

CALL FOR A TELEPHONE APPOINTMENT
WE WANT TO HELP!**SAMPLE**

Complete and accurate data is essential to the plan administration process and to avoid compliance issues. As a client of The Pension Group, Inc., we realize that you may have questions as you complete this year-end data request package.

Please call to schedule a complimentary telephone appointment to go over our data request package. You may call **RoxAnn Balazy at (949) 768-4015, extension 4330** or contact her via e-mail at **rbalazy@pensions.com**, to schedule this appointment, which should last approximately 30 minutes. Please call us as soon as possible.

Please read through the entire data package prior to your scheduled appointment and highlight any areas in the package where you have questions, so that we can be sure to answer them for you.

Call for Assistance:
Monday-Friday: 9:00 A.M. – 5:00 P.M. (Pacific Standard Time)



March 24, 2008

Since 1984

FirstName LastName
Sample Company
12345 Sample Street
Sample City, Sample State 99999-9999

IMPORTANT
To avoid "rush fees" or "late charges" please read the
2007 PLAN ADMINISTRATION TIMETABLE.

Design and
Administration of
. 401 (k)
. Profit Sharing
. Pension Plans

Re: Sample Plan Name
Plan Administration and Testing
Plan Year Ending December 31, 2007
Plan PGI Number: 00-000

Dear Mr. LastName:

To properly administer your plan, we need information on your company, employees and plan assets. The calculation of plan contributions/allocations, IRS compliance tests, and annual government reporting (Form 5500) is based on this information. It is essential that it be complete and accurate.

Data Needed:

Employee Census:

Please provide an Excel spreadsheet with complete information on all employees who worked for your business at any time during the plan year, even if they were part-time or you think they may be excluded from the plan. Refer to the enclosed Census Instructions for spreadsheet formatting instructions and how to submit data electronically, via our secure website, or by diskette and CD. Manual submissions are accepted, however, if you have more than 50 employees we will bill on an hourly basis for data entry (\$100 minimum).

In addition, please complete the following supplemental census schedules if they apply to your situation: Rehired Employees; Sole-Proprietors; Partnerships, LLCs and LLPs. If this is your first year with us, please complete the Highly Compensated Employee schedule.

Plan Assets:

If we receive duplicate copies of all the brokerage statements for your plan or your investment provider sends us statements automatically, you do not need to take any actions concerning the plan assets. Otherwise see the enclosed list of accounts for which we will need statements.

If your plan had any participant loans during the year and the loan payments were deposited in brokerage accounts, please provide a list of participant names and loan payments made.

23046 Avenida De La Carlota,
Suite 500
Laguna Hills, CA 92653-1548
(949) 768-4015
FAX (949) 600-7666
www.pensions.com

Year End Compliance Checklist:

Please complete the enclosed Year End Plan Compliance Checklist. In addition, if you have a 401(k) Plan, complete the Supplemental 401(k) Plan Compliance Checklist. In order to calculate the plan contribution or allocations, conduct IRS compliance tests, and prepare annual government reporting forms we must receive the completed and signed checklists.

Employer Information Sheet:

Enclosed is the Employer Information Sheet reflecting the data currently on file with us. If needed, write any changes directly on the form and return it to us.

Deadlines: 401(k) Plans Only

In order to timely complete your annual non-discrimination tests (ADP/ACP), we must receive your **complete employee census and year-end checklist data no later than February 4, 2008**. If data is received after this date, rush processing fees will be incurred and any required contribution refunds may not be processed by the **IRS deadline of March 15, 2008**. Keep in mind that your investment provider may have earlier refund processing deadlines. Refer to the enclosed *ADP/ACP Testing Information* for more details. Please note that ADP/ACP testing is not required for a Safe Harbor 401(k) Plan if you provide participants with the required notice and make the Safe Harbor Contribution.

Deadlines: All Plans

For our staff to calculate the company contribution, we will need **complete census data** (census data and the plan asset data for defined benefit plans) **at least 45 calendar days prior** to the desired deposit date. We will charge a rush processing fee of \$25 for each day less than 45 calendar days. To be deductible, the deposit must be made to the plan trust no later than the filing deadline for the company income tax return, including any extensions.

Also note: Contributions to Defined Benefit Pension Plans and Money Purchase Pension Plans must be deposited no later than 8½ months after the close of the plan year.

The plan's annual return, Form 5500, is due 7 months after the close of the plan year. A filing extension of 2½ months is available. A fee of \$75 will be charged for preparing and filing the extension.

The Pension Protection Act of 2006 requires that participants be provided periodic pension benefit statements. If your plan does not allow participants to direct the investment of their entire account, you must provide the annual pension benefit statement to participants no later than the date that the Form 5500 is filed. Therefore, we must have all census and trust data as well as the Plan Compliance Checklist at least 30 days prior to the Form 5500 filing due date.

PLEASE REFER TO THE ENCLOSED PLAN ADMINISTRATION TIMETABLE FOR THE VARIOUS PLAN COMPLIANCE DEADLINES.

Reminder: Incomplete or late submission of data can result in incorrect test results, missed IRS deadlines, and additional fees. If you misplace this data request package or any of the forms referenced, you may download a generic copy from our website (<http://www.pensions.com/reference/kdatarequest.pdf>) or we can provide you with a new hardcopy for a fee of \$50.

Sample Company
March 24, 2008
Page 3 of 3

Fees: All Plans

Enclosed is the fee schedule that will apply to your plan for the plan year that began in 2007. Please note that participant fees have increased slightly. Your annual administration fee and distribution processing fees may have increased, depending on when your service began with The Pension Group, Inc. If you have a Defined Benefit or Cash Balance Pension Plan that is subject to PBGC filing, the minimum filing fee has increased to \$300. In order to provide you with full fee disclosure and an easy, consistent way to reference your fees, we will be including a current fee schedule each year within this year-end data request package.

If you have any questions please do not hesitate to contact me. My direct phone line is 999-999-9999 and my email is samplepackage@pensions.com.

Sincerely,

AdminFirstName AdminLastName
Sample Title

Enclosures



March 24, 2008

FirstName LastName
Sample Company
12345 Sample Street
Sample City, Sample State 99999-9999

IMPORTANT
To avoid "rush fees" or "late charges" please read the
2007 PLAN ADMINISTRATION TIMETABLE.

Re: Sample Plan Name
Plan Administration and Testing
Plan Year Ending December 31, 2007
Plan PGI Number: 00-000

Since 1984

Dear Mr. LastName:

To administer the above referenced plan for the current plan year, we need data on the employees and the trust assets. **Since plan contributions, allocations and IRS compliance tests are based on this information, it is essential that it be complete and accurate.**

All employee census data, along with compensation for you and your staff, will be provided by Ringler Management Services. I will then be working directly with the accountant, Mark Simurda, in calculating your desired contribution for the plan year. After any potential bonuses have been determined, I will send you the final targeted contribution advice and reports.

Please refer to the enclosed "Year End Compliance Checklist" for the other data needed. At your earliest convenience, please complete and return the "Year End Compliance Checklist", "Trust Asset Checklist" and the "Employer Information" sheet. The year end administration and Form 5500 for the retirement plan cannot be completed until these items are provided.

For the company contributions to be deductible, they must be deposited to the trust no later than the filing deadline for the company income tax return, including any extensions. Money Purchase and Defined Benefit Plan contributions are due no later than 8½ months after the year end. The plan's Form 5500 is due 7 months after the plan year end unless extended. **Please refer to the enclosed "Plan Administration Timetable" for the various plan compliance deadlines.**

Please provide the requested information in a timely manner. Again, prompt submission will enable us to calculate final plan contributions, complete IRS compliance tests and prepare the IRS filing for the retirement plan prior to the deadlines. Should you have any questions or if I may be of assistance, please don't hesitate to contact me. My direct phone line is 999-999-9999 and my email is samplepackage@pensions.com.

Sincerely,

AdminFirstName AdminLastName
Sample Title

Enclosures

Design and
Administration of
. 401 (k)
. Profit Sharing
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Suite 500
Laguna Hills, CA 92653-1548
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2007 PLAN ADMINISTRATION TIMETABLE FOR FISCAL YEAR PLANS

SAMPLE

If any deadline falls on a weekend or a holiday, please use following business day as the deadline. For contribution deadlines, use the previous business day as the deadline.

Fiscal Plan Year Timeline

December 31, 2007	Year-End compliance data requests sent to Plan Sponsors (no later than this date).
February 4, 2008	Census data due to PGI for calculation of the Employer Contribution by the corporate tax filing deadline. Defined Benefit Plans require asset data in addition to census data to do the contribution calculations by the tax filing deadline. 401(k) census/contribution information due to PGI for ADP/ACP compliance testing for test correction by March 15, 2008.
March 15, 2008	Initial corporate tax return and contribution deadline, unless tax accountant files for extension - assuming corporate fiscal year coincides with plan year. Excess 401(k) contributions and matching contributions must be refunded by this date to avoid excise tax.
June 30, 2008	Complete trust accounting, confirmation of contributions and confirmation of refunds (as applicable) due to PGI in order to avoid Form 5500 extension filing.
July 31, 2008	Form 5500 due to EBSA unless extended (PGI will file for extension if necessary). Deadline for receipt of complete trust accounting and census data by PGI to meet extended employer contribution deadline.
August 15, 2008	Final deadline for plans with more than 100 participants that require an audit for receipt of all information by PGI in order to avoid rush fee surcharge and insure the extended Form 5500 filing deadline is met.
September 15, 2008	Final deadline for receipt of all information to PGI in order to avoid rush fee surcharge and insure the extended Form 5500 filing deadline is met. For plans with more than 100 participants that require an audit, the deadline was one month ago. Final corporate tax return and contribution deadline. All Defined Benefit and Money Purchase Pension contributions must be deposited to avoid a funding deficiency and excise tax penalty. Final contribution confirmation due to PGI.
October 15, 2008	Final deadline for Form 5500 on extension. Forms filed after this date could incur government penalties of up to \$1,100 per day. Other penalties and interest may also be assessed. For defined benefit plans, PBGC premiums (if applicable) are due.
December 31, 2008	Final date for 401(k) Plans to make any corrective refunds or Qualified Non-Elective Contributions for the 2007 plan year to avoid plan disqualification and severe tax penalties.

Deadlines Not Tied to Plan's Fiscal Year (Annually)

January 31	Prior year W-2 and 1099-R Forms due to Employees. Form 945 due to IRS.
February 28	Forms W-2 and 1099-R due to be filed with IRS.
April 15	401(k) contributions in excess of the IRC 402(g) Limit (\$15,500 per person in calendar year 2007) must be refunded by this date. Failure to do so could result in plan disqualification, severe tax penalties and double taxation of excess to participants.

Other Information

Contributions to Defined Benefit and Money Purchase Pension Plans are due no later than 8½ months after the end of the plan year, regardless of timing for deductibility purposes.

If complete data is received less than 45 calendar days prior to a desired/required contribution deposit date or test correction deadline, a rush processing fee of \$25 per day will be charged for each day less than 45 calendar days between the date complete data is received and the deposit date or deadline. If your plan is a defined benefit plan we will need both the census data and the plan asset data to calculate the company contribution.

Data must be received one month prior to the deadline for filing the Form 5500 to avoid late charges. For plans with more than 100 participants that require an audit the data must be received two months prior to the Form 5500 filing deadline. A late charge of up to 75% of the plan's annual base administration fee will imposed if data is received less than one month (two months for audit plans) before the Form 5500 deadline.

Please note: All of the above dates that refer to contribution deadlines for tax deductibility assume the plan year coincides with the company fiscal year. If this is not the case, all questions regarding timing of contributions for deductibility purposes should be directed to your tax accountant.

The Pension Protection Act of 2006 requires participants be provided periodic pension benefit statements. If your plan does not allow participants to direct the investment of their entire account, you must provide the annual pension benefit statement to participants no later than the date that the Form 5500 is filed. Therefore we must have all census and trust data as well as the Plan Compliance Checklist at least 30 days prior to the Form 5500 filing due date.

HERE'S WHAT YOU NEED TO COMPLETE AND RETURN TO US!

- Employer Information Sheet
- Blank Census Form
- Supplement Census Forms:
 - Rehires - *If Applicable*
 - Sole Proprietor - *If Applicable*
 - Partnerships, LLCs and LLPs Taxed As Partnerships - *If Applicable*
- Plan Compliance Checklist
- Supplemental 401(k) Plan Compliance Checklist - *401(k) Plan Only*
- Supplemental Checklist For Non-Calendar Year 401(k) Plans - *401(k) Plan Only*
- Highly Compensated Employees Schedule - *First Year Only*
- Asset Request From Trust Accounting - *If Applicable*

Your Employer Information Sheet Goes Here

**EMPLOYEE
CENSUS FORM**

SAMPLE

Employer Name: _____ Plan Year From: _____ To: _____

[] Estimated: _____ [] Actual: _____

Instructions:

1. Compensation includes all W-2 Box 1 Wages, Tips and Other Income, including salary, overtime, bonuses, commissions, tips plus contributions to 401(k) and section 125 cafeteria plans.
2. Please list all employees who worked at any time during the plan year, including principals and part-time employees.
3. If union employees are excluded from the plan, omit them on this report. In this case, please enter the total number of union employees employed as of the last day of the plan year: _____

If you "lease" or otherwise employ individuals through an employee staffing or leasing firm, please call your Administration Case Manager regarding those employees and their plan coverage.

Social Security Number	Employee Name	Gender	Date of Birth	Date of Hire	Date of Term	Hours Worked	Compensation	401(k)		Ownership Percentage	Officer
								Contributions	Match		

Signed: _____

Name (Printed): _____

Date: _____

**SUPPLEMENTAL CENSUS SCHEDULE
FOR REHIRED EMPLOYEES**

SAMPLE

Employer Name: _____ Plan Year From: _____ To: _____

The purpose of this form is to provide preliminary information about your rehired employees. We will contact you for additional information as necessary.

Instructions:

1. List all employees who were rehired during the current plan year.
2. Enter dates employed for each continuous period of employment (from date of hire to date of termination).
3. Indicate whether the employee worked more or less than 1,000 hour per plan year during each period of employment. If hours varied during the term, please use the back of this form for additional explanation.

Employee's Name	Original Date of Hire	Term Date	Over/ Under 1,000 Hrs/Yr	Re-Hire Date	Term Date	Over/ Under 1,000 Hrs/Yr	Re-Hire Date	Term Date	Over/ Under 1,000 Hrs/Yr	Re-Hire Date	Term Date	Over/ Under 1,000 Hrs/Yr	Re-Hire Date
Sample, Employee	10/01/86	09/13/91	Over	07/07/92	12/01/92	Under	11/01/93	04/04/95	Over	12/01/98		Over	

Signed: _____ Name (Printed): _____ Date: _____

**SUPPLEMENTAL CENSUS SCHEDULE
FOR SOLE PROPRIETORSHIPS**

SAMPLE

Name of Proprietor: _____

Calendar Year Ending: _____

Net Schedule C (Form 1040) Profit or Loss: _____

(This amount should include all business income and expense items except any deductions of pension or profit sharing contributions. We will calculate the employee contributions deductions shown on Schedule C and the proprietor contributions deductions shown on Form 1040).

Other W-2 FICA wages earned by the proprietor during the calendar year: _____

Other business income earned by the proprietor subject to self-employment tax: * _____

* If other business income is stated please provide source of such income:

This form should be completed in addition to the regular employee census form. Do not show the proprietor's compensation on the regular census form, but complete this schedule instead. Please verify the dates of birth and hire for the proprietor on the regular census schedule.

Signed: _____

Date: _____

Name (Printed): _____

**SUPPLEMENTAL CENSUS SCHEDULE
FOR PARTNERSHIPS, LLCs AND LLPs TAXED AS PARTNERSHIPS**

SAMPLE

Employer Name: _____ Plan Year From: _____ To: _____

Instructions:

1. For each partner, fill in the amounts from IRS Form 1065, Schedule K-1. The Box 14 Code A amounts should reflect all partnership income and expenses, excluding the partnership's expenses for pension, profit sharing and matching contributions.
2. For column (3), please enter each partner's percentage share allocation of the non-partner employee contributions made to the plan by the partnership; be sure this allocation totals 100%. We will calculate the allocation of employee contributions according to these percentages.
3. Column (5) should reflect unreimbursed partnership expenses which the partner will be deducting on his or her Form 1040.
4. Column (6) should reflect total FICA wages the partner received during the year from other entities. These are typically wages paid to the partner by a corporation, reported on Form W-2. These wages reduce the self-employment taxes payable on partnership income, thereby increasing partnership income available for plan allocations.

This form should be completed in addition to the regular employee census form. Do not reflect equity partners' compensation on the regular census form, complete this schedule instead. Do verify names, dates of birth, hire and termination and hours for partners on the regular census schedule.

Please sign and date the form below, representing that the information shown is correct:

(1)	(2)	(3)	(4)	(5)	(6)
Partner Name	Form 1065 - K-1 Amount Box 14 Code A	Partnership Share of Employee Contributions	Section 179 K-1 Box 12	Unreimbursed Partnership Expenses	Other FICA Wages
Total:		100%			

Signed: _____ Name (Printed): _____ Date: _____

YEAR-END PLAN COMPLIANCE CHECKLIST

SAMPLE

PAGE 1 OF 2

This Checklist must be completed and returned to us along with your employee census data
Please refer to this checklist when preparing the administrative information to be sent to our office

We must receive this checklist before we will be able to begin the annual administration, including contribution calculations and non-discrimination testing, on your plan.

1. Employee Census:
 File was sent electronically to PGI secure website on _____ Diskette or Hard copy is enclosed.

2. Plan asset information - If this is marked NA, we receive the asset information from your plan's investment provider. Otherwise, please refer to the enclosed Trust Assets Instructions for specific information needed.

3. For Profit Sharing and 401(k) Plans:
 We will be making a discretionary profit sharing contribution. (If this line is checked, The Pension Group, Inc. will calculate based on the amount selected below and send you a contribution report.)
 Target Amount \$_____ or Maximum Amount Allowed or Optimum Amount (e.g. amount that give selected employee(s) the maximum allocation)

If you made any 2007 profit sharing contributions during 2007, please attach a list giving dates of deposit and amount of each deposit.

 Please proceed with the annual administration. There will be no discretionary profit sharing contribution made for the plan year.

4. Employer Information - Please review and update the attached form. *(Please note that we refer to this form when contacted by someone about your plan. We will only release information to the persons shown on this form.)*

5. Participant Loan Payments: *(Please review the insert if plan permits loans.)* If your investment provider tracks loans on the reports enter "N/A" and do not provide any additional loan information.

6. Were any third party loans or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? (Disregard participant loans secured by the participant's account balance.) If Yes, please provide the name, dollar amount, and date of default on a separate sheet.
 No Yes

7. Were any participant loans defaulted during the plan year? "Default" is defined by your plan's loan program. Defaulted participant loans require Form 1099-R, to be filed by January 31 following the calendar year of default, reporting the defaulted loan as taxable income to the participant. If you want The Pension Group, Inc. to prepare Form 1099-R, please contact your Administration Case Manager to request this service. If Yes, please list the defaulted loans on a separate sheet. If your investment provider tracks loans on their reports enter "N/A" and do not provide any additional loan information.
 No Yes

8. Insurance Information - If the plan has annuities or life insurance policies on participants please provide the premiums paid during the year, the year end cash value, and the Schedule A information provided by the insurance company.

9. Is the plan covered by an ERISA fidelity bond?
 No Yes

(Plans covering employees other than company owners are required to have a bond of at least 10% of plan assets. You may obtain an ERISA fidelity bond from your property-casualty insurance agent or online at www.pensions.com/links.html and click on the link to Colonial Surety Company. Please use reference code CA0112)

Amount of Bond: \$_____ Surety Company: _____

**YEAR-END
PLAN COMPLIANCE CHECKLIST****SAMPLE**

PAGE 2 OF 2

10. Please answer the following questions. (If the answer to any of the questions a. through d. below is "Yes", please provide the names of the businesses, the list of owners and their ownership percentages, how the other businesses are affiliated with your business, and whether the other businesses have employees. *(Please be advised that a review of multiple business entities will incur additional fees.)*)
- Do the principals own, control or manage any other business?
 No Yes
 - Do the principals' spouse(s) own, control or manage any other business?
 No Yes
 - Is this business affiliated in any way with any other business?
 No Yes
 - Does this business own any other business?
 No Yes
 - Does this business lease employees? (If yes, please list the employees and provide the name and telephone number of the leasing company - include employees of temporary agencies.)
 No Yes
 - Does this business share any employees with another business?
 No Yes
11. Does this business sponsor any other qualified retirement plan (e.g. defined benefit, money purchase, profit sharing, 401(k), ESOP, SIMPLE IRA, SIMPLE 401(k) or SEP) other than the plan(s) administered by PGI?
 No Yes
12. Were there any financial transactions between the plan and the plan sponsor, plan trustees, participants, or any relative or business associate? (If yes, please describe on a separate sheet and send it to us with the plan accounting data.)
 No Yes
13. If any former employees are rehired during the plan year - Complete and return the "Rehired Employees Supplemental Census Schedule".
14. Were any employees out on active military service at any time during the Plan Year?
 No Yes (If you answer yes, we may contact you for more additional information.)
15. If employer is a partnership, sole proprietorship, LLP or LLC - Complete and return the appropriate Supplemental Census Schedule.
16. Certain family members of business owners who are employed by the employer must be treated as owners when determining if the plan is discriminatory. For plan purposes, family members include the spouse, lineal ascendants and descendants (parents, children, grandchildren) and step-children. Please attach a list giving the names of the employed family members, the related owner/shareholders and their relationships.

Remember we must receive this checklist before we will be able to begin the annual administration, including contribution calculations and non discrimination testing, on your plan.

Completed By : _____

Date: _____

**YEAR-END
SUPPLEMENTAL 401(k) PLAN COMPLIANCE CHECKLIST**

SAMPLE

PAGE 1 OF 2

This Checklist must be completed and returned to us along with your employee census data.

1. Matching Contributions - (Complete one of the following three items.)

Matching Contributions are calculated and made per each pay period. The Pension Group, Inc. should use the matching contributions reported with the employee census data; (Please note that you should verify that these contributions are consistent with the plan document.)

Formula used: _____

We do not intend to make any matching contributions, proceed with the administration on this basis.

We do intend to make a discretionary matching contribution. Please:

- i. Allocate \$_____ of matching contribution to eligible participants; or
- ii. Match employee contributions at the rate of _____ cents for each dollar of 401(k) contribution, capped according to the plan document.

The Pension Group, Inc. will provide you with an allocation report for your review and approval.

2. The U.S. Department of Labor (DOL) requires Plan Sponsors to deposit 401(k) employee contributions and participant loan repayments to the plan *as soon as administratively feasible*. The DOL believes that this should be within 3 to 5 business days following each payday. Even though you may read or hear that the permitted deposit date is 15 business days or more, in most cases under DOL examination, the DOL enforces the 3 to 5 days as standard, and they could levy fines if the deposits are made later.

For large plans over 100 participants: Auditors look very closely and will require correction of late deferrals due to close IRS/DOL scrutiny on audits. It is imperative that you identify this information right away and authorize us to determine if there are employees with late deferrals. If you delay providing or having us determine this information until your deadline or auditors deadline, rush fees may be applicable; so please let us know early.

Were any employee contribution deposited later than required? (We recommend depositing within 3 to 5 business days of each pay day.)

- No, all 401(k) contributions and participant loan repayment deposits were made on a timely basis;
- Yes, some 401(k) contributions and participant loan repayments were made late. *(If this is checked, use the back of this page to provide the pay period date, the date of the actual deposit for each late deposit, and the participant breakdown for each deposit. We will contact you regarding government reporting, make-up earnings and applicable penalties.)*

3. Please enter the following information **for the plan year:**

	401(k) Contributions	Match Contributions	Participant Loan Payments
a. Total contributions/loan repayments per payroll reports.	_____	_____	_____
b. Less any forfeitures applied to reduce matching contributions.	N/A	_____	N/A
c. Net contributions/loan repayments (a-b)	_____	_____	_____
d. Total deposits actually remitted to the plan's investment provider. <i>(Per your payroll records)</i>	_____	_____	_____
e. Difference between payroll reports and deposits. (c-d)	_____	_____	_____

**YEAR-END
SUPPLEMENTAL 401(k) PLAN COMPLIANCE CHECKLIST****SAMPLE**

PAGE 2 OF 2

4. Do you prefer to have the required ADP/ACP Testing delayed until after March 15, 2008?

No

Yes

If this item is not completed, we will assume that you prefer to have the testing delayed.

Please refer to the enclosed ADP/ACP Testing information outline for additional information.

Note: Corrective refunds that are paid on or before March 15, 2008 are taxable in the year contributed. Corrective refunds paid after March 15, 2008 are taxable in the year received. **The employer must pay a 10% excise tax on corrective refunds made after March 15, 2008.**

YEAR-END**SUPPLEMENTAL CHECKLIST FOR NON-CALENDAR YEAR 401(k) PLANS****SAMPLE**

The limits on 401(k) contributions and catch-up contributions are always measured on the individual participant's tax year. In almost all cases this is the calendar year. This sometimes leads to questions when doing compliance testing on a non-calendar year plan. Please provide the following information to facilitate the compliance testing.

IRC 402(g) Annual Contribution Limit:

The 402(g) limit on 401(k) contributions for the calendar year 2007 was \$15,500. Did any participant defer more than \$15,500 in the calendar year 2007?

No

Yes – Please provide name and total amount of 401(k) contributions:

Name	401(k) Contribution Amount
_____	_____
_____	_____
_____	_____
_____	_____

Catch-Up Contributions:

Participants who are at least age 50 may contribute amounts above normal limits. These catch-up contributions have their own limits. In order to properly determine the catch-up limits please provide the following information for all participants who were born in 1957 or earlier.

401(k) contributions made between the first day of the plan year and 12/31/2007:

Name	401(k) Contribution Amount
_____	_____
_____	_____
_____	_____
_____	_____

401(k) contributions made between 01/01/2008 and the last day of the plan year:

Name	401(k) Contribution Amount
_____	_____
_____	_____
_____	_____
_____	_____

**HIGHLY COMPENSATED EMPLOYEES
SCHEDULE**

SAMPLE

For the plan year beginning in 2007, the definition of a Highly Compensated Employee is:

1. An employee who owns more than 5% of the employer in the current or prior plan year. Parents, spouses, children and grandchildren of more than 5% owners are also considered Highly Compensated. ("Ownership" includes stock options and community property.); or
2. An employee with compensation in excess of \$100,000 for the plan year beginning in 2006.

If this is your plan's first year or PGI took over the administration of your plan for the plan year that began in 2007, please identify employees who were more than 5% owners in 2006 and/or 2007:

Name	2006 Ownership %	2007 Ownership %
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

If this is your plan's first year or PGI took over the administration of your plan for the plan year that began in 2007, please identify employees who earned more than \$100,000 in the year that began in 2006.

Please list all employees who had Gross Wages of more than \$100,000 for the year that began in 2006:

Name	Gross Wages
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

If additional lines are needed, please continue on a separate piece of paper.

Your Annual Trust Assets Goes Here

HERE'S WHAT YOU NEED TO KNOW!

- Cost Of Living
- Census Instructions
- Trust Assets Instructions - *If Applicable*
- Sample Trust Accounting Recap - *If Applicable*
- Fair Market Value Of Plan Investments - *If Applicable*
- ADP/ACP Testing Information - *401(k) Plan Only*
- Important Reminder About Participant Loans - *If Applicable*
- Important Information About Operating Your 401(k) Plan - *401(k) Plan Only*
- Important Information About Operating Your Profit Sharing/Pension Plans - *If Applicable*
- Audit Accountant Opinion Notice
- Frequently Asked Questions Regarding Fee Increases
- Fee Schedule

**COST OF LIVING
FOR YEAR 2007****SAMPLE****401(k) contribution Limit:**

\$15,500 in calendar year 2007

\$15,500 in calendar year 2008

"Catch-up" 401(k) Limit:

\$5,000 in calendar year 2007 (for participants born in 1957 or earlier)

\$5,000 in calendar year 2008 (for participants born in 1958 or earlier)

Annual Compensation Limit:

\$225,000 for plan years beginning in 2007

\$230,000 for plan years beginning in 2008

Defined Benefit IRC 415 Dollar Limit:

\$180,000 for plan years ending in 2007

\$185,000 for plan years ending in 2008

Defined Contribution IRC 415 Dollar Limit:

\$45,000 for plan years ending in 2007

\$46,000 for plan years ending in 2008

Highly Compensated Employee Definition for Plan Years Beginning in 2007:

1. A more than 5% owner of the employer (as well as their parents, spouses, children and grandchildren) in the current or prior year; or
2. Employees with compensation in excess of \$100,000 in the plan year beginning in 2006 and, if the employer elects, limited to members of the "top paid group" of employees (highest 20% of employees, ranked by compensation).

Highly Compensated Employee Definition for Plan Years Beginning in 2008:

1. A more than 5% owner of the employer (as well as their parents, spouses, children and grandchildren) in the current or prior year; or
2. Employees with compensation in excess of \$100,000 in the plan year beginning in 2007 and, if the employer elects, limited to members of the "top paid group" of employees (highest 20% of employees, ranked by compensation).

**CENSUS
INSTRUCTIONS****SAMPLE**

PAGE 1 OF 2

General Instructions:

To provide The Pension Group, Inc. (PGI) with your employee information in an electronic file that can be sent over the Internet, on a diskette or on a CD, please set up the information in the following format. We have adopted this format to speed up data processing time, avoid lengthy delays, reduce errors and to save you money on the cost of production.

These format instructions are for use with common spreadsheet programs. If you would like to use a Fixed ASCII Format or Database Format, please contact your Administration Case Manager for the formatting instructions.

Secure Electronic Submission: We encourage you to safely upload your spreadsheet file to us in lieu of mailing us a diskette or CD. Our secure Intranet website is <https://pensions.com/encrypted/>. From the website complete the identifying information, select the file you are sending and submit. All information submitted through this website is encrypted for privacy and to comply with state privacy laws.

Diskette and CDs: All diskettes submitted to PGI must be **3½ inch IBM/MS-DOS/Windows Compatible**. All diskettes and CDs submitted become PGI property and will not be returned. Please write the name of the Plan and the period for which the data is being submitted on the diskette or CD label in ink. All diskettes and CDs will be scanned for viruses. If a virus is detected, the diskette or CD will be discarded and we will contact you for a new diskette or CD.

Spreadsheet Program Type: PGI uses Excel for spreadsheets. If you are using a program other than Excel please contact your Administration Case Manager to verify that we will be able to read it. See **Disk/CD and Email Formatting Instructions** on page 2 for specific data and format information.

Please provide data for all employees who received wages during the plan year, regardless of whether they were eligible to participate in the plan. If a former employee was rehired this year, please complete the "Supplemental Census Schedule for Rehired Employees".

Compensation: In the Compensation column, enter the total compensation actually paid for the plan year. Most plans include all types of compensation (salary, bonus, commissions, vacation, etc.); however, a few plans do exclude particular categories of compensation. **If you believe your plan excludes a type of compensation, please call your Administration Case Manager before completing the census.** Compensation does not typically include fringe benefits such as health plan premiums, car allowances, expense reimbursements, etc. unless they are included in the employees' W-2 wages.

"Compensation" means the employee wages as reportable on IRS form W-2 (Box 1 Wages, Tips and Other Compensation), PLUS any 401(k) or Section 125 plan salary contributions. If you are not sure of the plan definition of compensation, you can refer to the Plan Document or call your Administration Case Manager. S-Corporations cannot include "pass-through" earnings as compensation for plan purposes, only W-2 wages.

Some plans exclude specified classes of employees from participation in the Plan. If an employee in an excluded class transfers to a covered class, the compensation reported may be affected. Please call your Administration Case Manager to clarify what compensation should be reported.

Sole-Proprietors must complete the enclosed "Supplemental Census Schedule for Sole Proprietors" in order for us to determine the net earned income for plan purposes.

Partnerships, LLCs and LLPs Taxed as Partnerships must complete the enclosed "Supplemental Census Schedule For Partnerships, LLCs and LLPs" in order for us to determine the net earned income for each partner for plan purposes.

**CENSUS
INSTRUCTIONS****SAMPLE**

PAGE 2 OF 2

Disk, CD and Internet Upload Formatting Instructions:**Column by Column Instructions (Use Enclosed Census Form):**

Column Headings: Please limit to just one line.

Fonts: Please do not use special fonts or formatting characters when setting up your spreadsheet, this may cause errors in the data during the uploading process.

Numbers: Make sure all numbers are in a Fixed Numerical Format, such as XXXX.XX and that all dollar amounts are entered as dollars and cents. Do not use dollar signs or commas. (Do not round)

Leased employees: If you "lease" or otherwise employ individuals through an employee staffing or leasing firm, please call your Administration Case Manager regarding those employees and their plan coverage.

Column A	Social Security Number XXX-XX-XXXX format
Column B	Last Name, First Name and Middle Initial
Column C	Gender
Column D	Date of Birth MM/DD/YYYY
Column E	Date of Hire MM/DD/YYYY
Column F	Date of Termination MM/DD/YYYY
Column G	Hours Worked-use full hours (no fractions); report actual hours worked if less than 1000 hours; report actual hours worked or 1000 if over 1000 hours. Hours worked includes all hours for which the employee is paid.
Column H	Compensation includes all W-2 Box 1 Wages, Tips and Other Income, including salary, overtime, bonuses, commissions, tips <u>plus</u> contributions to 401(k) and section 125 cafeteria plans.
Column I	401(k) Contributions
Column J	Employer Matching Amounts
Column K	Ownership Percentage – show ownership in XXX.XX% format
Column L	Officer – give title

Please do not password protect the file you send to us. We do not know your password!

Paper Provided Census:

If you choose to provide a paper census for over 50 employees that must be input manually into our systems, an hourly charge will apply (\$100 minimum).

New and Other Employees: Include all employees who earned wages during the plan year, regardless of whether they are eligible to participate in the plan. If a former employee was rehired this year, please complete the *Supplemental Census Schedule for Rehired Employees*.

Leased employees: If you "lease" or otherwise employ individuals through an employee staffing or leasing firm, please call your Administration Case Manager regarding those employees and their plan coverage.

**TRUST ASSETS
INSTRUCTIONS****SAMPLE**

We can prepare a full reconciliation of your plan's trust activity, or we can use plan accounting provided by your accountant or other advisor. Our trust reconciliation service is billed hourly based on our fee schedule. If we use a trust reconciliation prepared by someone else, the beginning asset values must agree with the prior year's ending assets. Also the beginning assets plus the net income must equal the ending assets.

If you want us to prepare a Full Trust Accounting, please provide the following information:

1. Copies of all periodic (i.e. monthly, quarterly, etc.) bank statements and brokerage statements;
2. Loan documents for any new participant loans or third party loans made during the year;
3. Participant loan payments or third party loan payments made;
4. Copies of all statements or other documentation for any new investments;
5. Current market values for any limited partnerships, trust deeds, real estate and privately held stock.

Note: Market value is the amount that the asset could be sold for if it were sold as of the plan year-end. **Please refer to the enclosed Fair Market Value of Plan Investments for more information on market value.**

6. Any additional information, such as check registers, ledgers, memos or descriptions, regarding plan transactions that will be helpful in properly accounting for and categorizing the plan activity during the year.

If you want us to use your Trust Accounting, please provide the following information:

1. A complete Income Statement & Balance Sheet for the entire year. The beginning asset balance should equal last year's ending asset balance. Please be sure your income statement includes contributions, interest income (separate loan interest if any), dividends, realized and unrealized gains and losses, participant distributions and any expenses.
2. Use the enclosed "Sample Trust Accounting Recap" to format your information.

Whether we prepare your accounting or someone else does, we need your information promptly.

**TRUST ASSETS
INSTRUCTIONS****SAMPLE**

An "Annual Trust Asset Checklist" is enclosed with specific instructions in the "Comments" section. In order to do detailed accounting for your retirement plan we will need the following items for each of the assets held by the trust:

1. Copies of all periodic (i.e. monthly, quarterly, etc.) bank statements and brokerage statements;
2. Loan documents for any new participant loans or third party loans made during the year;
3. Participant loan payments and/or third party loan payments made;
4. Copies of all statements or other documentation for any new investments;
5. Current market values for any limited partnerships, trust deeds, real estate and privately held stock.

Note: Market value is the amount that the asset could be sold for if it were sold as of the plan year-end. **Please refer to the enclosed Fair Market Value of Plan Investments for more information on market value.**

6. Any additional information, such as check registers, ledgers, memos or descriptions, regarding plan transactions that will be helpful in properly accounting for and categorizing the plan activity during the year.

You can minimize your plan's administration fees by sending us all the requested information in one complete package.

SAMPLE TRUST ACCOUNTING RECAP

BEGINNING OF PLAN YEAR TO END OF PLAN YEAR

SAMPLE

Employee's Name		Term Date	
Cash		Income	
Interest Bearing	0.00	Employer Contributions	0.00
Non-Interest Bearing	0.00	Employee Contributions	0.00
Total Cash	0.00	Earnings from Investments	0.00
Receivables		Participant Loan Interest	0.00
Interest	0.00	Realized Gains/Losses	0.00
Contribution	0.00	Other: (provide description)	0.00
Other: (provide description)	0.00	Total Income	0.00
Total Receivables	0.00	Distributions & Payments	
Investments		Participant Payments	0.00
Government Securities	0.00	Insurance Premiums	0.00
Pooled/Mutual Funds	0.00	Total Distributions & Payments	0.00
Corporate Debt/Equity	0.00	Expenses	
Real Estate	0.00	Interest	0.00
Loans (other than to participants, including trust deeds)	0.00	Administrative	0.00
Limited Partnerships/Joint Venture Interests	0.00	Other: (provide description)	0.00
Tangible Personal Property (e.g. collectibles)	0.00	Total Expenses	0.00
Other Investments: (provide description)	0.00	Total Distributions, Payments, & Expenses	0.00
Total Investments	0.00	Net Income	0.00
Participant Loans	0.00	Unrealized Gain/Loss	0.00
Other Assets: (provide description)	0.00	Net Increase/Decrease in Assets	0.00
Total Assets	0.00		
Liabilities			
Payables	0.00		
Other Liabilities: (provide description)	0.00		
Total Liabilities	0.00		
Net Assets at End of Year	0.00		
Net Assets at Beginning of Year	0.00		
Net Increase/Decrease	0.00	Out of Balance	0.00

Prepared From Information Provided by Trustee

**FAIR MARKET VALUE
OF PLAN INVESTMENTS****SAMPLE**

Please review this carefully if your plan's trust owns investments for which the market value is not readily available. These types of investments include limited partnerships, trust deeds, real estate, privately held stock and collectibles. The Employee Retirement Income Security Act (ERISA) requires all plan assets to be carried at fair market value. The Internal Revenue Service routinely audits plans for inappropriate asset valuations.

Note that investments for which the market value is not readily available are usually considered "non-qualifying assets". If more than 5% of the value of the Trust on the first day of the plan year consists of investments in non-qualifying assets and non-owner employees are covered by the plan, the plan is subject to special audit requirements or increased ERISA bond levels. Please call your Administration Case Manager for more information.

In a defined contribution plan, asset valuation has a significant impact upon participants as their account balances include asset gains and losses. If the trust includes improperly valued investments, when a participant receives a distribution of benefits the account balance paid could be significantly inaccurate. A participant could bring an action against the Plan Sponsor and the Trustee for an improper valuation of the trust fund and his/her account balance. The Trustee would be personally liable for any financial loss to a participant. Additionally, the IRS could disqualify the Plan because the assets were not carried at market value, resulting in an assessment of taxes and penalties.

In a defined benefit plan, asset gains and losses affect the calculation of the required contribution. If the assets are improperly valued, the plan contribution may be more or less than what is required. This could result in the disallowance of the tax deduction for the contribution and/or the assessment of excise taxes.

As the third party administrator of the plan, it is not within our authority to determine the value of non-publicly traded assets. We rely upon the value the Trustee provides. We must carry those investments at the value given by the Trustee.

As Trustee of the plan, each year you should do the following:

1. Contact the general partner, principal or broker. Ask if a market for these investments exists. If so, ask for the market value based on the most recent trades. If no market exists, ask if an independent appraisal has been done recently. If so, obtain the appraised value of your ownership share. You should get this value in writing. For limited partnerships, do not use the capital account balance shown on the K-1.

We can contact these persons for you at your request; however, you will need to authorize the parties involved to release information to us. Our involvement will be billed hourly.

2. If you cannot obtain an updated value, you should attempt to ascertain the market value independently. If you're familiar with the investment and its activities, you may have a good idea as to the current value. It is important to carefully document the value that you place on the investment. It may be necessary for you to hire an independent appraiser.
3. Retain for your files any information you obtained regarding the fair market value. This will be needed in the event of an IRS audit of the plan. If you would like us to keep a copy in the files, please send copies of the information to us.

**ADP/ACP
TESTING INFORMATION**
SAMPLE

Year-end ADP and, if a matching contribution is made, ACP Testing is required for all 401(k) Plans. Failure to pass these tests will result in either the return of contributions to certain Highly Compensated Employees or a company "qualified" contribution. **We strongly recommend that you advise Highly Compensated Employees to delay filing their personal income tax returns until after the tests have been performed. It could affect their 2007 taxable income.** It is also important that Highly Compensated Employees who terminated during or subsequent to the plan year be notified of the effect the ADP/ACP test might have on their ability to rollover a distribution from the plan. You may find a sample notice to terminated Highly Compensated Employees at: www.pensions.com/reference/hcekdist.pdf.

Due to the large number of clients with calendar year 401(k) Plans, we ask that you provide your employee census and 401(k) contribution and match contribution information to us as quickly as possible. *Our target turnaround time for testing will be based on the date complete information is received, as follows:*

<u>Date Complete Information Received</u>	<u>PGI Targeted Turnaround</u>
By February 4, 2008	15 Business Days
February 5, 2008 - February 19, 2008 *	On or Before March 15, 2008
After February 19, 2008	After March 15, 2008

The above schedule will allow sufficient time to complete the testing of your plan. If refunds are required, we will calculate the necessary amounts upon receipt of plan asset information for the plan. **Your investment vendor may need several days to process any request for refunds.**

* If the data is received after February 4, 2008 and you want the testing to be completed early enough to have corrective refunds processed by March 15, 2008, we will assess a "rush fee" of \$25 per day for every business day from February 1, 2008 to the date the complete data is received. If the complete data is received after February 4, 2008 and you would like the testing delayed until after March 15, 2008, please complete item 4 on the Supplemental 401(k) Plan Compliance Checklist and no rush fee will apply.

Note: Corrective refunds that are paid on or before March 15, 2008 are taxable in the year contributed. Corrective refunds paid after March 15, 2008 are taxable in the year refunded. **The employer must pay a 10% excise tax on corrective refunds made after March 15, 2008.**

For more information on ADP/ACP testing, see our website: <http://pensions.com/getpracticalinfo.cfm?thefile=pi2.pdf>

We appreciate your cooperation during this very busy ADP/ACP testing season!

**IMPORTANT REMINDER
ABOUT PARTICIPANT LOANS****SAMPLE**

The IRS requires that any participant loans from the plan which are in default be reported on the annual Form 5500 return filed for the plan. The IRS looks for defaulted participant loans in selecting plans for possible audit. Please be sure that all participant loans are current by the end of the plan year to avoid having to report defaults to the IRS. All payments due must be made in accordance with the terms of the promissory note.

Participant loans that are not paid back become taxable as distributions to the borrower. If such a deemed distribution occurs, IRS Form 1099-R must be filed with the IRS and issued to the participant/borrower. The Trustee may consult with your Administration Case Manager or an attorney familiar with retirement plan law for information regarding IRS rules on participant loans.

If you need assistance in calculating the payment necessary to make the participant loan current, please call your Administration Case Manager at The Pension Group, Inc.

**IMPORTANT INFORMATION
ABOUT OPERATING YOUR 401(k) PLAN****SAMPLE**

PAGE 1 OF 2

Timely Deposit of Employee Contributions:

The U.S. Department of Labor (DOL) requires Plan Sponsors to deposit 401(k) employee contributions and participant loan repayments to the plan *as soon as administratively feasible*. The DOL believes that this should be within 3 to 5 business days following each payday. Even though you may read or hear that the permitted deposit date is 15 business days or more, in most cases under DOL examination, the DOL enforces the 3 to 5 days as standard, and they levy fines if the deposits are made later.

For large plans over 100 participants: Auditors look very closely and will require correction of late deferrals due to close IRS/DOL scrutiny on audits. It is imperative that you identify this information right away and authorize us to determine if there are employees with late deferrals. If you delay providing or having us determine this information until your deadline or auditors deadline, rush fees may be applicable; so please let us know early.

To avoid penalties, you should consistently deposit withheld employee contributions within 3 to 5 business days of each payday. Late deposits must be reported annually on Form 5500 under penalty of perjury.

Follow the Terms of Your Plan Documents:

The IRS considers any failure to follow the terms of the plan document a "disqualifying event". This means, if uncorrected, the plan can lose its tax-favored status, causing contributions and earnings to be taxed. Some of the most common errors are as follows:

1. Allowing Ineligible Employees to Contribute:

Employees cannot make 401(k) contributions before the date they become a participant in the plan. Please be sure all employees satisfy the plan eligibility requirements and have reached the next plan entry date before withholding 401(k) contributions. You cannot make "special agreements" with new employees during the hiring process to let them enter the plan prior to satisfying the eligibility requirements

These provisions are in the plan's plan document. If you are not certain how to apply these provisions, please call The Pension Group, Inc.

2. Distribution of Plan Benefits:

Whenever a plan participant meets the criteria for a payment of plan benefits (termination of employment, etc.) they must first be provided with specific tax notifications and receive certain required election forms. Processing a payment without following the proper distribution procedures and requirements can subject the plan and the company to adverse tax consequences, possible fines; and civil liability to the participant and/or spouse. Please contact The Pension Group, Inc. or refer to your "Plan Administrator's Handbook" for distribution procedures and master forms (if applicable). All completed distribution forms should be forwarded to PGI for processing.

3. Plan Provisions and Fiduciary Responsibilities:

Plan qualification rules are complex and important. As the Plan Sponsor it is your responsibility to be familiar with the provisions of your plan document and perform your duties with respect to the plan solely in the interests of the participants and beneficiaries. The Plan Sponsor (your company), its officers and board members, as well as the plan trustees are all considered fiduciaries under the Employee Retirement Income Security Act of 1974 (ERISA). Fiduciaries who violate ERISA's fiduciary responsibility provisions can be held personally liable to the plan for losses, as well as be fined by the DOL for breaches of fiduciary duties. Under certain circumstances fiduciaries can be subject to criminal prosecution.

4. Fidelity Bond Requirements: (Not applicable to "owner-only" plans)

A fidelity bond is required if the plan covers employees other than owners/partners. Trustees must obtain an ERISA fidelity bond of at least 10% of the total plan assets. If the trust holds "non-qualified" assets, a larger bond may be needed.

**IMPORTANT INFORMATION
ABOUT OPERATING YOUR 401(k) PLAN****SAMPLE**

PAGE 2 OF 2

For more information, see the page entitled "Audit" in this package or call your Administration Case Manager. To obtain an ERISA fidelity bond, please visit our website at www.pensions.com for the link to Colonial Surety Company (please use reference code CA0112) or contact your insurance agent.

5. Top-Heavy Retirement Plans:

Federal tax law requires that plans be tested for "top-heavy" status each year. If a plan is found to be top-heavy, the company may be required to make a minimum required contribution, and employer contribution accounts must vest according to minimum vesting schedules specified by law. Plans are top-heavy if more than 60% of the plan's assets are for the benefit of "Key Employees". 401(k) Plans are the most adversely affected by top-heavy requirements as Key Employees' 401(k) contributions are counted in the top-heavy determination.

6. Participant Loan Payments:

The U.S. Department of Labor (DOL) requires Plan Sponsors to deposit participant loan repayments to the plan as soon as *administratively feasible*. The DOL believes that this should be within 3 to 5 business days following each payday. Even though you may read or hear that the permitted deposit date is 15 business days or more, in most cases under DOL examination, the DOL enforces the 3 to 5 days as standard, and they levy fines if the deposits are made later.

To avoid penalties, you should deposit withheld participant loan payments within 3 to 5 business days of each payday, consistently. Late deposits must be reported annually on Form 5500 under penalty of perjury.

Who are Key Employees?

Key Employees are defined in Section 416 of the Internal Revenue Code. Without going into all the details, a Key Employee is any employee who meets any one of the following criteria at any time during the plan year:

1. An employee owning more than 5% of the company;
2. An employee owning more than 1% of the company and earning over \$150,000; or
3. An officer of the company earning more than \$150,000.

Note: When determining an employee's ownership interest in the company, the Internal Revenue Code generally considers all stock owned by the employee *AND* his or her spouse, parents, children or grandchildren. This means that children working in a business owned by one or both of their parents are considered Key Employees, even if they do not own stock directly.

Top-Heavy Minimum Contributions:

Top-heavy plans must satisfy minimum contribution requirements for Non-Key Employees. **In defined contribution plans (such as a 401(k) Plan) the minimum top-heavy contribution is the lesser of:**

1. **3% of Compensation; or**
2. **The highest contribution percentage made for a Key Employee (including their 401(k) contributions).**

Additional Information:

In keeping with our continued effort to provide our clients with appropriate, timely, and accurate service, we offer an informative **two-hour workshop for our clients**. The workshop is primarily geared toward 401(k) and profit sharing plans, and for the individual(s) in your company who is responsible for handling the day-to-day aspects of operating your plan and reporting your plan's activity to us. The first workshop is free to your company, so please contact us if you'd like to attend.

Additional retirement plan information can be found on our website at www.pensions.com.

IMPORTANT INFORMATION
ABOUT OPERATING YOUR PROFIT SHARING/PENSION PLANS**SAMPLE**

PAGE 1 OF 2

Follow the Terms of Your Plan Documents:

The IRS considers any failure to follow the terms of the plan document a "disqualifying event". This means, if uncorrected, the plan can lose its tax-favored status, causing contributions and earnings to be taxed. Some of the most common errors are as follows:

1. Distribution of Plan Benefits:

Whenever a plan participant meets the criteria for a payment of plan benefits (termination of employment, etc.) they must first be provided with specific tax notifications and receive certain required election forms. Processing a payment without following the proper distribution procedures and requirements can subject the plan and the company to adverse tax consequences, possible fines; and civil liability to the participant and/or spouse. Please contact The Pension Group, Inc. or refer to your "Plan Administrator's Handbook" for distribution procedures and master forms (if applicable). All completed distribution forms should be forwarded to PGI for processing.

2. Plan Provisions and Fiduciary Responsibilities:

Plan qualification rules are complex and important. As the Plan Sponsor it is your responsibility to be familiar with the provisions of your plan document and perform your duties with respect to the plan solely in the interests of the participants and beneficiaries. The Plan Sponsor (your company), its officers and board members, as well as the plan trustees are all considered fiduciaries under the Employee Retirement Income Security Act of 1974 (ERISA). Fiduciaries who violate ERISA's fiduciary responsibility provisions can be held personally liable to the plan for losses, as well as be fined by the DOL for breaches of fiduciary duties. Under certain circumstances fiduciaries can be subject to criminal prosecution.

3. Fidelity Bond Requirements: (Not applicable to "owner-only" plans)

A fidelity bond is required if the plan covers employees other than owners/partners. Trustees must obtain an ERISA fidelity bond of at least 10% of the total plan assets. If the trust holds "non-qualified" assets, a larger bond may be needed. For more information, see the piece entitled "Audit" in this package or call your Administration Case Manager. To obtain an ERISA fidelity bond, please visit our website at www.pensions.com for the link to Colonial Surety Company (please use reference code CA0112) or contact your insurance agent.

4. Top-Heavy Retirement Plans:

Federal tax law requires that plans be tested for "top-heavy" status each year. If a plan is found to be top-heavy, the company may be required to make a minimum required contribution, and employer contribution accounts must vest according to minimum vesting schedules specified by law. Plans are top-heavy if more than 60% of the plan's assets are for the benefit of "Key Employees".

Who are Key Employees?

Key Employees are defined in §416 of the Internal Revenue Code. Without going into all the details, a Key Employee is any employee who meets any one of the following criteria at any time during the plan year:

1. An employee owning more than 5% of the company;
2. An employee owning more than 1% of the company and earning over \$150,000; or
3. An officer of the company earning more than \$150,000.

Note, that when determining an employee's ownership interest in the company, the Internal Revenue Code generally considers all stock owned by the employee and his or her spouse, parents, children or grandchildren. This means that children working in a business owned by one or both of their parents are considered Key Employees, even if they do not own stock directly.

IMPORTANT INFORMATION
ABOUT OPERATING YOUR PROFIT SHARING/PENSION PLANS**SAMPLE**

PAGE 2 OF 2

Top-Heavy Minimum Contributions:

Top-heavy plans must satisfy minimum contribution requirements for Non-Key Employees. **In defined contribution plans the minimum top-heavy contribution is the *lesser of*:**

- 1. 3% of Compensation; or**
- 2. The highest contribution percentage made for a Key Employee.**

4. Participant Loan Payments:

The U.S. Department of Labor (DOL) requires Plan Sponsors to deposit participant loan repayments to the plan *as soon as administratively feasible*. The DOL believes that this should be within 3 to 5 business days following each payday. Even though you may read or hear that the permitted deposit date is 15 business days or more, in most cases under DOL examination, the DOL enforces the 3 to 5 days as standard, and they levy fines if the deposits are made later.

To avoid penalties, you should deposit withheld participant loan payments within 3 to 5 business days of each payday, consistently. Late deposits must be reported annually on Form 5500 under penalty of perjury.

Additional Information:

In keeping with our continued effort to provide our clients with appropriate, timely, and accurate service, we offer an informative **two-hour workshop for our clients**. The workshop is primarily geared toward 401(k) and profit sharing plans, and for the individual(s) in your company who is responsible for handling the day-to-day aspects of operating your plan and reporting your plan's activity to us. The first workshop is free to your company, so please contact us if you'd like to attend.

Additional retirement plan information can be found on our website at www.pensions.com.

**AUDIT
ACCOUNTANT OPINION NOTICE****SAMPLE****For Plans with Less Than 100 Participants:**

Smaller retirement plans have long had an exemption to the audit requirements above. This exemption will apply to small plans only if:

1. 95% or more of the plan assets are held by a bank, insurance company or similar financial institution, or the plan meets additional bonding requirements; and
2. the plan provides enhanced participant disclosure.

Most small plan sponsors will likely want to meet one of these exemption rules in lieu of incurring the expense of an independent audit. For more information go to <http://www.pensions.com/smallauditarticle.pdf>.

If you have any questions regarding these audit requirements, please contact your Administration Case Manager.

For Plans with 100 or More Participants:

Plan sponsors with 100 or more participants are generally required to have an audit of the plan activity by an independent certified public accounting firm each plan year. The auditor's opinion must be attached to the Form 5500 filed with the Employee Benefits Security Administration (EBSA). If Form 5500 is filed without this opinion, the Department of Labor (DOL) can assess penalties up to \$1,100 per day.

We will assist you in complying with the audit requirements. We will coordinate the audit with the certified public accounting firm designated by you. If your current accounting firm does not provide audit services and you need assistance selecting a firm to conduct the audit, please contact your Administration Case Manager for referrals.

We would like to start the compliance process as soon as possible as it takes a considerable amount of time to complete. Starting early can avoid unnecessary delays, insure that a complete Form 5500 is filed timely, and allow your accountant time to schedule the project efficiently, minimizing your costs.

There is an exception to the audit requirements for plans with between 80 and 120 participants who did not have to have an audit performed last year. Contact your Administration Case Manager for specific information on your plan.

Auditors look very closely and will require correction of late deferrals and/or loan repayments due to close IRS/DOL scrutiny on audits. It is imperative that you identify this information right away authorize us to determine if there are employees with late deferrals and/or loan repayments. If you delay providing or having us determine this information until your deadline or auditors deadline, rush fees may be applicable; so please let us know early.

Please be sure to let us know the accounting firm you have engaged to perform this audit.

FREQUENTLY ASKED QUESTIONS REGARDING FEE INCREASES

PROVIDING EXPERT QUALIFIED RETIREMENT PLAN DESIGN AND ADMINISTRATION SERVICES FOR OVER 23 YEARS!

SAMPLE**Which fees are being changed?**

Participant fees are increasing two to five dollars per participant, based on when your service began with The Pension Group, Inc. Most clients will experience an increase of two dollars per participant.

Distribution fees will increase for most clients from \$95 to \$135. Please see the comments section on your fee schedule.

Why are you raising your fees?

We make every effort to keep our fees steady. However, recently there have been significant changes in the laws and compliance requirements that caused an increase in the level of complexity to administer plans.

In keeping with good business practices, we have reviewed our fee schedules and find that these increases bring us in line with industry pricing for similar services, including those services recently added.

When was the last fee increase?

We have not increased our Annual Administration fee for 401(k), Profit Sharing or Money Purchase plans since 2004. Some Defined Benefit Plans experienced a small increase of \$100 in 2006. Other fees, such as participant and distribution fees may have increased more recently, depending on when your service began with The Pension Group, Inc.

When will I see these changes on my invoice?

Fees billed on a plan year basis, such as participant fees, will apply to the plan year beginning in 2007 and will appear on your invoice as work is completed. Increases to distribution fees are effective January 1, 2008 and will appear on your invoice as the distributions are processed, unless these fees are being paid by plan participants.

How will I know if the fees for my plan or plans have changed?

You can determine if your plan is experiencing a fee increase by comparing the rates listed in your new fee schedule (enclosed) to your prior fee schedule (or your prior invoice). Your fee schedule may show a range in distribution fees. The fee for your plan is based on your specific distribution provisions and level of servicing needed to process the distribution.

The Plan Specific Fee Schedule Goes Here