



SF2038/2-13

## SIMPLE IRA PLAN ADOPTION AGREEMENT

### EMPLOYER INFORMATION

Name \_\_\_\_\_ of \_\_\_\_\_ Adopting \_\_\_\_\_ Employer

Address \_\_\_\_\_

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

Telephone \_\_\_\_\_

Adopting Employer's Federal Tax Identification Number \_\_\_\_\_

### SECTION 1. ESTABLISHMENT AND PURPOSE OF PLAN

There are no elections required for Section One. Refer to the Basic Plan Document for information regarding this section.

### SECTION 2. EFFECTIVE DATES *Complete Option A or B.*

**Option A:**  This is the initial adoption of a SIMPLE IRA plan by the Employer.  
The Effective Date of this Plan is \_\_\_\_\_

**NOTE:** *The Effective Date may be any date between January 1 and October 1.*

**Option B:**  This is an amendment and restatement of an existing SIMPLE IRA plan (a Prior Plan).  
The Prior Plan was initially effective on \_\_\_\_\_  
The Effective Date of this amendment and restatement is January 1, \_\_\_\_\_.

### SECTION 3. ELIGIBILITY REQUIREMENTS *Complete Parts A through C.*

#### Part A. Service Requirement

**Option 1:**  **Full Eligibility.** All Employees are eligible.

**Option 2:**  **Limited Eligibility.** Eligibility is limited to each Employee who satisfies the requirements in both (a) and (b) below.

- (a) Prior Year Compensation. An Employee who has received at least \$5,000, or \_\_\_\_\_, if lesser, in Compensation during any 2, or \_\_\_\_\_ (specify 0 or 1), if less, preceding Years (*need not be consecutive*); and
- (b) Current Year Compensation. An Employee who is reasonably expected to receive at least \$5,000, or \_\_\_\_\_, if lesser, in Compensation during the current Year.

**NOTE:** *If no option is selected, Option 1 shall be deemed to be selected.*

#### Part B. Exclusion of Certain Classes of Employees

All Employees will be eligible to become Participants in the Plan except: (*Select any that apply*)

1.  Collective bargaining unit Employees as described in Section 3.02(A) of the Plan. *If not selected this box will be deemed to be selected if the exclusive plan requirement as described in Section 1.03 of the Plan applies.*
2.  Non-resident aliens as described in Section 3.02(B) of the Plan.
3.  Acquired Employees as described in Section 3.02(C) of the Plan. *If not selected, this box will be deemed to be selected if there is a failure to meet the exclusive plan requirement due to an acquisition or similar transaction as described in Section 1.03(A) of the Plan.*

#### Part C. Election Periods (*Select one*)

In addition to the 60-day Election Period described in Section 3.04 of the Plan, a Participant may make or modify a Salary Reduction Agreement during the following Election Periods:

\_\_\_\_\_  
(Specify a period or periods (e.g., semi-annually, quarterly, monthly or daily) that will apply uniformly to all Participants.)

**SECTION 4. CONTRIBUTIONS** *Review and complete, where applicable, Parts A through C.*

**Part A. Catch-Up Contributions.**

Will Catch-Up Contributions, as described in Section 4.01 of the Plan, be permitted under this Plan? (*Select one*)

**Option 1:**  Yes.

**Option 2:**  No.

**NOTE:** *If no option is selected, Option 1 will be deemed to be selected.*

**Part B. Employer Contributions** *Complete only if Section 3, Part A, Option 2 is selected.*

Each Year the Employer shall make either Matching Contributions or Nonelective Contributions to the SIMPLE IRAs of Participants in accordance with the rules described in Section 4.02 of the Plan. For any Year the Employer makes Nonelective Contributions, such contributions will be made on behalf of each Participant who has at least \$\_\_\_\_\_ (*enter a dollar amount no less than the amount entered in Section 3, Part A, Option 2 above, if applicable, and no greater than \$5,000*) of Compensation for such Year.

**Part C. Use of Designated Financial Institution**

Will the Employer make all Plan contributions at a Designated Financial Institution? *See Section 4.06 of the Plan.*

**Option 1:**  Yes. *Enter the name and address of the Designated Financial Institution below.*

**Option 2:**  No.

**NOTE:** *If no option is selected, Option 2 will be deemed to be selected even if the information below is provided.*

Name of Designated Financial Institution Scottrade, Inc.

Address 700 Maryville Centre Dr.

City St. Louis State MO Zip 63141

Telephone 314-965-1555

Signature for Designated Financial Institution Accepted by Scottrade

**SECTION 5. AMENDMENT OR TERMINATION OF PLAN**

There are no elections required for Section Five. Refer to the Basic Plan Document for information regarding this section.

**SECTION 6. EMPLOYER SIGNATURE**

**I acknowledge that I have relied upon my own advisors regarding the completion of this Adoption Agreement and the legal and tax implications of adopting this Plan. I understand that my failure to properly complete this Adoption Agreement may result in adverse tax consequences. I have received a copy of this Adoption Agreement and the Basic Plan Document.**

Signature of Adopting Employer \_\_\_\_\_ Date Signed \_\_\_\_\_  
(Type Name) \_\_\_\_\_

Name of Prototype Sponsor Scottrade, Inc.

Address 700 Maryville Centre Dr.

City St. Louis State MO Zip 63141

Telephone 314-965-1555

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**SIMPLE IRA PLAN ELIGIBILITY FORM – *customer copy, please retain for your records.***

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The following questions are designed to help you, the Employer, along with your attorney and tax advisor, determine if you are eligible to adopt a SIMPLE IRA plan. Please answer the following questions.

- |              | YES                      | NO                       |   |
|--------------|--------------------------|--------------------------|---|
| REQUIREMENTS | <input type="checkbox"/> | <input type="checkbox"/> | 1. Do you own or control a business for which you provide personal services and receive income?<br><i>If the answer is NO, STOP. You are not eligible to establish this Plan.</i>   |
|              | <input type="checkbox"/> | <input type="checkbox"/> | 2. Do you have more than 100 employees who received at least \$5,000 of compensation from you in the previous calendar year?<br><i>If the answer is YES, STOP. You are not eligible to establish this Plan (certain acquisition exception rules apply).</i> |
|              | <input type="checkbox"/> | <input type="checkbox"/> | 3. Have you maintained any other qualified plan during the current calendar year in which contributions were made or benefits were accrued?<br><i>If the answer is YES, STOP. You are not eligible to establish this Plan.</i>                              |

NOTE: If your business

- is a member of a controlled group of corporations, businesses, or trades, (whether or not incorporated) within the meaning of IRC Section 414(b) or 414(c);
- is a member of an affiliated service group within the meaning of IRC Section 414(m); or
- uses the services of leased employees within the meaning of IRC Section 414(n);

you may have to include the leased employees and/or employees of the other business(es) in your Plan. Please consult your tax advisor to determine what additional action, if any, you must take.

## WHAT IS SIMPLE PLAN?

A savings incentive match plan for employees (SIMPLE) is a type of retirement plan which allows you, the Employer, to provide an important benefit to the Employees of your business (including yourself if you perform services for the business). An "Employer" may be a sole proprietor, partnership, or corporation. Amounts you contribute for your Employees under a SIMPLE IRA plan are deposited into your Employees' SIMPLE IRAs.

## SIMPLE IRA PLAN HIGHLIGHTS

### Tax Advantages

SIMPLE IRA plan contributions you make to your own SIMPLE IRA and your Employees' SIMPLE IRAs are tax deductible to you, the Employer. Because SIMPLE IRA plan contributions are made to a SIMPLE IRA, all earnings are tax-deferred, meaning the earnings are not taxed until they are withdrawn. In addition, a SIMPLE IRA plan helps you attract and retain quality Employees while you help meet the increasing need for financial security at retirement.

### Employer Eligibility

To be eligible to offer a SIMPLE IRA plan, your business must meet two requirements.

1. It must have 100 or fewer employees who received at least \$5,000 of compensation from you in the previous calendar year; and
2. It cannot, during the current calendar year, maintain any other qualified retirement plans to which contributions are made or where benefits accrue.

### Participant Eligibility

Not all Employees have to be covered under a SIMPLE IRA plan. At your option, you can exclude Employees who have not earned at least \$5,000 during any two preceding Years and are not expected to earn at least \$5,000 during the current Year. In addition, you may exclude Employees who are nonresident aliens, certain union members, and new Employees resulting from an acquisition or similar transaction (during a transition period only).

### Contributions

Each Employee can specify the percentage of pay he or she wants you to withhold and contribute to the Plan. The maximum amount which Participants may defer each year is limited to \$10,000 for 2006, \$10,500 for 2007 (after 2007 this amount is subject to cost-of-living adjustments). Further, employees that attain age 50 by the end of the Year can contribute an additional amount known as a catch-up contribution.

In addition, you must make either matching contributions, generally equal to the amount of each Participant's Elective Deferrals up to three percent of his or her Compensation, or nonelective contributions equal

to two percent of each Participant's Compensation. You have until the due date for filing your business's tax return (plus extensions) to make matching and nonelective contributions under your SIMPLE IRA plan.

### Place of Deposit

All contributions made under the Plan must be deposited directly into each eligible Employee's SIMPLE IRA.

### Distributions

Once SIMPLE IRA plan contributions are made, the normal IRA rules generally apply. For example, all earnings are tax-deferred until they are withdrawn from the SIMPLE IRA and required minimum distributions must begin by April 1 of the year following the year the SIMPLE IRA holder reaches age 70½.

## WHAT ABOUT PLAN SET UP?

A SIMPLE IRA plan is easy to set up and administer. To establish a SIMPLE IRA plan, you must sign an Adoption Agreement. Once the Plan is set up, all eligible Employees (including yourself) establish SIMPLE IRAs to receive contributions. All eligible Employees must complete and sign a *Salary Reduction Agreement* to indicate the percentage of pay they wish to contribute to the plan.

Maintaining a SIMPLE IRA plan is also easy. Unlike other qualified plans, no additional reporting is required. You simply take a deduction on your tax return for the SIMPLE IRA contributions and notify Employees of the contribution and the Plan's general provisions.

## EMPLOYEE COMMUNICATIONS

### Employee Information

If you have Employees, provide each eligible Employee with a *Participation Notice & Summary Description*.

### Establish SIMPLE IRAs

Ensure all participating Employees have established SIMPLE IRAs.

### Elective Deferral Agreements

Have all eligible Employees complete and sign a *Salary Reduction Agreement*.

## SUMMARY

If you are interested in establishing this SIMPLE IRA Plan, consult your tax and legal advisors for guidance in selecting the Plan features which best suit your business's needs. Once you are ready to adopt the Plan, refer to the enclosed instructions for completing the documents and properly establishing your Plan.

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**INSTRUCTIONS FOR COMPLETING ADOPTION AGREEMENT – *customer copy, please retain for your records.***

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These instructions are designed to help you, the Employer, along with your attorney and/or tax advisor, establish your SIMPLE IRA Plan. The instructions are meant to be used only as a general guide and are not intended as a substitute for qualified legal or tax advice.

**ADOPTION AGREEMENT**

If you wish to have us, the financial organization sponsoring this prototype Plan, help you fill out the Adoption Agreement, we will do so. However, we recommend that you obtain the advice of your legal or tax advisor before you sign the Adoption Agreement.

**EMPLOYER INFORMATION**

Fill in the requested information.

**SECTION 1. ESTABLISHMENT AND PURPOSE OF PLAN**

There are no elections required for Section One. Refer to the Basic Plan Document for information regarding this section.

**SECTION 2. EFFECTIVE DATES**

This SIMPLE IRA Plan is either a new Plan (an initial adoption) or an amendment and restatement of a Prior Plan.

If this is a new Plan, check Option A and fill in the Effective Date. The Effective Date is usually the first day of the plan year in which this Adoption Agreement is signed. For example, if this Adoption Agreement is signed on September 24, 2006, the Effective Date would be January 1, 2006.

If the reason you are adopting this Plan is to amend and replace an existing SIMPLE IRA plan, check Option B. The existing plan which will be replaced is called a "Prior Plan." You will need to know the Effective Date of the Prior Plan. The best way to determine its Effective Date is to refer to the Prior Plan Adoption Agreement. The Effective Date of this amendment and restatement must be the first day of the Plan Year in which the Adoption Agreement is signed.

**SECTION 3. ELIGIBILITY REQUIREMENTS**

NOTE: Section Three should be completed even if you do not have Employees.

Within limits, you as the Employer can specify the Compensation your Employees must earn from you over a period of years before they are eligible to participate in this Plan. Note that the eligibility requirements which you set up for the Plan also apply to you.

Suppose, for example, you establish a service requirement requiring Employees to earn at least \$5,000 in compensation from you during any two preceding years and require that Employees be expected to earn at least \$5,000 during the current year, only those Employees (including yourself) would be eligible to participate in this Plan.

**Part A. Service Requirement**

If you want all Employees to be eligible to participate in the Plan, check Option 1.

If you want to limit participation by including a compensation and year(s) requirement, check Option 2. Fill in the amount of annual Compensation required for participation. In addition, provide the number of preceding years Participants are required to satisfy the minimum compensation requirement.

**Part B. Exclusion of Certain Classes of Employees**

All Employees will be eligible to become participants unless indicated otherwise in the Adoption Agreement. To exclude a particular class of Employee, select the class(es) of Employees you wish to exclude from participating in this Plan. The following describes the Employees which may be excluded.

1. Employees covered by the terms of collective bargaining agreement (e.g., a union agreement) where retirement benefits were the subject of good faith bargaining.
2. Employees who are nonresident aliens without any U.S. income.
3. New Employees as a result of an acquisition or similar transaction (during a transition period).

**SECTION 4. CONTRIBUTIONS****Part A. Catch-Up Contributions**

If the Plan will allow Participants who attain age 50 by the end of the Year to make an additional Catch-Up Contribution, check Option 1. If not, then check Option 2.

**Part B. Employer Contributions**

Each Year you must make Matching or Nonelective Contributions to the SIMPLE IRAs of Participants in accordance with the Basic Plan Document. Fill in the amount of annual Compensation required for Participants to be eligible to receive Nonelective Contributions, should they be made.

**Part C. Use of Designated Financial Institution**

A Designated Financial Institution may be named for this Plan. If a Designated Financial Institution will be named, select Option 1 and list the name, address and telephone number of such institution where all SIMPLE IRA plan contributions will be made.

**SECTION 5. AMENDMENT OR TERMINATION OF PLAN**

There are no elections required for Section Five. Refer to the Basic Plan Document for information regarding this section.

**SECTION 6. EMPLOYER SIGNATURE**

An authorized representative of the Employer must sign and date the Adoption Agreement. In addition, the Prototype Sponsor must provide its name, address, and telephone number.

**OTHER ITEMS**

- Provide a *Participation Notice & Summary Description* to each Employee eligible to participate in this Plan.
- Make sure that all eligible Employees have established SIMPLE IRAs.
- Distribute *Salary Reduction Agreements* to all eligible Employees for completion.