrative convenience
- Enhanced efficiency

For a demonstration and additional information, please visit: <http://groupinvestmentsdemo.americanfunds.com>.

After receiving this form, an American Funds Associate will provide you with a link to our secure website, information about logging on and submitting contributions plus assistance with any questions you may have.

3 Bank information

Be sure that the unsigned, voided check you tape below has all the designated data provided. **Please do not staple.**

Bank Account Registration

Acme Incorporated

DATE _____

PAY TO THE ORDER OF _____

\$ _____

_____ DOLLARS

|:999999999|:

0000000000|:

Bank Name

Bank Routing Number

Bank Account Number

4 Authorization




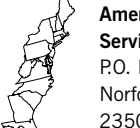
Capital Bank and Trust Company (CB&T) and American Funds Service Company (AFS) are hereby authorized to access the account listed on this form on behalf of the plan to withdraw money in respect of contributions via Automated Clearing House (ACH). The plan sponsor has full responsibility for this retirement plan. The undersigned, **as an individual authorized to sign on behalf of the company/entity sponsoring the plan**, hereby grants CB&T and AFS the authority to make withdrawals from the account noted above.

In consideration of CB&T and AFS acting on such instructions and processing such transactions, I/we agree to hold harmless and indemnify CB&T and AFS; any of its affiliates or mutual funds managed by such affiliates; and each of their respective directors, trustees, officers, employees and agents from any losses, expenses, costs or liability (including attorney fees) that may be incurred as a result of CB&T and AFS establishing these privileges or acting on such instructions.

The plan sponsor agrees to provide CB&T and AFS with 30 days' notice prior to closing or changing this account.

Name (print)	Title
X	/ /
Authorized signature	Date (mm/dd/yyyy)

Note: If you have any questions about submitting contributions, please call **800/421-0180 ext. 45** for more information.

	Western Service Center	West Central Service Center	East Central Service Center	Eastern Service Center
Please mail this form to the service center nearest you. <i>(If you live outside the U.S., please mail the form to the Western Service Center.)</i>	 American Funds Service Company P.O. Box 25067 Santa Ana, CA 92799-5067	 American Funds Service Company P.O. Box 659521 San Antonio, TX 78265-9521	 American Funds Service Company P.O. Box 6164 Indianapolis, IN 46206-6164	 American Funds Service Company P.O. Box 2560 Norfolk, VA 23501-2560
Overnight mail addresses	American Funds/CB&T 8332 Woodfield Crossing Blvd. Indianapolis, IN 46240-2482	American Funds/CB&T 3500 Wiseman Blvd. San Antonio, TX 78251-4321	American Funds/CB&T 8332 Woodfield Crossing Blvd. Indianapolis, IN 46240-2482	American Funds/CB&T 5300 Robin Hood Rd. Norfolk, VA 23513-2407

If you have questions or require more information, please contact your financial adviser or call American Funds Service Company at 800/421-0180.

Internal Revenue Service Letter Serial No. K901972b

Terms and Conditions

American Funds Distributors, Inc. hereby establishes this Savings Incentive Match Plan for Employees ("SIMPLE") for use by eligible Employers who wish to establish a SIMPLE for their Employees. Upon execution of an Adoption Agreement by an Employer, a SIMPLE IRA Plan, which incorporates by reference both this document and the American Funds SIMPLE Individual Retirement Account Custodial Agreement ("SIMPLE IRA"), collectively referred to as ("SIMPLE IRA Plan"), is established. The Custodian will serve as the Designated Financial Institution for the SIMPLE IRA Plan and as Custodian of each SIMPLE IRA that must be established by or on behalf of Participants. This SIMPLE IRA Plan is intended to comply with §408(p) of the Internal Revenue Code of 1986 ("Code"), as amended, and the applicable provisions of the Employee Retirement Income Security Act of 1974, including all regulations thereunder.

Article I — Definitions

1.1 "Adoption Agreement" means the document attached to this Plan through which the Employer establishes a SIMPLE IRA Plan.

1.2 "Compensation" means wages, tips and other compensation from the Employer that are subject to federal income tax withholding under Code §3401(a), and all other payments of compensation to an Employee by the Employer (in the course of the Employer's trade or business) for which the Employer is required to furnish the Employee a written statement under Code §§6041(d) and 6051(a)(3). Compensation must be determined without regard to any rules under Code §3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed.

Compensation also includes the Elective Deferrals made under this SIMPLE IRA Plan and, if applicable, compensation deferred under a Code §457 plan. Compensation does not include any amounts deferred by the Employee pursuant to a Code §125 cafeteria plan.

In determining an Employee's Compensation for prior years, the Employee's elective deferrals under a Code §401(k) plan, SARSEP or Code §403(b) arrangement are also counted as Compensation.

For Self-Employed Individuals, Compensation is Earned Income from self-employment. "Earned Income" means the net earnings from self-employment with respect to the Employer determined under Code §1402(a), without regard to Code §1402(c)(6), prior to subtracting any contributions made pursuant to the plan on behalf of the Individual.

1.3 "Effective Date" means the date on which the SIMPLE IRA Plan, or an amendment thereto, becomes effective. The Effective Date must be January 1 of the applicable year. If this is the first year for which the Employer is adopting a SIMPLE IRA Plan, the Effective Date may be any date between January 1 and October 1, inclusive of the applicable year.

1.4 "Elective Deferrals" means the employer contributions made at the election of a Participant via a Salary Deferral Agreement in lieu of cash

Compensation. Elective Deferrals must be made pursuant to a Salary Deferral Agreement.

No Elective Deferrals may be made by an Employee on the basis of Compensation that the Employee received or had a right to receive before the date on which the Employee commences participation in the SIMPLE IRA Plan and the Employee's execution of a Salary Deferral Agreement.

1.5 "Employee" means any individual, including a Self-Employed Individual, who is determined to be an Employee, including leased employees described under Code §414(n) and employees described under Code §414(o) of the Employer, as defined in paragraph 1.6.

1.6 "Employer" means the eligible entity adopting this SIMPLE IRA Plan, including any eligible entity that succeeds the Employer and adopts this SIMPLE IRA Plan. For the purpose of this SIMPLE IRA Plan, Employer shall also mean the Employer that adopts this SIMPLE IRA Plan and all members of a controlled group of corporations (as defined in Code §414(b)), all commonly controlled trades or businesses (as defined in Code §414(c)) and all affiliated service groups (as defined in Code §414(m)) of which the adopting Employer is a part. Employer shall also include any other entity required to be aggregated with the Employer pursuant to Code §414(o).

1.7 "Matching Contributions" means employer contributions to a Participant's SIMPLE IRA on his or her behalf attributable to the amount of his or her Elective Deferrals under the SIMPLE IRA Plan.

1.8 "Nonelective Contributions" means employer contributions that are contributed to a Participant's SIMPLE IRA on his or her behalf in proportion to their Compensation under the SIMPLE IRA Plan.

1.9 "Plan Year" means the calendar year.

1.10 "Salary Deferral Agreement" means the written agreement between the Employer and a Participant in which the Participant authorizes the Employer to withhold and deposit a portion of his or her Compensation to his or her SIMPLE IRA.

1.11 "Self-Employed Individual" means a person who has Earned Income for the taxable year from the trade or business for which the SIMPLE IRA Plan is established including an individual who would have had Earned Income but for the fact that the trade or business had no net profits for the taxable year.

1.12 "SIMPLE IRA" means an American Funds SIMPLE Individual Retirement Account is established pursuant to the terms of the American Funds SIMPLE Individual Retirement Account Custodial Agreement upon execution of an American Funds SIMPLE IRA Application by or on behalf of a Participant.

1.13 "SIMPLE IRA Plan" means this Savings Incentive Match Plan for Employees, including the attached Adoption Agreement.

1.14 "Sponsor" means American Fund Distributors, Inc. or any successor(s) or assign(s).

1.15 "Custodian" means Capital Bank and Trust Company or any successor thereto.

Article II — Eligibility Requirements

2.1 Eligible Employer. The Employer will be an eligible Employer if, with respect to any year, the Employer had no more than 100 Employees who received at least \$5,000 of Compensation from

the Employer for the preceding calendar year. Additionally, the Employer may not maintain any other qualified plan (as defined in Code §219(g)(5)(A) or (B)) with respect to which contributions were made, or benefits were accrued, in any year in the period beginning with the year this SIMPLE IRA Plan became effective and ending with the year for which a determination is being made. Except this one-plan requirement is not violated if the Employer maintains another qualified plan that limits participation to Employees covered under a collective bargaining agreement described in Code §410(b)(3)(A) and eligibility to participate in this SIMPLE IRA Plan is limited to other Employees.

2.2 Two-Year Grace Period. An Employer who properly establishes and maintains this SIMPLE IRA Plan for one or more years, and who subsequently fails to be an Eligible Employer in a calendar year pursuant to paragraph 2.1, shall be treated as an Eligible Employer for the two years following the last year the Employer was eligible. During this period, employees who would be employed by another employer involved in the transaction, had the transaction not occurred, are not eligible to participate in this SIMPLE IRA Plan unless the other employer executes a Co-Sponsor Adoption Page as a Co-Sponsor. If, after expiration of the two-year grace period, the Employer fails to comply with the eligibility requirement of paragraph 2.1, the Employer must terminate this SIMPLE IRA Plan. However, if such failure is due to an acquisition, disposition or similar transaction involving the Employer, the preceding sentence shall apply only in accordance with rules similar to the rules of Code §410(b)(6)(C)(i).

2.3 Participation. Employees shall be eligible to participate in this SIMPLE IRA Plan the first day of the first Plan Year after they have met the SIMPLE IRA Plan's eligibility requirements as set forth in the Adoption Agreement. In no event shall an Employee receiving at least \$5,000 in Compensation (or such lesser amount, if provided in the Adoption Agreement) from the Employer during any two prior years, or such lesser period if provided in the Adoption Agreement, and who is reasonably expected to receive at least \$5,000 in Compensation, or such lesser amount, if provided in the Adoption Agreement, during the current year be excluded from the SIMPLE IRA Plan unless he or she is a member of a class that has been excluded by the Employer in the Adoption Agreement. There are no age or service requirements for an Employee to participate in this SIMPLE IRA Plan.

2.4 Exclusions From Eligibility. If elected in the Adoption Agreement, the following classification of Employees may be excluded from participation in the SIMPLE IRA Plan:

- (a) Employees who are part of a collective bargaining unit if retirement benefits have been the subject of good faith bargaining, and/or
- (b) Nonresident aliens with no taxable income from U.S. sources.

2.5 Change in Employment Class. If an Employee who is not a member of an eligible class of Employees becomes a member of such class, the Employee shall participate as of the date the Employee changes to an eligible class, provided that he or she has satisfied the eligibility requirements under paragraph 2.3, if any. If a Participant becomes ineligible because he or she is no longer a member of an eligible class of Employees, such Participant shall participate as of the date the

Employee returns to an eligible class of Employees. A former Participant shall again become a Participant as of the date of his or her rehire by the Employer.

2.6 Employment Rights. Participation in the SIMPLE IRA Plan shall not confer upon a Participant any employment rights, nor shall it interfere with the Employer's right to terminate the employment of any Employee.

2.7 Plan Notice. The Employer shall notify each Eligible Employee immediately before each 60-day Enrollment Period of the Employee's opportunity to make an election. The notice shall include a copy of the summary description as described in Code §408(l)(2)(B). Code §6693(c)(1) provides that, if an Employer fails to provide one or more notices, such Employer may be subject to a penalty of \$50 per day for each day there is a failure to provide such notice.

Article III — Employee Contributions

3.1 Elective Deferral. A Participant may make Elective Deferrals to this SIMPLE IRA Plan by executing a Salary Deferral Agreement. The amount that a Participant may elect to contribute may be expressed as a percentage of Compensation.

Elective Deferrals may not be based on Compensation a Participant has received, or had a right to receive, prior to the date on which such Participant commenced participation in this SIMPLE IRA Plan and the execution of the Participant's Salary Deferral Agreement.

Each Participant may elect to participate in the SIMPLE IRA Plan and, in subsequent years, change his or her deferral percentage during the "Enrollment Period" or as otherwise provided in the Adoption Agreement.

"Enrollment Period" means for the first Plan Year of the SIMPLE IRA Plan, a 60-day period that includes or extends beyond the Effective Date and begins no later than the Effective Date, or, a 60-day period that begins before the Effective Date and concludes no sooner than the day before the Effective Date. For any Plan Year, other than the first Plan Year of the SIMPLE IRA Plan, in which an Employee first becomes eligible to participate, the Enrollment Period is the 60-day period that ends on the date the Employee becomes eligible. The Enrollment Period for all subsequent years is the 60-day period immediately preceding the first day of the Plan Year.

In the case of an Employee who becomes an eligible Employee other than at the beginning of a calendar year because 1) this plan does not impose a prior-year-compensation requirement, 2) the Employee satisfied this plan's prior-year-compensation requirement during a prior period of employment with the Employer or 3) this plan is first effective after the beginning of a calendar year, the eligible Employee must be permitted to make or modify a salary reduction election during the 60-day period that begins on the day Plan Notice is provided to the Employee and that includes the day the Employee becomes an eligible Employee or the day before.

The Salary Deferral Agreement will become effective as soon as practical after receipt by the Employer (or, if later, the date specified by the Participant in the Salary Deferral Agreement), but any election made by the Participant may be modified prospectively any time during the 60-day period.

In addition to the elections allowed above, a Participant may make or change his or her deferral

election as provided in the Adoption Agreement. If an election is made or modified during one of these other election periods, it will become effective as soon as practical after the receipt of the election by the Employer or if later, the date specified by the Participant in the Salary Deferral Agreement. A Participant may elect to stop participating in the SIMPLE IRA Plan at any time during the year. If elected in the Adoption Agreement, a Participant who terminates his or her Salary Deferral Agreement may resume participation prior to the beginning of the next Plan Year.

A Participant who would attain age 50 or over by the end of the year can elect to have his or her Compensation reduced by an additional amount of \$500 for 2002, \$1,000 for 2003, \$1,500 for 2004, \$2,000 for 2005, and \$2,500 for 2006 and later years. After 2006, the maximum additional amount will be adjusted by the Secretary of the Treasury for cost-of-living increases under Code §414(v)(2)(C). Such adjustments will be in multiples of \$500.

3.2 Contribution of Elective Deferrals. The Employer must deposit the Elective Deferrals 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 case later than the close of the 30-day period following the last day of the month to which such Elective Deferrals relate.

3.3 Limit on Elective Deferrals. A Participant's total annual Elective Deferrals are limited to \$7,000 for 2002, \$8,000 for 2003, \$9,000 for 2004, and \$10,000 for 2005 and later years. After 2005, the maximum amount will be adjusted by the Secretary of the Treasury for cost-of-living increases under Code §408(p)(2)(E). Such adjustments will be in multiples of \$500.

Article IV — Employer Contributions

4.1 Contribution Requirement. The Employer is required to make a contribution on behalf of eligible Participants in accordance with the requirements of either paragraph 4.2 or 4.3 below.

4.2 Matching Contribution. The Employer may elect to match each Participant's Elective Deferrals on a dollar-for-dollar basis up to 3% of each Participant's Compensation. As an alternative, the Employer may elect to match Elective Deferrals on a dollar-for-dollar basis on a lower percentage of Compensation (not less than 1%) for any Plan Year. If the Employer makes this election for any Plan Year, the Employer must notify Employees of the election within a reasonable period before the 60th day preceding the beginning of such Plan Year.

The election to match on a lower percentage for any Plan Year may not result in the Matching Contribution being less than 3% of Compensation for more than two of the years in the period of five calendar years ending with such Plan Year. If any year in the five-year period is a year prior to the Effective Date of this SIMPLE IRA Plan or any year the Employer makes nonelective contributions to a SIMPLE IRA Plan, the Employer shall be treated as if it had made a 3% Matching Contribution for such Plan Year.

4.3 Nonelective Contribution. In lieu of the Matching Contribution described in paragraph 4.2, the Employer may elect to make a Nonelective Contribution of 2% of Compensation for each eligible Employee for the current year. For purposes of the 2% Nonelective Contribution, the Compensation taken into account for any year shall not exceed

the compensation limit in effect for such year under §401(a)(17) of the Code as adjusted by the Secretary of the Treasury for increases in the cost-of-living in accordance with Code §417(a)(17)(B). Such adjustments will be in multiples of \$5,000. (The Compensation limit for 2004 is \$205,000.) If the Employer makes this election for any Plan Year, the Employer must notify Employees of the election within a reasonable period before the 60th day preceding the beginning of such Plan Year.

4.4 Timing of Employer Contributions. Matching Contributions and Nonelective Contributions must be deposited to each Participant's SIMPLE IRA by the Employer's tax filing due date, plus extensions. Matching Contributions and Nonelective Contributions are deductible in the taxable year of the Employer that ends with or within the Plan Year for which such contributions were made. Matching and Nonelective Contributions shall be treated as made for a taxable year if they are made on account of the taxable year and made not later than the Employer's tax filing due date, plus extensions.

4.5 No Other Contributions. Employee Elective Deferrals under paragraph 3.1, Matching and Nonelective Contributions under paragraphs 4.2 and 4.3, respectively, are the only contributions that may be made to this SIMPLE IRA Plan.

Article V — Vesting

A Participant's interest in his or her Elective Deferrals, Matching Contributions and Nonelective Contributions, including the earnings thereon, is 100% vested and nonforfeitable at all times.

Article VI — Treatment of Excess Contributions

The maximum amount of Elective Deferrals that may be contributed to each Participant's SIMPLE IRA in a Plan Year is limited to \$6,000, as adjusted. If excess Elective Deferrals are made to a Participant's SIMPLE IRA for a Plan Year, he or she must withdraw the excess from the SIMPLE IRA (plus investment earnings thereon) by the April 15 immediately following the end of the Plan Year in which the excess was deferred.

If the excess Elective Deferrals (plus investment earnings thereon) are distributed within the time period provided above, the excess Elective Deferrals are included in the Participant's gross income for the calendar year in which contributed and any income thereon is taxable in the calendar year withdrawn. If the excess Elective Deferrals (plus investment earnings thereon) are not distributed within the specified time period, the excess Elective Deferrals are subject to the contribution limits of Code §§219 and 408 and may be considered an excess contribution to the Participant's SIMPLE IRA. Such excess Election Deferrals may be subject to the 6% tax on excess contributions pursuant to Code §4973. Income on the excess Elective Deferrals withdrawn from the SIMPLE IRA after the time period provided above may be subject to the 10% tax on early distributions pursuant to Code §72(t) if the recipient Participant has not attained age 59½.

If less than 100% of the excess Elective Deferrals and any income thereon is distributed, the distribution is treated as if ratably received from the excess Elective Deferrals and the income thereon.

Article VII — Participant Accounts

7.1 SIMPLE Retirement Accounts. This SIMPLE IRA Plan must be used in conjunction with a SIMPLE IRA. Each Employee, upon becoming a Participant under the SIMPLE IRA Plan, shall establish a SIMPLE IRA in accordance with the rules and regulations established by agreement between the Custodian and the Employer.

7.2 Determination of Deposit. When making a contribution under the SIMPLE IRA Plan, the Employer shall calculate each Participant's proportionate share of the Employer's contribution for that Plan Year. The Employer shall then deliver the contribution to the Custodian indicating the amount to be credited to each Participant's SIMPLE IRA.

7.3 Control of the Account. All contributions made under the SIMPLE IRA Plan by the Employer shall be irrevocable. After allocation to a Participant's SIMPLE IRA, the Employer shall have no further control of such contribution and the terms of the Participant's SIMPLE IRA shall be fully effective and controlling.

7.4 Allocation of Elective Deferrals. The Employer shall contribute to each Participant's SIMPLE IRA the amount of the Elective Deferrals designated in his or her Salary Deferral Agreement, up to the contribution limits allowed by applicable law.

Article VIII — Administration

8.1 Plan Administrator. The Employer shall be the Plan Administrator, unless such duties are designated to another party. The duties of the Plan Administrator shall include:

- (a) carrying out the provisions of the SIMPLE IRA Plan, including determining eligibility of Employees, allocating contributions and interpreting the SIMPLE IRA Plan when necessary;
- (b) delivering all contributions to the Custodian, showing the amount to be allocated to each Participant's SIMPLE IRA;
- (c) communicating with Employees regarding their participation and benefits under the SIMPLE IRA Plan;
- (d) advising Employees in writing of all contributions to their SIMPLE IRAs;
- (e) performing any other duties required of the Plan Administrator;
- (f) insuring that no contribution exceeds the limits imposed by Code §408(p) or any other applicable law, regulation or order;
- (g) executing necessary documents to establish a SIMPLE IRA with the Custodian for eligible Employees; and
- (h) providing the Plan notice described in paragraph 2.7 to eligible Employees.

8.2 Custodian. The Custodian shall be depository for individual SIMPLE IRAs, established by or on behalf of Participants. As depository, the Custodian shall:

- (a) accept for deposit contributions transmitted by the Employer; and
- (b) administer each individual SIMPLE IRA in accordance with the provisions of the SIMPLE IRA agreement.

The Custodian shall not need to verify the amount of the contributions received or the amounts allocated to individual SIMPLE IRAs.

8.3 Designated Financial Institution. The Custodian agrees to serve as the Designated Financial Institution, receiving all contributions made pursuant to this SIMPLE IRA Plan and depositing those contributions to the SIMPLE IRA of each Participant as soon as practicable. Upon request of any Participant, the Custodian also agrees to transfer the Participant's balance in the SIMPLE IRA established hereunder to another SIMPLE IRA without cost or penalty to the Participant, if such SIMPLE IRA's investments meet the requirements of the Custodian for transfer without cost or penalty.

8.4 Withdrawals. A Participant may withdraw contributions made to the Participant's SIMPLE IRA, including the earnings thereon, at any time. However, if the Participant makes any withdrawals prior to the time he or she attains age 59½, the Participant will be subject to a penalty unless an exception applies. The penalty is contingent on the Participant's period of participation in the SIMPLE IRA Plan. If the Participant has been participating in the SIMPLE IRA Plan for two years or less, withdrawals prior to age 59½ will be subject to a 25% penalty, unless an exception applies under the Code. Similarly, if the Participant has been participating in the SIMPLE IRA Plan for more than two years, withdrawals prior to age 59½ will be subject to a 10% penalty, unless an exception applies under the Code.

8.5 Rollovers. A Participant may roll over contributions made to the Participant's SIMPLE IRA, including the earnings thereon, to another SIMPLE IRA at any time. If the Participant is under age 59½ and such Participant would like to roll over his or her SIMPLE IRA to an IRA, the Participant may only do so after a two-year period beginning from the time he or she first participated in the SIMPLE IRA Plan.

8.6 Use of IRS Compliance Programs. Nothing in this SIMPLE IRA Plan should be construed to limit the availability of the IRS' voluntary compliance programs, the Employee Plans Compliance Resolution System (which encompasses the Administrative Policy Regarding Self-Correction, the Walk-in CAP, Audit CAP, and the Voluntary Compliance Resolution Program).

Article IX — Amendment and Termination

9.1 Amendment by Sponsor. The Sponsor may amend this SIMPLE IRA Plan at any time without obtaining the approval or consent of the Employer or Participant(s) provided that no amendment shall authorize or permit any SIMPLE IRA Plan asset to be used for or diverted to purposes other than the exclusive benefit of Participants and their beneficiaries. The Sponsor will inform each adopting Employer of any amendments to or termination of the SIMPLE IRA Plan.

9.2 Amendment by Employer. The Employer may amend any option elected in the Adoption Agreement provided that no amendment shall authorize or permit any part of the Employer's contribution to be used for or diverted to purposes other than for the exclusive benefit of Participants.

9.3 Plan Amendments. Any amendment to this SIMPLE IRA Plan shall become effective only at the beginning of a calendar year and must conform to the content of the Plan notice for the calendar year.

9.4 Termination. The Employer may terminate the Plan upon 60 days' written notice to the Custodian. In such event, the Custodian, if applicable, shall continue to administer each Participant's SIMPLE IRA as provided under the SIMPLE IRA agreement. The Sponsor may also terminate the SIMPLE IRA Plan upon written notice to the Employer.

Article X — Governing Law

Construction, validity and administration of this SIMPLE IRA Plan shall be governed by federal law. Where there is no applicable federal law, this SIMPLE IRA Plan shall be governed by, construed in accordance with and administered under the laws of the State of California. Each party agrees that all actions or proceedings instituted by the Custodian, Employer, Participant, Beneficiary or any interested party arising under or growing out of this Agreement shall be brought in the state or federal courts of California. In the event of reasonable doubt respecting the proper course of action to be taken with respect to the SIMPLE IRA Plan, the Custodian may, in its sole and absolute discretion, resolve such doubt by judicial determination that shall be binding on all parties who may claim any interest in the SIMPLE IRA Plan. A judicial determination may include, but not be limited to, the Custodian petitioning the appropriate court to remain as Custodian over the SIMPLE IRAs in order to preserve the SIMPLE IRA's federal tax-deferred status pending the court's resolution of the SIMPLE IRA Plan. In the event of any such judicial determination, all court costs, legal expenses, reasonable compensation for the time expended by the Custodian and any other expenses and costs, including reasonable attorney's fees, shall be collected by the Custodian from the SIMPLE IRA(s) in accordance with the terms of the SIMPLE IRA(s).

I. Plan Information

Employer

EIN

Plan benefits contact name

II. Eligibility Requirements

Each Employee will be eligible to participate in this Savings Incentive Match Plan for Employees ("SIMPLE") IRA Plan (the "Plan") if he or she received at least \$5,000, or a lesser amount if elected by the Employer, in compensation as defined under the terms of the Plan ("Compensation") from the Employer during any two prior years, or a lesser number if elected by the Employer, and such Employee is reasonably expected to receive at least \$5,000 in Compensation, or a lesser amount if elected by the Employer, during the current year. The Employer may elect to exclude certain Employees from participation in the Plan if they are classified as one of the following types of Employees:

- A. Collectively Bargained Employees.** Employees who are part of a collective bargaining unit may be excluded from participation in this Plan if retirement benefits have been the subject of good faith bargaining between the collective bargaining unit and the Employer.
- B. Nonresident Aliens.** Employees who are nonresident aliens and receive no taxable income from sources within the United States may be excluded from the Plan.

III. Contributions

Contributions shall be made to each eligible Employee's SIMPLE Individual Retirement Account ("SIMPLE IRA"). Contributions under the Plan may take the form of Employee pretax deferrals, Matching Contributions and/or Nonelective Contributions, as described below. No other contributions may be made to any Employee's SIMPLE IRA. All contributions under the Plan, and the earnings, are fully vested and nonforfeitable.

- A. Employee Pretax Deferrals.** If an Employee is eligible to participate in the Plan, he or she may direct the Employer to contribute a percentage of the Employee's Compensation on a pretax basis to his or her SIMPLE IRA. A Salary Deferral Agreement is a written agreement between an Employee and the Employer through which the Employee directs the Employer to reduce his or her Compensation by a specified amount and to contribute that amount to a SIMPLE IRA on the Employee's behalf. The maximum salary deferral for any Employee who has not reached age 50 by the end of the relevant year is \$10,000* for 2005 and later years.

For any Employee who will be age 50 or over by the end of the relevant year, the maximum salary deferrals is \$12,500* for 2006 and later years.

*Adjusted for cost-of-living increases in future years

- B. Employer Contributions.** The Employer must also make contributions to each Employee's SIMPLE IRA. The Employer

has two options: Matching or Nonelective Contributions. Matching Contributions are contributed in proportion to the amount that each Employee defers under the Plan. Nonelective Contributions are contributed in proportion to each Employee's Compensation under the Plan. The level of required contributions is as follows:

1. Matching Contributions. If the Employer chooses to provide Matching Contributions, the Employer must match pretax deferrals on a dollar-for-dollar basis up to 3% of Compensation (not less than 1%) for any year provided that a match of at least 3% is contributed in at least three out of every five years. If the Employer elects to contribute less than a 3% match (not less than 1%) for any calendar year, the Employer must notify each Employee of such election within a reasonable period before the 60th day preceding the beginning of that year.

Example

The following is an example of a valid election to provide a reduced match in no more than two out of the previous five years. Please note that in every grouping of five years, the 3% match was provided to Employees at least three times.

1999	3% of Compensation
2000	1% of Compensation
2001	2% of Compensation
2002	3% of Compensation
2003	3% of Compensation
2004	3% of Compensation
2005	1% of Compensation

2. Nonelective Contributions. In lieu of Matching Contributions, the Employer may elect to contribute 2% of Compensation to each eligible Employee's SIMPLE IRA for the current year. For purposes of the Nonelective Contribution, the maximum amount of Compensation that may be considered was limited by law to \$220,000 in 2006. The \$220,000 limit will be adjusted for inflation in future years. If the Employer intends to make this election for any calendar year, the Employer must notify each Employee of the election within a reasonable period before the 60th day preceding the beginning of such year.

IV. Employee Elections

The Employer must notify each Employee immediately before the 60-day period preceding the start of each calendar year of the Employee's opportunity to make an election to participate in the Plan or, in subsequent years, to change his or her deferral percentage. The Employee may elect to participate in the Plan or, in subsequent years, to change his or her deferral percentage during the 60-day period before the beginning of each calendar year. An Employee may elect to stop participating in the Plan at any time during the year. The Plan may contain language providing that, if an Employee terminates participation during a year, he or she will not be eligible to resume participation until the beginning of the next year.

V. Withdrawals, Rollovers and Transfers From the Plan

Contributions made on an Employee's behalf to a SIMPLE IRA may be withdrawn, rolled over or transferred to another IRA or an eligible retirement plan that accepts IRA rollovers as provided below.

- A. Withdrawals.** An Employee may withdraw the Employee and Employer contributions made to such Employee's SIMPLE IRA, including the earnings thereon, at any time. However, if the Employee makes any withdrawals prior to the time that he or she attains age 59½, the Employee will be subject to a penalty. The penalty is contingent on the Employee's period of participation in the Plan. If the Employee has been participating in the Plan for two years or less, his or her withdrawals prior to age 59½ will be subject to a 25% penalty. If the Employee has been participating in the Plan for more than two years, his or her withdrawals prior to age 59½ will be subject to a 10% penalty. There are certain exceptions to the 25% and 10% early withdrawal penalties. The Employee should consult his or her tax adviser for more details. Withdrawals from an Employee's SIMPLE IRA are taxed as ordinary income.
- B. Rollovers.** An Employee may roll over the Employee and Employer Contributions made to such Employee's SIMPLE IRA, including earnings thereon, to another SIMPLE IRA at any time. If the Employee is over age 59½, he or she can roll over his or her Plan contributions and earnings to another SIMPLE IRA, a Traditional IRA or an eligible retirement plan that accepts IRA rollovers at any time. However, if the Employee is under age 59½ and such Employee would like to roll over his or her Plan contributions and earnings to a Traditional IRA or an eligible retirement plan that accepts IRA rollovers, the Employee may only do so after a two-year period beginning from the time he or she first participated in this Plan.
- C. Transfers.** The Employer may require that all contributions under the Plan be deposited with a single, designated IRA Custodian. However, if the Employer requires all contributions be deposited with a single, designated IRA Custodian, all contributions under the Plan, including the earnings thereon, may be transferred to another SIMPLE IRA without cost or penalty at any time.

VI. Limitations of Description

This Summary Description is intended to provide general information about the Plan. However, the details of the form and features of the Plan are provided in the Plan document. Any discrepancies between this Summary Description and the Plan Document shall be determined in favor of the Plan Document. You may obtain a copy of the Plan Document from the Employer. The Employer may charge you a reasonable fee for copying the Plan Document.

VII. Custodian Information

Name: Capital Bank and Trust Company
Address: 135 S. State College Blvd.
Brea, CA 92821