



SIMPLE IRA (5305)

Designated Financial Institution Application Booklet



**Delaware Charter
Guarantee & Trust Company**

P. O. Box 8963 / Wilmington, DE 19899-8963 / 302-995-2131 / 800-209-9010

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Privacy Notice

This Notice is provided on behalf of Trustar® Retirement Services, a trade name of Delaware Charter Guarantee & Trust Company

PROTECTING YOUR PRIVACY

This Notice is required by law. It tells how we handle personal information.

This Notice applies to:

- People, including IRA account holders, who own or apply for our products or services for personal use
- Employee benefit plan participants and beneficiaries

In this Notice, "you" refers to only these people. The Notice does not apply to an employer plan sponsor.

WE PROTECT INFORMATION WE COLLECT ABOUT YOU

We follow strict standards to protect personal information. These standards include limiting access to data and regularly testing our security technology.

HOW WE COLLECT INFORMATION

We collect data about you as we do business with you. Some of the sources of this data are as follows:

- **Information we obtain when you apply or enroll for products or services.** You may provide facts such as your name, address, Social Security number, and employment data.
- **Information we obtain from others.** This includes market value data about your account and similar data.
- **Information we obtain through our transactions and experience with you.** This includes investment records and account values.
- **Information we obtain through the Internet.** This includes data from online forms you complete. It also includes data we receive when you visit our website.

HOW WE SHARE INFORMATION WITH OTHERS

In the course of doing business we may share data with others. This could include personal information about you or about former customers, plan participants or beneficiaries. Personal information may be shared with others for the following purposes:

- in response to a subpoena,
- to prevent fraud,
- to comply with inquiries from government agencies or other regulators, or
- for other legal purposes.

We also may share personal information about you or former customers:

- with others that service your accounts, or that perform services on our behalf,
- with other companies with your consent, at your request or as allowed by law.

ACCURACY OF INFORMATION

We believe our records are accurate. Please tell us if you receive any incorrect materials from us. We will make the appropriate changes.

MORE INFORMATION

You can write to us if you have questions about our Privacy Notice:

Privacy Officer
P.O. Box 8963
Wilmington, DE 19899-8963.

Receipt of this notice does not mean your application has been accepted.

We may change our privacy practices at times. We will give you a revised notice when required by law.

Our privacy practices comply with all applicable state laws. If a state's privacy laws are more restrictive than those stated in this Notice, we comply with those laws.

Your agent, broker, registered representative, consultant or advisor may have a different privacy policy.

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A trade name of Delaware Charter Guarantee & Trust Company | **SIMPLE IRA Application**
P.O. Box 8963, Wilmington, Delaware 19899
(800) 209-9010
Web site: www..trustar-rs.com

DCG Use Only

G&T No. _____
SS No. _____
Code No. 100

1. IRA Registration

Name (Employee)

Mailing Address

City	State	ZIP Code
Daytime Phone No.	Evening Phone No.	
Date of Birth	Social Security No.	

2. Beneficiary Designation

Designate your IRA Beneficiaries by printing the requested information below. If you want to name additional beneficiaries, please list the requested information on a separate sheet and attach it to this form.

A. Primary Beneficiaries (Please provide at least one Primary Beneficiary)

Delaware Charter will distribute your IRA to your Primary Beneficiaries following your death. Your Primary Beneficiaries will share equally in your IRA, unless you specify different percentages (totaling 100%) below. If a Primary Beneficiary predeceases you, his or her share of your IRA shall be divided proportionately among the surviving Primary Beneficiaries.

Name (First, Middle Initial, Last)

Social Security No.	Date of Birth	Relationship	Percentage
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Name (First, Middle Initial, Last)

Social Security No.	Date of Birth	Relationship	Percentage
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B. Contingent Beneficiaries

Delaware Charter will distribute your IRA to your Contingent Beneficiaries **only if there are no surviving Primary Beneficiaries at the time of your death**. If this occurs, your Contingent Beneficiaries will share equally in your IRA, unless you specify different percentages (totaling 100%) below. If there are no surviving Primary or Contingent Beneficiaries at the time of your death, Delaware Charter will distribute your IRA to your spouse; or if there is no spouse living at the time of your death; the Beneficiary shall be your estate.

Name (First, Middle Initial, Last)

Social Security No.	Date of Birth	Relationship	Percentage
---------------------	---------------	--------------	------------

Name (First, Middle Initial, Last)

Social Security No.	Date of Birth	Relationship	Percentage
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Note: Community and marital property state laws may require your spouse to be named as at least 50% primary beneficiary. Check with your legal advisor if you are impacted by these state laws.

Note: If more than one Primary and/or Contingent Beneficiary is designated and no percentages are indicated, equal percentages totaling 100% will be allocated to each beneficiary.

3. Signature and Trust Agreement

The undersigned Applicant hereby adopts the Delaware Charter Guarantee & Trust Company (Delaware Charter) SIMPLE Individual Retirement Trust Agreement that is incorporated herein by reference. The Applicant agrees to have any dispute resolved through binding arbitration held in the state of Delaware. Under penalties of perjury, the Applicant certifies the Social Security numbers provided on this form are true and correct. The Applicant certifies that they have read and understood the Disclosure material.

By _____

Applicant's Signature

Date _____

To Be Completed By Employer

Employer's Name

Authorized Signature

Employer's Identification No.

Employer's Telephone No.

Name of Applicant's Investment Firm

Applicant's Account No. (Issued by Investment Firm)

Address of Investment Firm

Telephone No. of Investment Firm

City, State, and ZIP Code of Investment Firm

Acceptance of Trustee

The foregoing Application is hereby approved by the Trustee this _____ day of _____, 20 _____

Attest _____ by _____



A trade name of Delaware Charter Guarantee & Trust Company

Mailing Address:
P.O. Box 8963
Wilmington, Delaware 19899-8963
(800) 209-9010
(Rev. March 2002)

Saving Incentive Match Plan for Employees of Small Employers (SIMPLE)-for Use With a Designated Financial Institution

Do not file with the Internal Revenue Service

Name of 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 (Complete appropriate box(es) and blanks-see instructions)

1. 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 following requirements (select either **1a** or **1b**):

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 \$ _____ (cannot 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.

2. Excludable Employees.

The employer elects to exclude employees covered under a collective bargaining agreement for which retirement benefits were the subject of good faith bargaining. **Note:** This box is deemed checked if the Employer maintains a qualified plan covering only such employees.

Article II – Salary Reduction Agreements (Complete the box and blank, if appropriate-see instructions)

1. Salary Reduction Election. An eligible employee may make a salary reduction 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. 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. In addition to the election periods in **2a**, 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.

c. 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.

d. An employee may terminate a salary reduction election at any time during the calendar year. If this box is checked, an employee who terminates a salary reduction election not in accordance with **2b** may not resume salary reduction contributions during the calendar year.

Article III – Contributions (Complete the blank, if appropriate-see instructions)

1. **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.
2. **Other Contributions**
 - 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, item 2a)
 - 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 \$ _____ (not more than \$5,000) in compensation for the calendar year. No more than \$200,000* 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 a 2% nonelective contribution instead of matching contributions only if:
 - (1) Each eligible employee is notified that a 2% nonelective contribution will be made instead of 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, item 2a).
3. **Time and Manner of Contributions**
 - a. The Employer will make the salary reduction contributions (described in 1 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 instructions.
 - b. The Employer will make the matching or nonelective contributions (described in 2a and 2b 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.

Article IV – Other Requirements and Provisions

1. **Contributions in General.** The Employer will make no contributions to the SIMPLE IRAs other than salary reduction contributions (described in Article III, item 1) and matching or nonelective contributions (described in Article III, items 2a and 2b).
2. **Vesting Requirements.** All contributions made under this SIMPLE plan are fully vested and nonforfeitable.
3. **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. **No Cost Or Penalty For Transfers.** The Employer will not impose any cost or penalty on a participant for the transfer of the participant's SIMPLE IRA balance to another IRA.
5. **Amendments To This SIMPLE Plan.** This SIMPLE plan may not be amended except to modify the entries inserted in the blanks or boxes provided in Articles I, II, III, VI, and VII.
6. **Effects of Withdrawals and Rollovers**
 - a. An amount withdrawn from the SIMPLE IRA is generally includable 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 plan. In addition, an individual may roll over or transfer his or her SIMPLE IRA balance to any IRA on a tax-free basis after a 2-year period has expired since the individual first participated in a SIMPLE plan. 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 a SIMPLE plan 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

1. 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) 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 6058(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) prior to subtracting any contributions made pursuant to this plan on behalf of the individual.
2. **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.
 3. **Eligible Employee.** An eligible employee means an employee who satisfies the conditions in **Article I, item 1** and is not excluded under **Article I, item 2**.
 4. **Designated Financial Institution.** A designated financial institution is a trustee, custodian, or insurance company (that issues annuity contracts) for the SIMPLE IRA plan that receives all contributions made pursuant to the SIMPLE IRA plan and deposits those contributions to the SIMPLE IRA of each eligible employee.

Article VI – Procedures for Withdrawal (*The designated financial institution will provide the instructions (to be attached or inserted in the space below) on procedures for withdrawals of contributions by employees.*)

Article VII – Effective Date

This SIMPLE plan is effective

. (See instructions)

Name of Employer

By: Employer Signature

Date

Address of Employer

Name and Title

The undersigned agrees to serve as designated financial institution, receiving all contributions made pursuant to this SIMPLE IRA plan and depositing those contributions to the SIMPLE IRA of each eligible employee as soon as practicable. Upon the request of any participant, the undersigned also agrees to transfer the participant's balance in a SIMPLE IRA established under this SIMPLE IRA plan to another IRA without cost or penalty to the participant.

Name of Designated Financial Institution

By: Signature

Date

Address

Name and Title

* For 2003 and later years, this amount is subject to annual 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 web site at www.irs.gov.

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SIMPLE Individual Retirement Trust Account

(Under section 408(p) of the Internal Revenue Code)

Do not file
with the Internal
Revenue Service

Name of participant	Date of birth of participant	Social security number
Address of participant		Check if transfer SIMPLE IRA . ▶ <input type="checkbox"/> Check if amendment . . ▶ <input type="checkbox"/>
Name of trustee	Address or principal place of business of trustee	

The participant named above is establishing a savings incentive match plan for employees of small employers individual retirement account (SIMPLE IRA) under sections 408(a) and 408(p) to provide for his or her retirement and for the support of his or her beneficiaries after death.

The trustee named above has given the participant the disclosure statement required by Regulations section 1.408-6.

The participant and the trustee make the following agreement:

Article I

The trustee will accept cash contributions made on behalf of the participant by the participant's employer under the terms of a SIMPLE IRA plan described in section 408(p). In addition, the trustee will accept transfers or rollovers from other SIMPLE IRAs of the participant. No other contributions will be accepted by the trustee.

Article II

The participant's interest in the balance in the trust account is nonforfeitable.

Article III

1. No part of the trust account funds may be invested in life insurance contracts, nor may the assets of the trust account be commingled with other property except in a common trust fund or common investment fund (within the meaning of section 408(a)(5)).

2. No part of the trust account funds may be invested in collectibles (within the meaning of section 408(m)) except as otherwise permitted by section 408(m)(3), which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.

Article IV

1. Notwithstanding any provision of this agreement to the contrary, the distribution of the participant's interest in the trust account shall be made in accordance with the following requirements and shall otherwise comply with section 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference.

2. The participant's entire interest in the trust account must be, or begin to be, distributed not later than the participant's required beginning date, April 1 following the calendar year in which the participant reaches age 70½. By that date, the participant may elect, in a manner acceptable to the trustee, to have the balance in the trust account distributed in:

(a) A single sum or

(b) Payments over a period not longer than the life of the participant or the joint lives of the participant and his or her designated beneficiary.

3. If the participant dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:

(a) If the participant dies on or after the required beginning date and:

(i) the designated beneficiary is the participant's surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy as determined each year until such spouse's death, or over the period in paragraph (a)(iii) below if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by 1 for each subsequent year, or, if distributions are being made over the period in paragraph (a)(iii) below, over such period.

(ii) the designated beneficiary is not the participant's surviving spouse, the remaining interest will be distributed over the beneficiary's remaining life expectancy as determined in the year following the death of the participant and reduced by 1 for each subsequent year, or over the period in paragraph (a)(iii) below if longer.

(iii) there is no designated beneficiary, the remaining interest will be distributed over the remaining life expectancy of the participant as determined in the year of the participant's death and reduced by 1 for each subsequent year.

(b) If the participant dies before the required beginning date, the remaining interest will be distributed in accordance with (i) below or, if elected or there is no designated beneficiary, in accordance with (ii) below:

(i) The remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of the participant's death. If, however, the designated beneficiary is the participant's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the participant would have reached age 70½. But, in such case, if the participant's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with (ii) below if there is no such designated beneficiary.

(ii) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the participant's death.

4. If the participant dies before his or her entire interest has been distributed and if the designated beneficiary is not the participant's surviving spouse, no additional contributions may be accepted in the account.

5. The minimum amount that must be distributed each year, beginning with the year containing the participant's required beginning date, is known as the "required minimum distribution" and is determined as follows:

(a) The required minimum distribution under paragraph 2(b) for any year, beginning with the year the participant reaches age 70½, is the participant's account value at the close of business on December 31 of the preceding year divided by the distribution period in the uniform

lifetime table in Regulations section 1.401(a)(9)-9. However, if the participant's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the participant's account value at the close of business on December 31 of the preceding year divided by the number in the joint and last survivor table in Regulations section 1.401(a)(9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the participant's (or, if applicable, the participant and spouse's) attained age (or ages) in the year.

(b) The required minimum distribution under paragraphs 3(a) and 3(b)(i) for a year, beginning with the year following the year of the participant's death (or the year the participant would have reached age 70½, if applicable under paragraph 3(b)(i)) is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the individual specified in such paragraphs 3(a) and 3(b)(i).

(c) The required minimum distribution for the year the participant reaches age 70½ can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.

6. The owner of two or more IRAs (other than Roth IRAs) may satisfy the minimum distribution requirements described above by taking from one IRA the amount required to satisfy the requirement for another in accordance with the regulations under section 408(a)(6).

Article V

1. The participant agrees to provide the trustee with all information necessary to prepare any reports required by sections 408(i) and 408(l)(2) and Regulations sections 1.408-5 and 1.408-6.

2. The trustee agrees to submit to the Internal Revenue Service (IRS) and participant the reports prescribed by the IRS.

3. The trustee also agrees to provide the participant's employer the summary description described in section 408(l)(2) unless this SIMPLE IRA is a transfer SIMPLE IRA.

Article VI

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through III and this sentence will be controlling. Any additional articles inconsistent with sections 408(a) and 408(p) and the related regulations will be invalid.

Article VII

This agreement will be amended as necessary to comply with the provisions of the Code and the related regulations. Other amendments may be made with the consent of the persons whose signatures appear below.

Article VIII

Article VIII may be used for any additional provisions. If no other provisions will be added, draw a line through this space. If provisions are added, they must comply with applicable requirements of state law and the Internal Revenue Code.

Participant's signature Date

(If an individual other than the participant signs this form for the participant, indicate the individual's relationship to the participant.)

Trustee's signature Date

Witness' signature (Use only if signature of the participant or the trustee is required to be witnessed.)

General Instructions

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

Purpose of Form

Form 5305-S is a model trust account agreement that meets the requirements of sections 408(a) and 408(p) and has been pre-approved by the IRS. A SIMPLE individual retirement account (SIMPLE IRA) is established after the form is fully executed by both the individual (participant) and the trustee. This account must be created in the United States for the exclusive benefit of the participant and his or her beneficiaries.

Do not file Form 5305-S with the IRS. Instead, keep it with your records.

For more information on SIMPLE IRAs, including the required disclosures the trustee

must give the participant, see **Pub. 590, Individual Retirement Arrangements (IRAs).**

Definitions

Participant. The participant is the person who establishes the trust account.

Trustee. The trustee must be a bank or savings and loan association, as defined in section 408(n), or any person who has the approval of the IRS to act as trustee.

Transfer SIMPLE IRA

This SIMPLE IRA is a "transfer SIMPLE IRA" if it is not the original recipient of contributions under any SIMPLE IRA plan. The summary description requirements of section 408(l)(2) do not apply to transfer SIMPLE IRAs.

Specific Instructions

Article IV. Distributions made under this article may be made in a single sum, periodic payment, or a combination of both. The distribution option should be reviewed in the year the participant reaches age 70½ to ensure that the requirements of section 408(a)(6) have been met.

Article VIII. Article VIII and any that follow it may incorporate additional provisions that are agreed to by the participant and trustee to complete the agreement. They may include, for example, definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the trustee, trustee's fees, state law requirements, beginning date of distributions, accepting only cash, treatment of excess contributions, prohibited transactions with the participant, etc. Attach additional pages if necessary.



SIMPLE IRA

Introduction

Small business owners often don't have time to think about retirement planning for themselves or their employees. However, offering a retirement plan in which earnings grow tax-deferred might just keep that valuable employee from leaving. Not only that, but employer contributions are tax-deductible.

In 1996, Congress passed The Savings Incentive Match Plan for Employees (SIMPLE) specifically for small business owners who have 100 or fewer eligible employees. The SIMPLE is an attractive alternative for small employers who might not otherwise offer a retirement plan for employees. This plan is funded by employee pre-tax salary deferrals and required employer contributions. Top-heavy and nondiscrimination testing is not required.

The benefits of establishing a Delaware Charter SIMPLE IRA for the employer and employees include:

- Pre-tax salary deferral contributions
- Tax-deductible employer contributions
- Self-directed accounts with investment flexibility
- Fully vested contributions
- Attracting and retaining employees
- No complex IRS reporting
- Retirement savings
- Reduced taxes
- Low trustee fees

Employers have two options when deciding to open a SIMPLE IRA plan. They can designate one financial institution to handle all IRAs for employees who participate in the plan or they can allow employees to open IRAs at the financial institution of their choice. Delaware Charter offers both types.

This brochure examines the **Designated Financial SIMPLE IRA** through Delaware Charter. In this program, employers designate their selected brokerage firm as the financial institution and require employees to use that financial institution for their IRAs. Trustar is the trustee of choice.

Benefits of a SIMPLE IRA

The many benefits of establishing a SIMPLE IRA for both employer and the employee include:

Tax Reductions

Employers are able to deduct all contributions made on behalf of plan participants as a business expense. **Note:** Contributions for household workers can now be deducted without incurring a 10% penalty if the employer pays all applicable employment taxes.

Employees reduce their current federal income tax by contributing to a SIMPLE IRA because salary reduction contributions are made from pre-tax dollars.

Tax-Deferred Growth

All contributions, gains, and earnings grow tax-deferred until withdrawn.

Active Employee Participation

Employees take an active role in selecting investments and funding their accounts. This makes the plan cost efficient and easier to administer for busy employers.

Salary Deferrals

Eligible employees can contribute up to the lesser of 100% of compensation or:

<u>Year</u>	<u>Limit</u>
2002	\$ 7,000
2003	\$ 8,000
2004	\$ 9,000
2005	\$ 10,000 (Indexed)

Additional Catch-Up Deferrals may be made by individuals age 50 and older for whom no other elective deferrals can be made for the plan year due to limits or restrictions as follows:

<u>Year</u>	<u>Limit</u>
2002	\$ 500
2003	\$ 1,000
2004	\$ 1,500
2005	\$ 2,000
2006	\$ 2,500 (Indexed)

Because deferrals are automatically deducted each pay period, they also reduce each participant's current federal income tax.

Note: Deferrals cannot be made for any period before the plan was established. However, they may be stopped at any time.

Flexible Employer Contributions

There are two methods (3% match or 2% non-elective) employers can choose from to contribute to SIMPLE IRAs. They can alternate methods from year to year as long as employees are notified prior to their election period.

All employer contributions must be deposited into the IRAs at the investment firm by the employer's tax filing deadline, including extensions. They are tax-deductible to the employer and 100% vested for the employee.

No Complex IRS Reporting

Unlike a traditional 401(k) plan, a SIMPLE IRA is easy to establish and there are no annual tax filings or nondiscrimination tests required. Not having to complete the filing and tests saves employers money. Employers simply provide employees with a copy of the SIMPLE IRA Trust and the Financial Institution procedures for withdrawals including the Financial Institution name and address on an annual basis and notify the IRS of active eligible employees and deferral amounts on IRS Form W-2.

Who is Eligible for a SIMPLE IRA?

Small employers who would like the benefits of a salary deferral plan, but not the administrative requirements may find the SIMPLE IRA suitable for their needs.

Employers are eligible to open a SIMPLE IRA if they:

- Have 100 or fewer employees who earned at least \$5,000 in compensation from their company during the last calendar year*; and
- Did not have another employer-sponsored retirement plan such as a SEP, Profit Sharing, Pension, Stock Bonus, 403(b), Defined Benefit, or 401(k) to which contributions were made or benefits were accrued for service in the year the SIMPLE becomes effective. (Exception – if you maintain a qualified plan for employees of a collective bargaining unit you may maintain a SIMPLE for other employees.)

Employers cannot make any contributions to another employer-sponsored plan for any year in which the SIMPLE IRA is in existence.

Employees are eligible to participate if they:

- have earned \$5,000 in compensation from the employer during any two preceding years; and
- expect to earn at least \$5,000 during the current year.

Employers can make the above requirement less restrictive. They also have the right to exclude union employees with a collective bargaining agreement where retirement benefits were the subject of good faith bargaining and nonresident aliens earning no U.S. income.

What Is the Deadline to Open?

Employers need to establish new SIMPLE IRAs between January 1 and October 1. Plans are maintained on a calendar year basis, even if the employer's tax year is a fiscal year. Employers need to make provision elections before January 1 of the year the provisions will become effective.

What Are the Employer Responsibilities?

The employer is responsible for:

- Notifying employees when they become eligible to participate.
- Completing Form 5305-SIMPLE.
- Notifying eligible employees of their right to make or change salary reduction elections 60 days before the start of the plan year.
- Selecting whether the employer contribution method will be matching or nonelective on an annual basis and notifying eligible employees which contribution method will be used before employees make their decision.
- Sending separate checks for deferral contributions and employer matching contributions to the investment firm.
- Providing each eligible employee with:
 - SIMPLE IRA Disclosure Statement and Trust Document
 - SIMPLE IRA Application
 - Copy of Model Notification to Eligible Employee and Model Salary Reduction Agreement along with a copy of the Summary Description (completed copies of the first and second page of Form 5305-SIMPLE including the information described in Article VI-Procedures for Withdrawal).
- Receiving and forwarding completed applications to the selected investment firm.
- Sending employee deferrals and investment instructions to the selected investment firm(s) within timeframes established by the DOL.
- Notifying eligible employees of any changes the IRS makes to the plan.

Tracking employee deferrals and reporting them to the IRS on Form W-2.

- Completing the SIMPLE IRA contribution form each time a contribution is made and faxing a copy to Delaware Charter if it is a Delaware Charter IRA. The form should also be sent to the brokerage firm along with the contribution check.

It is very important to retain brokerage statements that show contributions, distributions, and year-end value.

What is Needed to Open a SIMPLE IRA Trust?

To open a SIMPLE IRA Trust, employers will need:

- **SIMPLE IRA Employer Trust Instructions Form 5305-SIMPLE (Use With A Designated Financial Institution)** which includes the Model Notification to Eligible Employees and Model Salary Reduction Agreement - explains plan provisions and establishes the plan.
- **SIMPLE IRA Application** - employees must complete to establish their individual accounts.

You can contact your Customer Service Team by calling (800) 209-9010 or visit our web site at www.trustar-rs.com for more information.

Benefits of Choosing Delaware Charter

By choosing Delaware Charter as the trustee of your SIMPLE IRA, employers will receive:

- Plan compliance and trustee services
- Internal Revenue Service approved documents (IRS Form 5305) which includes the Model Notification to Eligible Employees and Model Salary Reduction Agreement
- IRS Form 5498 reporting to the IRS the contributions made to the SIMPLE IRA
- Fair Market Value reporting to the IRS
- IRS Form 1099-R reporting to the IRS any distribution payments made from the SIMPLE IRA
- Notification of IRS changes that affect the SIMPLE plan
- Notice of Minimum Required Distributions and free calculations on request
- Wide variety of investments including stocks, bonds, and mutual funds*
- Affordable cost
- Toll-free number (800) 209-9010 for customer service
- An Internet service for more efficient, individualized communications and web site links to educational information and regulatory expertise at www.trustar-rs.com.

*Limited Partnerships and other investments that may generate UBTI are not permitted.

SIMPLE IRA Disclosure Statement

Internal Revenue Service (IRS) regulations (Section 1.408-6(d)(4)) require that trustees of Individual Retirement Accounts (IRAs) provide a Disclosure Statement to the individual for whose benefit the IRA is established.

We provide the basic rules and benefits of your Delaware Charter Guarantee & Trust Company (conducting business as Trustar® Retirement Services) Self-Directed Individual Retirement Account in this Disclosure Statement. It also contains important tax and legal information.

When used in this document, the words **you** and **your** refer to the person for whom the IRA is established. **We, us, and our** refer to Delaware Charter Guarantee & Trust Company as trustee of your SIMPLE. **SIMPLE IRA** refers to either your Delaware Charter Guarantee & Trust Company SIMPLE IRA or a SIMPLE IRA at another financial institution. **Traditional IRA** refers to an IRA that is not a Roth IRA, Simplified Employee Pension Plan (SEP), or SIMPLE retirement Account.

Delaware Charter Guarantee & Trust Company is not licensed to practice law or give tax or financial advice. We strongly urge you to consult with your tax or legal advisor before you establish an IRA.

I. Your Right to Revoke Your IRA

You can cancel your IRA within seven days of the date you adopt the Trust Agreement. If you cancel or "revoke" your IRA, we will return all of your funds, including your acceptance fee, to you.

The notice of revocation must be in writing and signed by you. You can mail the notice to us at the following address:

IRA Processor
Trustar Retirement Services
P.O. Box 8963
Wilmington, DE 19899

If you send the notice by courier, the address is:

IRA Processor
Trustar Retirement Services
1013 Centre Road
Wilmington, DE 19805

If you mail the notice, we will use the date of the postmark (or the date of certification or registration for certified or registered mail) as the date of the notice. You may call us at (800) 209-9010 or (302) 995-2131 if you have questions.

II. IRS Approval

This plan uses an IRS approved model form. This is not an endorsement of the merits of the IRA investment plan. The Trustee has not applied for a favorable determination letter.

III. Eligibility

A SIMPLE IRA is a savings incentive match plan for employees of small employers. It provides an easy way for an employer to contribute toward their employees' retirement.

Employers are eligible to open a SIMPLE IRA if they:

- Have 100 or fewer employees who earned at least \$5,000 in compensation from their company during the last calendar year*; and
- Did not have another employer-sponsored retirement plan such as a SEP, Profit Sharing, Pension, Stock Bonus, 403(b), Defined Benefit, or 401(k) to which contribution were made or benefits were accrued for service in the year the SIMPLE becomes effective. (Exception – if you maintain a qualified plan for

employees of a collective bargaining unit you may maintain a SIMPLE for other employees.)

Employers cannot make any contributions to another employer-sponsored plan for any year in which the SIMPLE IRA is in existence.

Employees are eligible to participate if they:

- Have earned \$5,000 in compensation from the employer during any two preceding years, and
- Expect to earn at least \$5,000 during the current year.

Employers can make the above requirement less restrictive. They also have the right to exclude union employees with a collective bargaining agreement where retirement benefits were the subject of good faith bargaining and nonresident aliens earning no U.S. income.

*Trades or business under common control are treated as a single employer. Leased employees are considered employees.

IV. Contributions

1. Flexible Employer Contributions

There are two methods described below that employers can choose from to contribute to SIMPLE IRAs. They can alternate methods from year to year as long as employees are notified prior to their election period.

3% Matching Contribution

An employer can choose to contribute a required match of each participant's contribution up to 3% of compensation each year not to exceed the applicable deferral limit. Employers can reduce their match to 1% for any two years in a five-year period ending with the current plan year. Also, employers don't have to contribute if their employees don't contribute.

2% Non-elective Contribution

An employer can choose to contribute 2% of each eligible employee's compensation regardless of whether they contribute.

All contributions to the plan must be made in cash.

2. Salary Reduction Contributions

A salary reduction contribution is a contribution made pursuant to an employee's election to have an amount contributed to his or her SIMPLE IRA, rather than have the amount paid directly to the employee in cash. An eligible employee must be permitted to have salary reduction contributions made at the level specified by the employee, expressed as a percentage of compensation for the year or as a specific dollar amount. The maximum salary reduction contribution per calendar year may not exceed \$8,000, subject to cost of living adjustments. Salary reduction contributions may not begin until the eligible employee completes a form provided by the employer designed to permit the employee to elect the salary reduction percentage or specific dollar amount. An employer may not place any restrictions on the amount of an employee's salary reduction amount, except to the extent needed to comply with the annual limit.

3. Employee Elections

During the 60-day period immediately preceding January 1 of a calendar year, an eligible employee must be given the right to enter into a salary reduction

agreement for the calendar year or to modify a prior agreement, including reducing the amount subject to the agreement to \$0.

In the year in which the employee becomes eligible to make salary reduction contributions, the period during which the employee may enter into a salary reduction agreement or modify a prior agreement is a 60-day period that includes either the date the employee becomes eligible or the day before that date. For example, if an employer establishes a SIMPLE IRA plan effected as of July 1, 2001, each eligible employee becomes eligible to make salary reduction contributions on that date, and the 60-day period must begin no later than July 1 and cannot end before June 30, 2001.

Employees have the right to modify their salary reduction agreements without restrictions during these 60-day periods. In the year that an employee becomes eligible to make salary reduction contributions, the employee must be able to begin the contributions as soon as they become eligible, regardless of whether the 60-day period has ended.

An employee must have the right to terminate a salary reduction agreement at any time. However, the employer's Plan may require that an employee who terminates a salary reduction agreement at any time other than the normal election period is not eligible to resume participation until the beginning of the next calendar year.

4. Excess Deferrals

Excess elective deferrals (amounts in excess of \$8,000 or the limit prescribed by law) are includable in the participant's gross income in the calendar year of the deferral. Income on the excess deferral is includable in the participant's income in the year it is withdrawn from the SIMPLE IRA. Excess deferrals should be withdrawn by April 15 following the year to which the deferrals relate. If the amounts are not withdrawn by April 15, they are considered regular IRA contributions and are subject to the limits in sections 219 and 408 of the Code. Excess deferrals are not eligible for rollover or transfer to another SIMPLE IRA.

V. Income Tax Treatment

In general, contributions and earnings applicable to a SIMPLE IRA are exempt from federal income taxation while they are in the plan.

The employer may deduct contributions to the SIMPLE plan, subject to the applicable limits. Contributions are deductible for the employer's tax year with or within which the plan year of the SIMPLE plan ends. Contributions made for a particular tax year must be made by the due date of the employer's tax return, including extensions and are deemed made for that taxable year.

VI. Employer Administrative And Notification Requirements

The employer must notify each employee, immediately before the employee's 60-day election period, of the employee's opportunity to enter a salary reduction agreement or modify an existing agreement.

If the employee is unwilling or unable to execute the documents necessary to establish a SIMPLE IRA, the employer may execute the documents on the employee's behalf at the financial institution of the employer's choice.

Department of Labor (DOL) regulations require amounts which a participant pays to an employer or amounts withheld

from participants' wages for the purpose of contributions to a plan become retirement plan funds on the earliest date these amounts can be segregated from the assets of the employer. Consequently, the DOL requires that participant contributions be deposited to the plan as of the earliest date that they can reasonably be segregated from the employer's general assets.

With respect to a SIMPLE IRA plan, in no event can the transfer of funds be later than the thirtieth calendar day after the month in which the contributions were received or withheld by the employer. Please note that the 30 days is the **maximum** limit, which may not be relied upon if participant contributions could have reasonably been segregated sooner than 30 days.

VII. Rollovers

1. Rollovers from another SIMPLE IRA

A rollover contribution to this SIMPLE IRA is only permitted from another SIMPLE IRA.

2. Rollover from this SIMPLE IRA

A distribution from this SIMPLE IRA may only be rolled to another SIMPLE IRA during the 2-year period the participant first participated in the plan. Distributions made after the participant has completed two years of participation are eligible to be rolled over to another SIMPLE IRA, a traditional IRA, or an employer-sponsored plan. A distribution that qualifies as a rollover contribution is not includable in gross income of the participant if the rollover satisfies the requirements of IRC §408(d)(3) that apply to all rollovers.

3. Special rules that apply to rollovers

- Rollovers must be deposited to the IRA within 60 days after you have taken receipt of the *last* asset that was distributed.
- You may take a distribution from a Traditional IRA and make a rollover contribution to another Traditional IRA only once in any twelve consecutive month period. The one-year period begins on the date you receive the IRA distribution, not on the date you roll it over into another IRA.
- You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least annually and will last for:
 - Your lifetime (or life expectancy), or
 - You and your beneficiary's lifetime (or life expectancy),
 - A period of ten years or more.
- An amount that must be distributed during a particular year under the required distribution rules is not eligible for rollover treatment.
- You can choose to have any part of an eligible rollover distribution paid directly to a Traditional IRA in a direct rollover. If you choose a direct rollover, you are not taxed on the payment until you take it out of the IRA.
- If the rollover includes property such as company stock and the stock has been sold, you may still roll over the proceeds. The gain or loss on the sale of the property is not recognized if the rollover is for the entire amount allowable.
- There is no dollar limit on the amount of the transfer.

- Amounts rolled over do not qualify for capital gains provisions and/or special five and ten year averaging provisions.

VIII. Distributions

1. In General

All distributions from a SIMPLE IRA are subject to federal income tax. Generally, all amounts distributed are includable in gross income in the taxable year in which they are received. All taxable distributions from a SIMPLE IRA are taxed at ordinary income tax rates for federal income tax purposes and are not eligible for either capital gains treatment or 5/10 year averaging. An employer may not require an employee to retain any portion of a contribution in the SIMPLE IRA or otherwise restrict withdrawals.

2. Premature distributions

If you are under age 59½ and receive a distribution from your SIMPLE IRA, a 10% penalty will apply to the taxable portion of the distribution, unless the distribution is made:

- To pay significant unreimbursed medical expenses,
- To pay medical insurance premiums after losing your job,
- Due to disability,
- Due to death,
- As part of a series of substantially equal payments,
- To pay qualified higher education expense, or
- To pay certain qualified first-time homebuyer amounts.

You should consult with your tax advisor or IRS Publication 590 for more information on exceptions to the penalty tax.

3. Required Distributions

You are required to begin receiving minimum distributions by your required beginning date (April 1 of the year following the year in which you turn age 70½). Your minimum distribution is calculated by dividing the value of the IRA as of the end of the preceding year by the distribution period in the Uniform Lifetime Table in Q&A2 of §1.401(a)(9)-9 of the Income Tax Regulations, using your age as of your birthday in the applicable year. If your sole designated beneficiary is your surviving spouse and your spouse is more than 10 years younger than you, then you may use the Joint and Last Survivor Table in Q&A3 of §1.401(a)(9)-9, using your age and your spouse's age for that year.

Required distributions made in subsequent years must be made by the end of the year.

If you die on or after the required beginning date, the remaining portion of your account will be distributed at least as rapidly as follows:

- a. If the designated beneficiary is someone other than your spouse, the remaining interest will be distributed over the remaining life expectancy of the designated beneficiary, with such life expectancy determined using the beneficiary's age as of his or her birthday in the year following the year of the individual's death, or over your remaining life expectancy determined in the year of your death, whichever is longer.
- b. If the sole designated beneficiary is your spouse, the remaining interest will be distributed over your spouse's life or your remaining life expectancy determined in the year of your death, whichever is

longer. Any interest remaining after your spouses' death will be distributed over your spouse's remaining life expectancy determined using the spouse's age as of his or her birthday in the year of the spouse's death.

- c. If there is no designated beneficiary, the remaining interest must be distributed within 5 years of the date of death.

The amount to be distributed each year beginning with the calendar year following the calendar year of the account holder's death is obtained by dividing the value of the account as of the end of the preceding year by the remaining life expectancy of the account holder or beneficiary, whichever is appropriate. Life Expectancy is determined using the Single Life Table in Q&A1-1 of §1.401(a)(9)-9 of the Income Tax Regulations. If distributions are being made to a surviving spouse, such spouse's remaining life expectancy is the number in the Single Life Table corresponding to such spouse's age in the year. In all other cases, remaining life expectancy for a year is the number in the single Life Table corresponding to the beneficiary's or account holder's age in the year specified and reduced by one for each subsequent year.

If you die before the required beginning date, the remaining portion of your account will be distributed at least as rapidly as follows:

- a. If the designated beneficiary is someone other than your spouse, the remaining interest will be distributed, starting by the end of the calendar year following the calendar year of your death, over the remaining life expectancy of the designated beneficiary, with such life expectancy determined using the beneficiary's age as of his or her birthday in the year following the year of the individual's death, or if so elected, by the end of the calendar year containing the fifth anniversary of your death.
- b. If your sole designated beneficiary is your surviving spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of your death, or by the end of the calendar year in which you would have attained age 70½, if later, over such spouse's life, or, if so elected, by the end of the calendar year containing the fifth anniversary of your death (or of the spouses' death in the case of the surviving spouse's death before distributions are required to begin). If the surviving spouse dies after distributions are required to begin, the remaining interest will be distributed over the spouse's remaining life expectancy determined using the spouse's age as of his or her birthday in the year of the spouse's death.
- c. If there is no designated beneficiary, the remaining interest must be distributed within 5 years of the date of death.

The amount to be distributed each year beginning with the calendar year following the calendar year of the account holder's death is obtained by dividing the value of the account as of the end of the preceding year by the remaining life expectancy of the account holder or beneficiary, whichever is appropriate. Life Expectancy is determined using the Single Life Table in Q&A1-1 of §1.401(a)(9)-9 of the Income Tax Regulations. If distributions are being made to a surviving spouse, such spouse's remaining life expectancy is the number in the Single Life Table corresponding to such spouse's age in the year. In all other cases, remaining life

expectancy for a year is the number in the single Life Table corresponding to the beneficiary's or account holder's age in the year specified and reduced by one for each subsequent year.

If the sole designated beneficiary is the surviving spouse, the spouse may elect to treat the IRA as his or her own. This election will be deemed to have been made if such surviving spouse makes a contribution (permitted under the contribution rules for SIMPLE IRA as if the surviving spouse were the owner) or fails to take required distributions as a beneficiary.

4. Penalties

If you are under age 59½ and receive a premature distribution from your SIMPLE IRA, an additional 10 percent (or 25 percent if the withdrawal is within the first two years of participation) income tax penalty will apply to the amount of the distribution.

If the appropriate amount is not removed for your required distribution, the IRS may impose an additional tax of 50 percent upon the difference between what should have been distributed and what was actually distributed.

IX. Prohibited Transactions

If you or your beneficiary engage in a prohibited transaction (as defined in §4975 of the Code) with your SIMPLE IRA, it will lose its tax exemption and you must include the value of your account in your gross income of that taxable year. If you pledge any portion of your SIMPLE IRA as collateral for a loan, the amount so pledged will be treated as a distribution and will be included in your income for that year.

X. Nonforfeitarility

The interest of an individual in his or her account is nonforfeitable at all times.

XI. Estate and Gift Tax Consequences

Generally, there is no specific exclusion for SIMPLE IRAs under the estate tax rules. Therefore, in case of death, the SIMPLE IRA balance will be includable in the account holder's gross estate for federal estate tax purposes. However, if your spouse is your beneficiary, the amount in your SIMPLE IRA may qualify for the marital deduction available under §2056 of the Code. A transfer of property for federal gift tax purposes does not include an amount that a beneficiary receives from a SIMPLE IRA.

XII. Financial Disclosure

The amount of money that will be available at any period depends on:

- The amount of contributions,
- Total years of participation,
- Earnings, including interest, dividends, realized and unrealized gains, and losses, and
- Expenses incurred for brokerage commissions and applicable Trustee's fees.

Due to the many kinds of investments that you may choose, neither a guaranteed return nor a projected amount can be practically furnished.

The annual fees charged by the Trustee are charged on a calendar year basis and are **not pro-rated**. There is no percentage charge based on cumulative trust assets.

If you fail to pay the Trustee's compensation, taxes, and/or expenses within a reasonable time after demand for payment is made, we reserve the right to charge the expenses to the Trust and liquidate such assets of the Trust as needed to satisfy the demand. The custodian will collect all fees, expenses, and taxes for the Trustee as directed by us. **Such collection of fees by the custodian may be made without your approval or direction.**

The Trustee reserves the right to revise the fee schedules and will provide ample advance written or electronic notice of any revision to the Account Holder.

Brokerage commissions are considered a separate cost and are in addition to the above fees charged by the Trustee. Questions about brokerage commissions should be discussed with your broker or account executive before any orders are executed.

To compute and allocate annual earnings:

- Compare the year-end market value to the prior year's market value and
- Add any interest or dividends earned for your total account

XIII. Important Information on "Float"

Float is interest that is earned on funds held by service providers, generally in short term investments, pending investment or the cashing of outstanding benefit checks. The DOL does not consider the retention of float by service providers to be a prohibited transaction under the Employee Retirement Income Security Act of 1974 (ERISA) if several guidelines are followed. You may view a copy of the full details of the DOL's guidance on float at <http://www.dol.gov/ebsa/regs/fabmain.html>.

Trustar may earn float on:

- Contributions awaiting investment direction.
- Outstanding benefit distribution checks. Float is earned until the checks are cashed.
- Outstanding dividend checks.

Trustar tries to minimize float as much as possible. For instance:

- We mail checks the day we issue them. However, we do not have control over when the checks are cashed.
- Contributions and dividend checks are normally sent for investment on the day after they are received (hence, we would not earn float) or as soon as possible thereafter. Certain situations -e.g., lack of allocation or investment directions, etc.- slows down the allocation or investment of those funds.

We do not credit float directly to the plans or accounts for which we provide services because the cost to track the amount of float on a per plan or per account basis and allocate it to the plan participants or account would far exceed the amount of float earned. In the end, the amount that we earn on float helps us keep our fees down. Please contact your Trustar representative at 800.209.9010 if you have questions.

XIV. Designated Financial Institution "DFI"

In general, under §408(p) an employer must permit an employee to select the financial institution to which the employer will contribute on behalf of the employee. In this case, the financial institution is referred to as a non-DFI.

Alternatively, the employer may require that all SIMPLE IRA contributions initially be made to a single designated financial institution selected by the employer. In this case, the financial institution is referred to as a DFI.

1. Use of a DFI

If the employer requires that all SIMPLE contributions be made to a DFI, they cannot impose any cost or penalty on a participant for the transfer of the participant's SIMPLE IRA balance to another IRA.

2. Use of a Non-DFI

If the employer's SIMPLE plan permits the participants to select their own financial institution, the trustee or custodian may impose fees for the transfer of an account.

XV. Summary Description

The trustee will provide the employer with the following information:

- The name and address of the employer and the trustee or issuer.
- The requirements for eligibility for participation.
- The benefits provided with respect to the arrangement.
- The time and method of making elections with respect to the arrangement.
- The procedures for, and effects of, withdrawals (including rollovers) from the arrangement.

XVI. Arbitration

You agree that all controversies between you and/or your beneficiaries and the Trustee and/or any of its officers, directors, or employees (present or former) concerning or arising from:

- Any retirement account maintained with the Trustee by you;
- Any transaction involving your IRA, whether or not such transactions occurred in such IRA or IRAs; or
- The construction, performance, or breach of this Self-Directed IRA Trust Agreement provided by Delaware Charter between us, whether such controversy arose prior, on, or subsequent to the date hereof, shall be determined under the commercial arbitration rules of the American Arbitration Association. Any disputes as to the arbitrability of a matter or the manner of such arbitration will be determined in such arbitration. The arbitration will be held in Wilmington, Delaware.

Arbitration Disclosures:

- Arbitration is final and binding on the parties,
- The parties are waiving their right to seek remedies in court, including the right to jury trial,
- Pre-arbitration discovery is generally more limited than and different from court proceedings,
- The arbitrator's award is not required to include factual findings or legal reasoning and any party's right to appeal or to seek modification of rulings by the arbitrators is strictly limited,
- The panel of arbitrators will consist of arbitrators from the American Arbitration Association,
- The arbitration will be under the commercial arbitration rules of the American Arbitration Association,
- The arbitration will be held in Wilmington, Delaware, and
- Any disputes as to such arbitration or the manner thereof will be determined in such arbitration.

General Instructions

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

Purpose of Form

Form 5305-SIMPLE is a model Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) plan document that an employer may use in combination with SIMPLE IRAs to establish a SIMPLE IRA plan described in section 408(p).

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 5305-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).

Which Employers May Establish and Maintain a SIMPLE 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 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 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 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 **Contribution Requirements** below). All contributions under this plan will be deposited into a SIMPLE individual retirement account or annuity established for each eligible employee with the designated financial institution named in Article VII.

When to Use Form 5305-SIMPLE

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

Do not use Form 5305-SIMPLE if:

1. You want to permit each of your eligible employees to choose a financial institution that will initially receive contributions. Instead, use **Form 5304-SIMPLE**, Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) – Not 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 5305-SIMPLE

The first and second pages of Form 5305-SIMPLE contain the operative provisions of your SIMPLE IRA plan. This SIMPLE IRA plan is considered adopted when you have completed all appropriate boxes and blanks, and it has been executed by you.

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

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 plan by completing the options provided in Article I, items 1a and 1b. To choose full eligibility, check the box in Article I, item 1a. Alternatively, to choose limited eligibility, check the box in Article I, item 1b, and then insert \$5,000 or a lower compensation amount (including zero) and "2" or a lower number of years of service in the blanks in (i) and (ii) of Article I, item 1b.

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 Article I, item 2. Under certain circumstances, these employees must be excluded. See **Which Employers May Establish and Maintain a SIMPLE IRA Plan?**

Salary Reduction Agreements (Article II)

As indicated in Article II, item 1, 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 is \$7,000 for 2002. That amount will increase to \$8,000 for 2003, \$9,000 for 2004, and \$10,000 for 2005 and later years. 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 to \$7,500 for 2002, \$9,000 for 2003, \$10,500 for 2004, \$12,000 for 2005, and \$12,500 for 2006 and later years.

Timing of Salary Reduction Elections

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.

You can extend the 60-day election period to provide additional opportunities for eligible employees to make or modify salary reduction elections using the blank in Article II, item 2b. For example, you can provide that eligible employees may make new salary reduction elections for any calendar quarter during the 30 days before that quarter.

You may use the **Model Salary Reduction Agreement** included in the package 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 if permitted under Article II, item 2b. However, by checking the box in Article II, item 2d, 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, item 1, 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 designated financial institution for the employee's SIMPLE IRA.

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**.

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 period for the year. See **Timing of Salary Reduction Elections**.

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 \$200,000* of compensation.

To elect to make nonelective contributions, you must notify employees within a reasonable period of time before the applicable 60-day election period for such year. See **Timing of Salary Reduction Elections** above.

Note: Insert "\$5,000" in Article III, item 2b(i) 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 Article VII, 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. (Do not insert any date before January 1, 1997).

Additional Information

Timing of Salary Reduction Contributions

The employer must make the salary reduction contributions to the designated financial institution for the SIMPLE IRA of all eligible employees 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 the SIMPLE IRA at the designated financial institution 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.

Definition of Compensation

"Compensation" means the amount described in section 6051(a)(3) (wages, tips, and other compensation from the employee subject to federal income tax withholding under section 3401(a)). 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 plan on behalf of the individual.

Employee Notification

You must notify eligible employees prior to the employees' 60-day election period described above that they can make or change salary reduction elections.

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 employee's 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** (listed after Form 5305-SIMPLE) 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 the first and second page of Form 5305-SIMPLE (including the Article VI-Procedures for Withdrawals and transfers from the SIMPLE IRAs established under this SIMPLE IRA plan).

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 may not be imposed.

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.

Choosing the Designated Financial Institution

As indicated in Article V, item 4, a designated financial institution is a trustee, custodian, or insurance company (that issues annuity contracts) for the SIMPLE IRA plan that would receive all contributions made pursuant to the SIMPLE IRA plan that would receive all contribution to the SIMPLE IRA of each eligible employee.

Only certain financial institutions, such as banks, savings & loan associations, insured credit unions, insurance companies (that issue annuity contracts), or IRS-approved nonbank trustees may serve as a designated financial institution under a SIMPLE IRA plan.

You are not required to choose a designated financial institution for your SIMPLE IRA plan. However, if you do not want to choose a designated financial institution, you cannot use this form (see **When to Use Form 5305-SIMPLE**).



Mailing Address:
P.O. Box 8963
Wilmington, Delaware 19899-8963

**5305SIMPLE Model
Notification-Salary
Reduction Agreement**

Model Notification to Eligible Employees

I. Opportunity to Participate in the SIMPLE plan

You are eligible to make salary reduction contributions to the _____ (Employer Name) 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.

II. Employer Contribution Election

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

- (1) 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
- (2) A nonelective contribution equal to 2% of your compensation for the year (limited to \$200,000*) 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.

III. 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*).

Model Salary Reduction Agreement

I. Salary Reduction Election

Subject to the requirements of the SIMPLE plan of _____ (*name of 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.

II. 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 instructions.

III. 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.*)

IV. 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 _____ SS# _____

Date _____

* For 2003 and later years, this amount is subject to cost-of-living adjustments. The IRS announces the increases, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS Web Site at www.irs.gov.

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Schedule of Trustee Fees Effective January 1, 2004

ACCEPTANCE FEE		OTHER CHARGES	
Opening the Trust account	\$ 25	Transfer or termination of participant account in addition to annual fees	\$ 75
The acceptance fee will be refunded if you revoke the Trust within seven (7) days from the date of adoption		Change in brokerage firm	\$ 15
ANNUAL FEES		Transaction requiring trustee processing	
Service charge if acceptance fee does not accompany application	\$ 12	No charge for buys and sells in the brokerage account	\$ 15
Annual fee per participant	\$ 45	Processing on terminated Trust	\$ 15
Annual fees are charged on a calendar year basis and are not pro-rated. There is no percentage charge based on cumulative assets		Processing of checks or securities after the account has been closed more than 6 months	
Late payment or directive to debit your account for Trustee fees (after 30 days)	\$ 10	Reissue of check over 6 months old	\$ 30
Maintaining assets held outside the brokerage account: Mutual Funds, Partnerships, of Deposit, and Annuity Policies, each	\$ 15	Returned check	\$ 25
Partial distribution	\$ 15	Additional managed account	\$ 25
Includes return/reallocation of excess		Investment review	\$150
		Research of transaction over 6 months old per hour (minimum $\frac{1}{2}$ hour)	\$ 80
		Affidavit of loss	\$ 50
		Never funded account, after one year	\$ 50
		Reinstatement of closed account	\$ 50
		Form 2439 filing	\$ 50
		Preparing and signing Form 990-T	\$150
		Signing Form 990-T only	\$ 25
		Outgoing wire processing	\$ 25
		Special services not otherwise provided above	As agreed

In the event the fees becomes delinquent and it becomes necessary to collect the balance through the services of a collection agency, you will be held responsible for their fees.

Your Trustee fees depend on the Brokerage Firm who services your account. Please check with your Brokerage Firm for all fees applicable to your account. If you transfer your account to another Brokerage Firm, you will need to obtain another schedule of fees.



Delaware Charter Guarantee & Trust Company
P. O. Box 8963 / Wilmington, DE 19899-8963 / 302-995-2131 / 800-209-9010