

# Universal Simplified Employee Pension Plan Instructions for Completing Adoption Agreement

These instructions are designed to help you, the Employer, along with your attorney and/or tax advisor, establish your SEP 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 SEP Plan is either a new Plan (an initial adoption) or an amendment and restatement of an existing SEP Plan.

If this is a new SEP 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 an Employer maintains a Plan on a calendar year basis and 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 SEP Plan, check Option B. The existing SEP 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 is usually the first day of the Plan Year in which the Adoption Agreement is signed.

### **SECTION 3. ELIGIBILITY AND PARTICIPATION**

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

Within limits, you as the Employer can specify the number of years your Employees must work for you and the age they must attain 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 of three of the immediately preceding five years and an age requirement of 21. In that case, only those Employees (including yourself) who have worked for you for three of the immediately preceding five years and are at least 21 years old are eligible to participate in this Plan.

#### **Part A. Service Requirement**

Fill in the number of years of service. This number must be either 0, 1, 2, or 3.

If Employees will be given credit for service with a predecessor Employer, fill in the name of the predecessor Employer.

#### **Part B. Age Requirement**

Fill in the age an Employee must attain (no more than 21) to be eligible to participate in the Plan.

#### **Part C. Employees Employed as of Effective Date**

Check Option 1 if Employees employed as of the Effective Date of the Plan who have not met the Plan age and service requirements will be deemed to have met those requirements. If not, check Option 2.

#### **Part D. Class of Employees Eligible to Participate**

1. Generally, you are permitted to exclude Employees covered by the terms of a collective bargaining agreement (e.g., a union agreement) where retirement benefits were bargained for. If you wish to exclude those Employees, check the first box under Section Three, Part D.
2. You are permitted to exclude those Employees who are nonresident aliens with no U.S. income. If you wish to exclude those Employees, check the second box under Section Three, Part D.
3. You are permitted to exclude those Employees that are classified as Acquired Employees due to an acquisition or similar transaction described in the Code (during a transition period). If you wish to exclude those Employees, check the third box under Section Three, Part D.
4. You are permitted to exclude those Employees who have received less than \$450 for 2006, \$500 for 2007 (indexed for cost-of-living increases) of Compensation during the Plan Year. If you want to exclude those Employees, check the fourth box under Section Three, Part D.

### **SECTION 4. CONTRIBUTIONS AND ALLOCATIONS**

#### **Part A. Contribution Formula**

##### **Option 1. Discretionary Formula**

Check this option if you want this SEP Plan to allow for flexible contributions that will be determined from year to year.

##### **Option 2. Fixed Percent of Profits Formula**

Check this option if you want this SEP Plan to require a fixed contribution from year to year. Fill in the applicable contribution percentage and dollar amount.

##### **Option 3. Not Applicable**

This option should be checked if the Employer will not make Employer contributions to this Plan.

**Part B. Allocation Formula**

Once the contribution amount has been decided for a Plan Year, it must be allocated among the Participants in the Plan. The contribution can be allocated using either a pro rata formula, a flat dollar formula, or an integrated formula. Check Option 1, 2, or 3.

**Option 1. Pro Rata Formula**

Check this option if you wish to have the contribution allocated to all Participants based on their Compensation for the Plan Year.

**Option 2. Flat Dollar Formula**

Check this option if you wish to contribute the same dollar amount for each Participant.

**Option 3. Integrated Formula**

Check this option if the plan is to be integrated. Generally, integration is a method of giving some Participants in the Plan an extra contribution allocation. Because of the complexity of integration, you should consult your tax advisor regarding this issue.

**Part C. Top Heavy Minimum Allocation**

Choose if you wish to make the required top-heavy contribution to this Plan or to another plan you maintain (if applicable).

**SECTION 5. COMPENSATION AND PLAN YEAR ELECTIONS**

This Section allows you to define Compensation for purposes of Employer Contributions to the Plan, and also the time period the Plan will use to determine the Plan Year.

**Part A. Compensation**

Select either Option 1, 2, or 3 depending on how the Plan will define Compensation for purposes of Employer Contributions. Refer to the Definitions Section of the Plan for a description as to the Code requirements for each of these choices.

**Part B. Plan Year**

The Plan allows you to determine the Plan Year based on the 12-consecutive month period that coincides with your taxable year, the calendar year, or another 12-consecutive month period. Select the appropriate option that will define the Plan Year.

**SECTION 6. AMENDMENT OR TERMINATION OF PLAN**

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

**SECTION 7. SALARY DEFERRAL SEP PROVISIONS**

**NOTE:** This section may not be used to establish a new salary deferral SEP plan on or after January 1, 1997. You may, however, amend and restate a salary deferral SEP plan that was in existence prior to January 1, 1997.

**Part A. Limits on Elective Deferrals**

A limit may be placed on the Compensation deferred into the Plan by each Contributing Participant. The limit may be either a specific dollar amount or a percentage of Compensation.

**NOTE:** A Contributing Participant who attains age 50 on or before the end of the calendar year may elect, if allowed, to defer an additional amount as a Catch-Up Contribution in excess of the amount or percentage of Compensation indicated in Section Seven, Part A of the Adoption Agreement.

**Part B. Separate Deferral Election for Bonuses**

Choose whether a Contributing Participant may make a separate deferral election to contribute to the Plan, as an Elective Deferral, part or all of a bonus rather than receive such bonus in cash.

**Part C. Catch-Up Contributions**

Choose whether Catch-Up Contributions will be allowed to be contributed to the plan as an Elective Deferral by those eligible Employees that are allowed to make such contributions under the Code.

**SECTION 8. 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 an *Employee Information Booklet* and a completed *SEP Summary for Employees* to each Employee.
- Make sure that all eligible Employees have established IRAs.
- For salary deferral SEP plans, distribute *Salary Reduction Agreements* to all eligible Employees for completion.
- For salary deferral SEP plans, periodically perform nondiscrimination tests by completing the *Discrimination Test Worksheet*.



Universal Simplified Employee Pension Plan
ADOPTION AGREEMENT

EMPLOYER INFORMATION

Name of Adopting Employer
Address
City State Zip
Telephone Adopting Employer's Income Tax Year End
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 Check and complete Option A or B.

Option A: This is the initial adoption of a Simplified Employee Pension plan by the Employer.
Option B: This is an amendment and restatement of an existing Simplified Employee Pension plan (a Prior Plan).

SECTION 3. ELIGIBILITY AND PARTICIPATION Complete Parts A through D, as appropriate.

Part A. Service Requirement

An Employee will be eligible to become a Participant in the Plan after having performed service for the Employer during at least
NOTE: If left blank, the service requirement will be deemed to be 0.

For purposes of determining whether an Employee has met the service requirement, an Employee shall be given credit for service with the following predecessor employer(s).

Part B. Age Requirement

An Employee will be eligible to become a Participant in the Plan after attaining age
NOTE: If left blank, it will be deemed there is no age requirement for eligibility.

Part C. Employees Employed as of Effective Date

Will an Employee employed as of the Effective Date of this Plan who has not otherwise met the age and service requirements of the Plan be considered to have met those requirements as of the Effective Date?
Option 1: Yes.
Option 2: No.
NOTE: If no option is selected, Option 2 shall be deemed to be selected.

Part D. Class of Employees Eligible to Participate

All Employees shall be eligible to become Participants in the Plan, except the following.
Collective bargaining unit Employees as described in Section 3.02(A) of the Plan.
Non-resident aliens as described in Section 3.02(B) of the Plan.
Acquired Employees as described in Section 3.02(C) of the Plan.
Employees who have received less than \$450 (indexed for cost-of-living increases in accordance with Code section 408(k)(8)) of Compensation from the Employer during the Plan Year as described in Section 3.02(D) of the Plan.

SECTION 4. CONTRIBUTIONS AND ALLOCATIONS Complete Parts A through C, as appropriate.

Part A. Contribution Formula Select Option 1, 2, or 3

Option 1: Discretionary Formula. For each Plan Year the Employer will contribute an amount to be determined from year to year.
Option 2: Fixed Percent of Profits Formula. percent of the Employer's profits that are in excess of \$
Option 3: Not Applicable. The Employer will not make Employer Contributions to this Plan.
NOTE: If no option is selected, Option 1 shall be deemed to be selected.

Part B. Allocation Formula Select Option 1, 2, or 3

Option 1: Pro Rata Formula. The Employer Contribution for each Plan Year shall be allocated in the manner described in Section 4.01(B)(1) of the Plan.
Option 2: Flat Dollar Formula. The Employer Contributions allocated to the IRAs of Participants shall be the same dollar amount for each Participant.
Option 3: Integrated Formula. The Employer Contribution shall be allocated in the manner described in Section 4.01(B)(2) of the Plan.
For purposes of the integrated formula, the integration level shall be:
Suboption (a): The Taxable Wage Base (TWB).
Suboption (b): % of the TWB.
NOTE: If no Suboption is selected, Suboption (a) (Taxable Wage Base) shall be deemed to be selected.
NOTE: If no option is selected in Part B, Option 1 (Pro Rata Formula) shall be deemed to be selected.

**Part C. Top Heavy Minimum Allocation**

For any Plan Year with respect to which this Plan is a Top-Heavy Plan, any minimum allocation required pursuant to Section 4.02 of the Plan shall be made: (Select one)

**Option 1:**  To this Plan.

**Option 2:**  To the following plan maintained by the Employer. (Specify the name and plan sequence number of the plan)

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

**SECTION 5. COMPENSATION AND PLAN YEAR ELECTIONS** Complete Parts A and B, as appropriate.

**Part A. Compensation**

For purposes of Employer Contributions, Compensation will mean all of each Participant's: (Select one)

**Option 1:**  W-2 wages.

**Option 2:**  Section 3401(a) wages.

**Option 3:**  415 safe-harbor compensation.

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

**Part B. Plan Year** (Select one)

**Option 1:**  The 12-consecutive month period which coincides with the Adopting Employer's fiscal year.

**Option 2:**  The calendar year.

**Option 3:**  Other 12-consecutive month period. (Specify a 12-consecutive month period selected in a uniform and nondiscriminatory manner)

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

If the initial Plan Year is a short Plan Year (i.e., less than 12 months), specify such Plan Year's beginning and ending dates.

**SECTION 6.** There are no elections required for Section Six. Refer to the Basic Plan Document for information regarding this section.

**SECTION 7. SALARY DEFERRAL SEP PROVISIONS** Complete Parts A through C, as appropriate.

*NOTE: This Section may not be used to establish a new Salary Deferral SEP plan on or after January 1, 1997. You may, however, amend and restate a Salary Deferral SEP plan that was in existence prior to January 1, 1997.*

**Part A. Limits on Elective Deferrals**

A Contributing Participant may elect under a salary reduction agreement to have his or her Compensation reduced by an amount not in excess of \$ \_\_\_\_\_ or \_\_\_\_\_ % of Compensation.

*NOTE: A Contributing Participant who attains age 50 on or before the end of the calendar year may elect, if allowed in Section 7, Part C of this Adoption Agreement, to defer an additional amount, in excess of the amount or percentage of Compensation specified above, pursuant to Section 7.07 of the Plan.*

**Part B. Separate Deferral Election for Bonuses**

Instead of or in addition to making Elective Deferrals through payroll deduction, may a Contributing Participant make a separate deferral election to contribute to the Plan, as an Elective Deferral, part or all of a bonus rather than receive such bonus in cash? (Select one)

**Option 1:**  Yes.

**Option 2:**  No.

*NOTE: If no Option is selected, Option 2 shall be deemed to be selected. A separate deferral election made with respect to a bonus shall not be subject to the limits described under the portion of this Adoption Agreement titled "Limits on Elective Deferrals" unless such limits are prescribed by the Code or related Regulations.*

**Part C. Catch-Up Contributions**

Will Catch-Up Contributions, as described in Section 7.01(B) 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.*

**SECTION 8. 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 for Adopting Employer \_\_\_\_\_ Date Signed \_\_\_\_\_  
(Type Name)

Name of Prototype Sponsor \_\_\_\_\_

Address \_\_\_\_\_

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

Telephone \_\_\_\_\_