

**SIMPLE Individual Retirement Custodial 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 Custodian	Address or principal place of business of Custodian	

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 Custodian named above has given the Participant the disclosure statement required by Regulations section 1.408-6.

The Participant and the Custodian make the following agreement:

**Article I**

The Custodian 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 Custodian will accept transfers or rollovers from other SIMPLE IRAs of the Participant. No other contributions will be accepted by the Custodian.

**Article II**

The Participant's interest in the balance in the custodial account is nonforfeitable.

**Article III**

- No part of the custodial account funds may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or common investment fund (within the meaning of section 408(a)(5)).
- No part of the custodial 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 custodial 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 custodial 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 Custodian, to have the balance in the custodial account distributed in:

- A single sum or
- 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 Custodian 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 Custodian agrees to submit to the Internal Revenue Service (IRS) and Participant the reports prescribed by the IRS.

3. The Custodian 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.)

Custodian's signature \_\_\_\_\_ Date \_\_\_\_\_

Witness' signature \_\_\_\_\_

(Use only if signature of the Participant or the Custodian is required to be witnessed.)

**General Instructions**

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

**Purpose of Form**

Form 5305-SA is a model custodial 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 Custodian. 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-SA with the IRS. Instead, keep it with your records.

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

Custodian must give the Participant, see Pub. 590, Individual Retirement Arrangements (IRAs).

**Definitions**

**Participant.** The Participant is the person who establishes the custodial account.

**Custodian.** The Custodian 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 Custodian.

**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 Custodian to complete the agreement. They may include, for example, definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the Custodian, Custodian'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.

## ARTICLE IX

**Investments** — All funds shall be invested in shares of such Principal Funds, Inc. (a family of mutual funds managed by Principal Management Corporation which are made available for the investment of IRA contributions) as the Participant shall designate. If a Participant elects distributions under Article IV in the form of an annuity contract, such annuity contract would be issued by Principal Life Insurance Company.

At the time the Participant executes this Agreement, the Participant shall specify the particular mutual fund or funds in which contributions shall be invested. After the initial contribution, the Participant may, at any time, direct the Custodian to transfer contributions then invested in any such fund into any other such funds. Transfers made pursuant to such direction shall not be considered a distribution to the Participant.

Subject to any applicable Principal Funds, Inc. contribution requirements, any contribution received by the Custodian as to which the Individual fails to direct the Custodian within 2 business days to invest in any particular Mutual Fund or Funds shall be invested by the Custodian in the Principal Funds, Inc. Money Market Mutual Fund.

In the event any Mutual Fund or share class of a Mutual Fund in which the Individual contributions are invested liquidates and the Individual fails to provide direction in the manner and within the timeframe requested in the related notice, the Custodian shall invest the liquidation proceeds of the Individual in the Principal Funds, Inc. Money Market Fund.

No party identified herein shall be required to comply with any direction of the Participant which in the judgment of such party may subject it to liability or expense unless such party shall be indemnified in manner and amount satisfactory to it.

The Participant is 100% vested at all times in all funds attributed to his Account.

The Participant may not borrow funds from his Account, nor may he use the funds as security for any loan or extension of credit.

Except as provided herein, no right, interest or claim in or to any funds held in the mutual fund shall be transferable, assignable or subject to pledge by the Participant or beneficiary, and any attempt to transfer, assign or pledge the same shall not be recognized except as required by law. The right, interest or claim in or to any funds held in the mutual fund shall not be subject to garnishment, attachment, execution or levy except as permitted by law.

Any Participant may transfer his or her interest, in whole or in part, to his or her spouse under a decree of divorce or dissolution of marriage or a written instrument incident to such divorce or dissolution. At the time of transfer, such interest shall be deemed an IRA of such spouse. The Participant shall promptly notify Custodian of any such transfer by delivery to Custodian of a certified copy of such decree or a true copy of such written instrument. Upon receipt of the certified copy of such decree or a true copy of such written instrument from any source, Custodian shall promptly adjust its books and records to reflect that such account is for the benefit of such former spouse. Custodian shall not be required to accept contributions to or make distributions from an account established for a

former spouse by reason of a transfer of interest by a Participant to such former spouse hereunder until such former spouse shall execute this Agreement.

The Plan and the accounts established hereunder shall be governed by all applicable laws, rules and regulations of the United States of America and the State of Iowa.

**Contributions** — All contributions must be in cash. All initial contributions shall be paid to the Custodian at the time the Agreement is executed. Additional contributions may be paid to the Custodian in such manner and in such amounts as the Custodian shall specify.

Contributions made by or on behalf of the Participant may be paid at any time during the calendar year, but in no event later than the last day for the filing of the Federal Income Tax Return for the calendar year to which they relate, including any extensions thereof.

Before the Custodian shall accept a contribution by or on behalf of the Participant as a rollover contribution, the Participant shall deliver to the Custodian a written declaration, in a form acceptable to the Custodian, that such contribution is eligible for treatment as a rollover contribution to a SIMPLE IRA plan. Notwithstanding anything to the contrary in the plan, once the Custodian has received a declaration from the Participant that a contribution is a rollover contribution, the Custodian may conclusively rely on the Participant's declaration and may accept and treat the contribution as a rollover contribution.

**Excess Contributions** — A retirement savings deduction will not be allowed for contributions in excess of the limitation provided by the SIMPLE Plan adopted by the Participant's employer. Additionally, a nondeductible federal excise tax penalty in the amount of 6% of such excess contributions will be imposed on any Participant who has excess contributions in a SIMPLE IRA. This penalty will be imposed each year until the excess contributions are removed.

If an excess contribution is made by or on behalf of the Participant for any calendar year, upon written request for distribution from the Participant stating the amount of the excess contribution to be distributed, Custodian will distribute such amount of the excess contribution to the Participant, together with the income attributable thereto. The Custodian shall not have any duty to determine whether an excess contribution has been made by or on behalf of the Participant, and the Custodian shall not be held liable by the Participant or any other person for failing to determine whether an excess contribution was made or for failing to make distribution of such excess contribution without request of the Participant. The Custodian shall not be liable to the Participant or any other person for taxes or other penalties incurred as a result of an excess contribution and any income attributable thereto or as a result of a distribution of an excess contribution and any income attributable thereto.

**Distributions** — Life expectancy is computed by use of the Uniform Lifetime Table in Treasury Regulations Section 1.401(a)(9)-9. If the Participant's sole beneficiary is his or her spouse and the spouse is 10 years or more younger than the Participant, then the distribution period is determined under the Joint and Last Survivor Table using the ages of the Participant and spouse in that year.

Notwithstanding that distributions may have commenced pursuant to Article IV above, the Participant may receive a larger distribution upon written request to the Custodian. The Custodian will notify the Participant by January 31 of each year if the Participant is required to take a Required Minimum Distribution and will offer to calculate the required distribution amount. The Custodian will not distribute any amount unless directed by the Participant.

Notwithstanding any other provision of this plan, the Participant or a beneficiary may elect to receive distribution in any manner permitted by law which satisfies the requirements of Section 401(a)(9) of the Internal Revenue Code ("Code") and regulations thereunder, and approved by the Custodian.

The duty to determine the amount of the distributions hereunder shall be the Participant's or, when applicable, the designated beneficiary. The Custodian shall not be liable to the Participant or any other person for taxes or other penalties incurred as a result of failure to distribute the minimum amount required by law.

The Custodian shall receive from the Participant a declaration of the Participant's intention as to the disposition of the amount distributed before distributing an amount from the Participant's account.

**Designation of Beneficiary** — The Participant may designate the beneficiary of his or her account by a written form acceptable to and filed with Custodian. Community property states and marital property states require spousal consent if someone other than the spouse is to be named as beneficiary.

If the Participant designates more than one beneficiary, he or she shall designate the percentage interest that each such beneficiary shall receive from his or her Account upon distribution. In the event no such percentage interest is designated, the interest of each beneficiary shall be equal.

If the Participant predeceases his or her spouse before his or her entire Account is distributed in accordance with Article IV and the Participant has designated no beneficiary for the remaining interest or all such beneficiaries predecease the Participant's spouse, then the interest of the Participant's spouse in the account shall be fully vested and subject to the terms and conditions of this Article and the Participant's spouse shall be entitled to designate the beneficiary of the account in accordance with this Article.

The Participant may, at any time, change or revoke any beneficiary designation in a written form acceptable to and filed with the Custodian. Upon the death of the Participant, the designation or designations made hereunder shall be irrevocable. The designation shall be effective only if received by the Custodian prior to the death of the Participant.

If the Participant fails to designate any beneficiary or if the Participant revokes the designation of beneficiary or if all beneficiaries designated predecease the Participant, then the entire interest of the Participant in his Account shall pass to the Participant's estate.

**Revocation of Participation** — The Participant may terminate participation in the Plan at any time by notifying the Custodian in writing of the intention to terminate and instructing the Custodian in writing to whom and by what means the funds on deposit in the account shall be transferred. Withdrawal of all

funds invested in the mutual fund shall terminate participation in the Plan.

The Participant may revoke participation in the Plan within seven (7) business days from the date the Participant executes the Agreement by notice to the Custodian in writing. The Custodian may be required to withhold 10% from any distribution from a SIMPLE IRA unless the Participant elects no withholding at the time distributions begin. Whether or not the Participant allows the Custodian to withhold, he or she may be required to make quarterly estimated tax payments.

**Administrative Duties** — The Custodian shall maintain the Account in the name of the Participant and shall be responsible only for the contributions of which it receives notice from the Participant. The Custodian shall make distributions and transfers only in accordance with the directions of the Participant. The Custodian shall keep records of all receipts, investments and disbursements relating to the Account. The Custodian shall furnish the Participant or the beneficiary, where applicable, with a written statement of transactions relating to the Account. Unless the Participant shall have filed with the Custodian written exceptions or objections to such statement within thirty (30) days after it is furnished, the Custodian shall be forever released and discharged from liability or accountability to the Participant or the beneficiary, with respect to the acts and transactions shown in the statement. No beneficiary shall be entitled to statements hereunder until the Participant is deceased and distribution shall have commenced to such beneficiary.

The duties and responsibilities of all parties to this Agreement are limited to those specifically stated herein and no other or further duties or responsibilities shall be implied.

**Miscellaneous** — All instructions to the Custodian shall be in writing. The Participant may authorize an agent to give instructions hereunder. Any such agent, including any broker authorized to direct the investment of a Participant's Account, must be authorized in writing by the Participant in such form which is approved by and filed with the Custodian. Any instruction by an agent so authorized shall be binding on the Participant. Any authorization hereunder shall remain in effect until revoked by the Participant in writing filed with the Custodian.

Principal Life Insurance Company shall substitute another trustee or Custodian upon notification by the Internal Revenue Service that such substitution is required because it has failed to comply with the requirements of Section 1.401-12(n) of the Treasury Regulations, or is not keeping such records, or mailing such returns or sending such statements as are required by forms or regulations.

In no event shall the Custodian be liable or responsible for the payment of any tax or any penalty attributable to excess contributions, retention of excess contributions, failure to make the minimum distribution from the Account, or withdrawals or distributions made from the Account. Custodian shall not be required to make any distribution which, in the judgment of Custodian, will render Custodian directly liable for any such tax or penalty.

In the event Custodian shall receive any claim to the funds held under the Plan which claim is adverse to the interest of the Participant or the beneficiary and which claim Custodian, in its absolute discretion, deems meritorious, Custodian may withhold distribution under the Plan until the claim is resolved or until

instructed by a court of competent jurisdiction or Custodian may pay all or any portion of the funds then invested in the mutual fund into such court. Payment to a court under the Plan shall relieve Custodian of any further obligation to anyone for the amount so paid. In the event any question arises or ambiguity exists as to the meaning, interpretation or construction of any provisions of the Plan, the Custodian is authorized to construe or interpret any such provision and such construction and interpretation shall be binding upon the Participant and the beneficiary.

Any notices required or permitted to be given to Custodian under the Plan shall be given to Custodian at the office of Custodian or any of its offices, and any notices required or permitted to be given to the Participant under the Plan shall be given to the Participant at the address for notice the Participant may file with Custodian from time to time. Notices hereunder may be personally served or sent by United States mail, first class, with postage prepaid and properly addressed. Notices from the Custodian are effective when mailed by the Custodian to the last known address of the Participant and that notices from the Participant to the Custodian are effective when actually received by the Custodian.

Any provision of the Plan which disqualifies it as a SIMPLE IRA shall be disregarded to the extent necessary to continue to qualify it as a SIMPLE IRA under the Code.

**Definitions —**

**Account** shall mean the Principal Life Insurance Company Individual Retirement Account which has been established in

accordance with Section 408 of the Code and consists of the terms and conditions herein set forth together with the provisions of the Principal Funds, Inc. SIMPLE IRA Application.

**Agreement** means the written Agreement executed by the Participant and, where applicable, the Broker, whereby the Participant agrees to participate in the Plan.

**Plan** means the terms and conditions of this Principal Life Insurance Company IRA Plan and Custody Agreement including any amendments made pursuant to Article VIII of the Plan.

**Amendments** — The Custodian shall have the authority to amend this Agreement from time to time in order to comply with the provisions of the Code and regulations thereunder. The Custodian shall have the right to amend its fee structure and amounts. Such an amendment shall apply to current and/or future years only. The Custodian shall also have the right to amend this Agreement by adding additional investment alternatives.

**Custodial Fee** — As compensation for its service hereunder, the Custodian shall be paid an annual maintenance fee of \$15.00 during December each year or upon account closure. Such fee shall be deducted from the Account as applicable and paid to the Custodian unless the Participant elects, in a writing filed with the Custodian, to pay such fee directly. Any fee not paid directly when due may be deducted from the Account and paid to the Custodian.

# Individual Retirement Custody Account Disclosure Statement

## Right To Revoke

**AN INDIVIDUAL MAY REVOKE HIS OR HER SIMPLE INDIVIDUAL RETIREMENT ACCOUNT (SIMPLE IRA) AND HIS OR HER PARTICIPATION IN THE PLAN AT ANY TIME WITHIN SEVEN (7) BUSINESS DAYS AFTER HIS OR HER ADOPTION OF THE PLAN.** In the event of such a revocation, the entire amount contributed by the individual will be returned.

Participants wishing to revoke their SIMPLE IRAs are required to mail or deliver a written notice of revocation to the Custodian not later than the seventh business day after the establishment of their Accounts. The notice shall be deemed delivered on the date of the postmark.

Custodian: Principal Life Insurance Company  
PO Box 8024  
Boston, MA 02266-8024  
Telephone Number: 1-800-222-5852

Sponsor: Principal Life Insurance Company

## General Description of the Plan

The SIMPLE IRA is used to accept contributions made in connection with a Savings Incentive Match Plan for Employees ("SIMPLE") adopted by the Participant's employer.

Contribution amounts are limited by the terms of the SIMPLE. Generally, a SIMPLE Participant can defer the lesser of 100% of compensation or \$11,500 in 2012 and \$12,000 in 2013, and the amount deferred is contributed to the Participant's SIMPLE IRA. Participants age 50 or older may make a catch up contribution to their SIMPLE IRA (\$2,500 for tax years 2012 and 2013). These limits are indexed for future cost of living increases. An employer contribution, either only for Participants who defer a portion of their compensation or for all Participants, is made to the Participant's SIMPLE IRA. See the SIMPLE provisions to determine the amount that can be contributed or ask your Registered Representative for details.

Contributions may be invested in any of the mutual funds named in the Application all of which are Principal Funds, Inc. All dividends, capital gains distributions and interest will be reinvested in the funds selected and will accumulate in the Account on a tax-deferred basis. The individual (or the named beneficiary who survives the individual) may request the Custodian to exchange shares of one fund for any other eligible fund. Investments may be split among any of the funds named in the Application.

## Contribution Timing

While Principal Life Insurance Company confirms to the Participants the amount of contributions made through the employer on a quarterly basis, Principal Life Insurance Company does not assume the responsibility for monitoring employer contributions either as to timing or amount.

## Excess Contributions

Contributions for an individual during a taxable year are considered excess contributions if they exceed the limit applicable under the terms of the employer's SIMPLE IRA. If excess contributions are made, the individual must pay a cumulative, nondeductible 6% excise tax on the portion of the contribution that exceeds the amounts permitted by law. An individual can avoid this excise tax by withdrawing the excess contribution prior to filing the tax return for the year for which the contributions were made. Any income earned by the excess contribution must also be withdrawn at the time the excess contribution is withdrawn. Since the excess contribution was not deductible when made, it is not included in the individual's income when returned, nor is it subject to the 10% tax on premature distributions. Income earned by the excess contribution, however, must be included in the individual's income tax return for the tax year in which it was earned. The foregoing is inapplicable if a deduction was claimed for the excess contribution. If the 6% excise tax is imposed for the taxable year, its cumulative effect can be avoided by making reduced contributions in a future year. Excess rollover contributions can also be corrected (with regard to dollar limitations) if the excess contribution was due to reasonable cause.

## Form 5329

Form 5329 (Return for Individual Retirement Savings Arrangement) must accompany an individual's tax return (Form 1040) only if the individual owes excess contribution taxes, premature distribution taxes, or taxes on certain accumulations.

## Income Tax Considerations

The amount of salary deferral by a Participant in a SIMPLE IRA is excluded from the Participant's income when calculating the Participant's federal (and most states) income tax liability for the tax year for which the deferral is made. If a SIMPLE IRA Participant also participates in a 401(k) or SEP plan sponsored by a different employer, elective salary deferrals made to all plans cannot exceed \$17,000 in 2012 and \$17,000 in 2013. Similarly, elective salary deferrals for 403(b) and 457 plans must also be coordinated with SIMPLE IRA deferrals.

## Transfers

A Participant can transfer from one SIMPLE IRA to another SIMPLE IRA. Such a transfer is not a withdrawal for purposes of the 25% or 10% tax penalty. It is possible to transfer a SIMPLE IRA to a regular IRA two years after the date the Participant began participating in the SIMPLE IRA; such a transfer prior to that time is not permitted. A regular IRA or Rollover IRA may not be transferred to a SIMPLE IRA.

## **Distributions**

Distributions are taxed as ordinary income when received. Ten-year and/or five-year averaging is not permitted.

The Participant may begin receiving distributions from their SIMPLE IRA without incurring a penalty tax on premature distributions at any time after a Participant reaches age 59½. The penalty tax is 10% of the amount distributed, except for a distribution from a SIMPLE IRA within two years of the Participant's date of participation in which case the penalty tax is 25% of the amount distributed. The 10% or 25% penalty tax does not apply to distributions made due to the Participant's death or disability as defined in the Plan, or if made in substantially equal periodic payments (at least annually) for the life expectancy of the Participant or the joint life expectancies of the Participant and his or her beneficiary, or if made for qualified education expenses, or if made for a first time home purchase and not in excess of \$10,000, or for qualified medical expenses or certain unemployment expenses.

The Participant must begin receiving distributions before April 1 following the year in which he or she attains age 70½. He or she may elect to receive the distribution in a lump sum or in installments over any number of years selected by the Participant, but not exceeding their life expectancy or the joint and survivor expectancy of the Participant and his or her designated beneficiary. Each payment is calculated by dividing the net asset value of the shares in the Account, and any dividends held, by the number of payments remaining until the end of the period selected.

## **State Tax Withholding**

The Custodian will withhold state taxes if Participants have federal taxes withheld, and if at the time of a distribution, their address of record is within one of the mandatory withholding states. State taxes will be withheld from the Participants' distribution in accordance with the respective state rules.

## **Financial Disclosure**

Information about the mutual funds and the method by which the annual earnings are computed and allocated to each shareholder's Account is described in the prospectus accompanying this disclosure statement.

Earnings may be generated in the form of short term interest ("float") on uncashed redemption checks (from the date issued until the date cashed). "Float" is credited back to the mutual fund, it is not directly credited to the shareholder(s) that generated the "float". Redemption checks are normally mailed the date they are issued. The timing of when checks are cashed is beyond the Custodian's control.

An annual administration fee of \$15.00 is also required. This fee will be deducted from the Account as a separate item on the first business day of December each year. Participants must have received a prospectus prior to submitting an Application to establish a SIMPLE IRA. The annual earnings on the SIMPLE IRA will depend on the investment income received by the Fund or Funds which the Participant selects. There is also a sales charge deducted on the purchase of Class A

shares of most of the Funds amounting to 4.75% or less of the amount of the transaction at offering price. These sales charges are reduced under various circumstances described in detail in the Fund's prospectus. A contingent deferred sales charge of up to 4% applies to Class B shares of each of the Mutual Funds. A complete description of Class A and Class B shares is provided in the prospectus. You must have received a prospectus prior to submitting your Application to establish a SIMPLE IRA. The annual earnings on your SIMPLE IRA will depend on the investment income received by the Fund or Funds which you select. Growth in value of this Account is neither guaranteed nor projected. All certificates shall be held by the Custodian. The Custodian has the right to change its fees in the current and/or future years.

## **Prohibited Transactions**

If a Participant borrows money by use of his or her SIMPLE IRA or uses any portion of it as security for a loan (which the Plan prohibits), the portion so used will be treated for tax purposes as having been distributed to them. In addition, if a Participant or his or her beneficiary engages in a prohibited transaction (as defined in Section 4975 of the Internal Revenue Code) with respect to his or her SIMPLE IRA, the Account will be disqualified and the entire amount in the SIMPLE IRA Account will be treated as having been distributed to him or her. Examples of prohibited transactions are the borrowing of the income or principal from a SIMPLE IRA, selling property to or buying property from a SIMPLE IRA, or receiving more than reasonable compensation for services performed for a SIMPLE IRA. When all or a portion of a SIMPLE IRA is treated as having been distributed, such amounts will be includible in the Participant's gross income for that taxable year and will generally be subject to the 10% (or 25%) federal tax on premature distributions (unless an exception applies).

## **Estate And Gift Tax Considerations**

Transfers of SIMPLE IRAs are generally subject to taxation under federal estate and gift tax laws. To the extent that benefits are distributed to the spouse of the Participant, the amount of the benefits may be eligible for the estate tax marital deduction.

In community property states, if a person other than a spouse is designated as the plan beneficiary, the spouse might be considered to have made a gift on one-half of the value of the benefit conveyed when the conveyance is complete.

## **Further Information**

Further information regarding Individual Retirement Accounts and the retirement savings deduction may be obtained from any district office of the Internal Revenue Service.

**BECAUSE LEGAL AND TAX CONSEQUENCES OF THE USE OF THE PLAN MAY VARY IN PARTICULAR CASES, INDEPENDENT ADVICE SHOULD BE SOUGHT FROM AN ATTORNEY OR TAX ADVISOR.**