

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, 2019, the Effective Date would be January 1, 2020.

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 \$600 for 2019 and 2020 (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*.