

**PROTOTYPE  
SIMPLE  
RETIREMENT  
PLAN**

**Savings Incentive Match Plan for Employees  
In IRA Form under Section 408(p) of the Internal Revenue Code**

**TO ESTABLISH A SOUTHWEST SECURITIES INDIVIDUAL  
RETIREMENT ACCOUNT (SIMPLE IRA)**

- Complete and sign all portions of the SIMPLE IRA Adoption Agreement and account application. When completing the beneficiary information please make sure to include social security numbers.
- Submit the completed SIMPLE IRA Adoption Agreement to your Account Executive.
- Enclose a check made payable to Southwest Securities for the initial SIMPLE IRA contribution, if applicable. Make sure all checks include the tax year information for the contribution and the account number.
- If you are transferring an existing SIMPLE IRA to Southwest Securities, complete and sign an Account Transfer Form. When submitting the form to your Account Executive, include a copy of the most recent account statement.
- If you are rolling funds from another SIMPLE, complete and sign a Rollover Certification Form.
- Contact your Account Executive for any other forms that may be required to establish your SIMPLE IRA or with any other questions or concerns that you may have.
- Unrelated Business Income Tax: If the Depositor directs investments of the account in any investment which results in unrelated business taxable income, it shall be the responsibility of the Depositor to so advise the Custodian and to provide the Custodian with all the information necessary to prepare and file any required returns or reports for the account. As the Custodian may deem necessary, and at the Depositor's expense, the Custodian may request a taxpayer identification number for the account, file any returns, reports, and applications for extension, and pay any taxes or estimated taxes owed with respect to the account. The Custodian may retain suitable accountants, attorneys, or other agents to assist it in performing such responsibilities.

**THIS CUSTODIAL FEE INFORMATION MAY ONLY BE USED  
WITH SOUTHWEST SECURITIES IRA ACCOUNTS**

**CUSTODIAL FEES FOR INDIVIDUAL RETIREMENT ACCOUNTS**

- |                                  |  |
|----------------------------------|--|
| • Initial Set Up Acceptance Fee  | No Charge                              |
| • Annual Maintenance Fee         | See your Customer Information Brochure |
| • Spousal Annual Maintenance Fee | See your Customer Information Brochure |
| • Transfer Fee                   | See your Customer Information Brochure |
| • Termination Fee                | \$50.00                                |

\*Southwest Securities, Inc. reserves the right to change fees upon notification to the accountholder.

# PROTOTYPE SIMPLE RETIREMENT PLAN AGREEMENT

## ARTICLE I Adoption and Purpose of Plan

**1.01 Adoption of Plan:** By completing and signing the Adoption Agreement, the Employer adopts the Sponsoring Organization's Prototype SIMPLE Retirement Plan. This SIMPLE Plan Agreement must be used with an Internal Revenue Service Model IRA, Form 5305-S or 5305-SA, or a Service approved Prototype SIMPLE IRA.

**1.02 Purpose:**

- (a) The purpose of this Plan is to provide benefits for the individuals who are eligible to participate hereunder. It is intended that this Plan be for the exclusive benefit of the Employer's Employees, and that the plan qualify under section 408(p) of the Code.
- (b) The Employer agrees to permit Elective Deferrals to be made in each Plan Year to the SIMPLE individual retirement account or SIMPLE individual retirement annuity (IRA) as described in section 408(a) or (b), respectively, of the Code, established by or on behalf of each of the Employer's Employees who are eligible to participate in the SIMPLE Retirement Plan. SIMPLE contributions must be contributed to a separate SIMPLE IRA plan.

**1.03 Limitation:**

- (a) The Employer cannot contribute to this SIMPLE IRA Plan for any calendar year if the Employer maintains another qualified plan with respect to which contributions are made, or benefits are accrued, for any Employee's service for any plan year beginning or ending in that calendar year.

For this purpose, a qualified plan is defined in section 219(g)(5) of the Code as: a plan described in section 401(a) that includes a trust exempt from tax under section 501(a); an annuity plan described in section 403(a); a plan established for its employees by the United States, by a State or political subdivision thereof, or by an agency or instrumentality of any of the foregoing (but not an eligible deferred compensation plan within the meaning of section 457(b)); a tax-sheltered annuity plan described in section 403(b); a simplified employee pension (SEP) plan described in section 408(k); and another SIMPLE IRA Plan described in section 408(p).

If the failure to meet the one-plan requirement is due to an acquisition or similar transaction, the Employer is treated as meeting the one-plan requirement through the end of the following calendar year (through the end of the following 2 calendar years, if permitted under section 408(p)) provided that, during this period, Employees who would be employed by another employer involved in the transaction had the transaction not occurred are not eligible to participate in this Plan.

The one-plan requirement is not violated if the Employer maintains another qualified plan that limits participation to Employees covered under a collective bargaining agreement described in section 410(b)(3)(A) of the Code and eligibility to participate in the SIMPLE IRA Plan is limited to other Employees.

- (b) If the Employer amends this plan other than by making an election permitted in the Adoption Agreement, the Employer will no longer participate in the Sponsoring Organization's Prototype SIMPLE Plan, the Employer will be considered to have an individually designed SIMPLE Plan, and the Employer may no longer rely on the opinion letter received in connection with this Prototype SIMPLE Plan. Any amendment to this SIMPLE IRA Plan can become effective only at the beginning of a calendar year and must conform to the content of the plan notice for the calendar year.
- (c) This Plan may only be adopted by an Eligible Employer.

## ARTICLE II Eligibility and Participation

**2.01 Eligible Employees:** All Employees of the Employer shall be eligible to participate in this Plan except for Excludible Employees as defined under section 2.02 of this Plan.

**2.02 Excludible Employees:** If the Employer elects in the Adoption Agreement, the following Employees shall be excluded from eligibility:

- (a) Employees included in a unit of employees covered by a collective bargaining agreement between employee representatives and the Employer, provided that there is evidence that retirement benefits were the subject of good faith bargaining between such parties, unless such agreement provides that some or all of such covered employees are to be covered by this Plan. For purposes of this paragraph, the term "employee representatives" does not include any organization more than half of whose members are employees who are owners, officers, or executives of the Employer.
- (b) Non-resident alien employees who receive no earned income from the Employer which constitutes income from sources within the United States.
- (c) Employees who are not reasonably expected to earn \$5,000 of compensation from the Employer during the Plan Year for which the contribution is being made if so indicated in the Adoption Agreement.

**2.03 Participation:**

- (a) Each Eligible Employee will be eligible to become a Participant after satisfying the requirements specified in Item 9 of the Adoption Agreement.
- (b) Each Eligible Employee shall establish an IRA in order to receive Employer contributions under this Agreement, and any Employer contributions shall be made directly to such IRA plan. Unless otherwise elected in the Adoption Agreement, such IRA shall be established with the Trustee of the Participant's choice.
- (c) If a Participant fails to timely establish or to maintain an IRA into which SIMPLE contributions may be made on such Participant's behalf, the Employer may execute any necessary documents to establish an IRA with the Trustee into which such contributions shall be made on behalf of the Participant.

**2.04 Plan Notice:**

- (a) The Employer shall notify each Eligible Employee immediately before each 60 -day election period of the Employee's opportunity to make an election. The notice shall include a copy of the summary description as described in section 408(1)(2)(B) of the Code. (section 6693(c)(1) provides that if an employer fails to provide one or more notices, such employer may be subject to a penalty of \$50 per day for each day that the failure to provide notice occurs.)
- (b) Any amendment to this SIMPLE IRA Plan can become effective only at the beginning of a calendar year and must conform to the content of the Plan notice for the calendar year.

**ARTICLE III  
Written Allocation Formula**

- 3.01 **Amount of Contribution:** The Employer agrees to contribute on behalf of each Eligible Employee for the Plan Year an amount determined under one of the written allocation formulas specified in the Adoption Agreement.
- 3.02 **Uniform Relationship to Compensation:** All Nonelective Employer contributions to this Plan shall bear a uniform relationship to the total Compensation of each Participant not to exceed the Compensation limit described in section 401(a)(17) of the Code, as adjusted for the cost of living.
- 3.03 **Limitation on Employer Contributions:** The maximum employer contribution which may be made for any one Plan Year with respect to any Participant and allocated to each Participant's IRA is:
- (a) **Elective Deferrals** - Each Eligible Employee may elect to have salary deferral payments made under this SIMPLE Plan, not to exceed the lesser of the percentage of compensation stated in the Deferral Form or the dollar amount specified in section 4.01(c) of this Plan.
  - (b) **Employer Matching Contributions:**
    - (i) Unless the Employer elects Section 3.03(c), the Employer is required to make a Matching Contribution equal to the elective deferral by such Employee, but not in excess of 3% of such Participant's Compensation, not to exceed the dollar amount specified in section 4.01(c) of this Plan.
    - (ii) The Employer may elect a lesser percentage (not less than 1%) for any year if:
      - (A) the Employer notifies all Eligible Employees within a reasonable time before the Election Period; and
      - (B) Employer Matching Contributions are not less than 3% for more than 2 of the calendar years in the 5 year period ending with the current calendar year for which the reduction is effective.
    - (iii) Employers who have never maintained a SIMPLE plan or make nonelective contributions shall be treated as if the level of Employer Matching Contributions was at 3% of compensation for the prior plan year.
  - (c) **Employer Nonelective Contributions** - In lieu of Matching Contributions described in section 3.03(b), an employer may elect to make a 2% Nonelective Contribution for each Employee who is eligible to participate in the SIMPLE Plan. In order to elect such Nonelective Contribution, the Employer must notify Eligible Employees of such election within a reasonable time before the Election Period.
- 3.04 **Deductibility of Employer Contributions:** Contributions under this SIMPLE Retirement Plan are deductible by the Employer for the taxable year with or within which the Plan Year of the SIMPLE Retirement Plan ends. Contributions made for a particular taxable year and contributed by the due date of the Employer's income tax return, including extensions, are deemed made in that taxable year.
- 3.05 **Vesting Requirements:** An Employee's right to any contribution made to a SIMPLE IRA shall be 100% immediately vested and non-forfeitable at all times.

**ARTICLE IV  
Elective Deferral Rules**

- 4.01 **Elective Deferrals**
- (a) Allocation of Elective Deferrals. The Employer shall contribute and allocate to each Employee's IRA an amount equal to the amount of the Employee's Elective Deferrals. Elective Deferrals will be paid by the Employer to the Employee's IRA trustee, custodian, or insurance company (in the case of an individual retirement annuity contract) or an IRA established on behalf of an Employee by the Employer.
  - (b) Salary Reduction Agreement Option. An Employee may elect to have Elective Deferrals made under this SIMPLE through either single-sum or continuing contributions, or both, pursuant to a salary reduction agreement.
  - (c) Amount of Elective Deferrals. An Eligible Employee may elect to have his or her Compensation reduced by a percentage or amount per pay period, or for a specified pay period or periods, as designated in writing to the Employer. An Eligible Employee may elect to have his or her Compensation reduced by a percentage or a fixed dollar amount. The salary reduction election shall be in writing and delivered to the Employer. The total amount of the reduction in the Eligible Employee's Compensation cannot exceed \$7,000 for 2002, \$8,000 for 2003, \$9,000 for 2004, and \$10,000 for 2005 and later years. After 2005, the maximum amount will be adjusted by the Secretary of the Treasury for cost-of-living increases under section 408(p)(2)(E) of the Code. Such adjustments will be in multiples of \$500.
  - (d) An Eligible Employee who would attain age 50 or over by the end of the year can elect to have his or her Compensation reduced by an additional amount of \$500 for 2002, \$1,000 for 2003, \$1,500 for 2004, \$2,000 for 2005, and \$2,500 for 2006 and later years. After 2006, the maximum additional amount will be adjusted by the Secretary of the Treasury for cost-of-living increases under section 414(v)(2)(C) of the Code. Such adjustments will be in multiples of \$500.
  - (e) Timing of Elective Deferrals. No deferral election may be based on Compensation an Employee received, or had a right to receive, before execution of the deferral election. Notwithstanding the preceding sentence, an Employee may use Compensation received during a Plan Year prior to executing a deferral election as a basis for determining their Elective Deferral amount, but not as a source of their Elective Deferrals.
  - (f) Under no circumstances may an Employee's Elective Deferrals in any calendar year exceed the lesser of the percent specified in the Deferral Form of his or her Compensation, or the dollar amount specified in section 4.01(c) of this Plan.
- 4.02 **Timing of Elective Deferrals:** The Employer must make a salary reduction contribution to the SIMPLE IRA established for each Eligible Employee under this SIMPLE IRA Plan as of the earliest date on which the contributions for an Eligible Employee can reasonably be segregated from the Employer's general assets, but in no event later than 30 days after the end of the month in which the contribution is withheld from the Employee's pay.

The Employer must make the matching or nonelective contribution to the SIMPLE IRA established for each Eligible Employee under this SIMPLE IRA Plan no later than the due date for filing the Employer's federal income tax return, including extensions, for the taxable year that includes the last day of the calendar year for which the contribution is made.

**ARTICLE V  
Glossary of Plan Terms**

- 5.01 **Adoption Agreement:** The document executed by the Employer through which it adopts the Plan and agrees to be bound by all terms and conditions of the Plan.
- 5.02 **Code:** The Internal Revenue Code of 1986 and the regulations issued thereunder as heretofore or hereafter amended.
- 5.03 **Compensation:** Compensation is defined as wages, salaries, and fees for professional services and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the employer maintaining the plan as defined under section 6051(a)(3) and (8) of the Code. For any Self-Employed individual covered under the plan, Compensation will mean Earned Income. Compensation shall include only that compensation which is actually paid or made available to the Participant during the year. Compensation shall include any amount which is contributed by the Employer pursuant to a salary reduction agreement and which is not includible in the gross income of the Employee under sections 408(p), 401(k), 408(d)(6), 403(b), and compensation from the Employer deferred under a section 457 plan required to be reported by the Employer on Form W-2 (as described under section 6051(a)(8)). Compensation does not include any

amounts deferred under a section 125 plan of the Code.

The annual Compensation of each Participant taken into account under the Plan for purposes only of the Employer Nonelective Contributions for any year shall not exceed the Compensation limit described in section 401(a)(17) of the Code as adjusted by the Secretary of the Treasury for increases in the cost of living in accordance with section 401(a)(17)(B). Such adjustments will be in multiples of \$5,000. (The Compensation limit for 2002 is \$200,000.)

- 5.04 **Elective Deferrals:** Any Employer contribution made under this SIMPLE Plan to an Employee's IRA at the election of the Participant, in lieu of cash compensation, and shall include contributions made pursuant to a salary reduction agreement or other deferral mechanism.
- 5.05 **Earned Income:** Net earnings from self-employment determined under section 1402(a) of the Code without regard to section 1402(c)(6), prior to subtracting any contributions made pursuant to this plan on behalf of the individual.
- 5.06 **Election Period:**
- (a) An Employee who is an Eligible Employee for a particular calendar year must be permitted to make or modify a salary reduction election during the 60-day period immediately preceding the calendar year, effective as soon as practical after receipt by the Employer (or, if later, the date specified by the Employee in the salary reduction agreement) but not earlier than the first pay period beginning in the calendar year. In the case of an Employee who becomes an Eligible Employee other than at the beginning of a calendar year because 1) this Plan does not impose a prior-year-compensation requirement, 2) the Employee satisfied this Plan's prior-year-compensation requirement during a prior period of employment with the Employer, or 3) this Plan is first effective after the beginning of a calendar year, the Eligible Employee must be permitted to make or modify a salary reduction election during the 60-day period that begins on the day plan notice is provided to the Employee and that includes the day the Employee becomes an Eligible Employee or the day before. In this case, the salary reduction election will become effective as soon as practical after receipt by the Employer (or, if later, the date specified by the Employee in the salary reduction agreement) but any election made by the Eligible Employee may be modified prospectively any time during the 60-day period.
  - (b) An Eligible Employee must be permitted to terminate a salary reduction election at any time. The termination request must be in writing and become effective as soon as practical after receipt of the request by the Employer or, if later, the date specified by the Employee in the termination request.
- 5.07 **Eligible Employee:** An Employee who meets the eligibility requirements as outlined in section 2.01 of the Plan and in Items 8 and 9 of the Adoption Agreement.
- 5.08 **Eligible Employer:** An Employer which had no more than 100 employees who received at least \$5,000 of compensation from the Employer for the preceding Plan Year (the "100 Employee limit"). An Eligible Employer who adopts a SIMPLE Retirement Plan for 1 or more years, and who subsequently fails to be an Eligible Employer, shall be treated as an Eligible Employer for the 2-year period following the last year the Employer was an Eligible Employer. If the failure to continue to satisfy the 100-Employee limit is due to an acquisition or similar transaction, the 2-year grace period applies only if the Employer satisfies the provisions of section 410(b)(6)(c)(i) of the Code.
- 5.09 **Employee:** An individual, including a Self-Employed (described in section 401(c)(1) of the code) and a common-law employee, employed by the Employer, who performs services with respect to the trade or business of the Employer. Also any employee of any other employer required to be aggregated under section 414(b), (c) or (m) of the Code; any leased employee within the meaning of section 414(n) of the Code shall be considered an Employee; and all Employees required to be aggregated under section 414(o) of the Code.
- 5.10 **Employer:** The sole proprietorship, partnership, corporation or other entity identified as such in the Adoption Agreement. If the Employer is a member of a controlled group of corporations (under section 414(b) of the Code), a group of trades or businesses under common control (under section 414(c)), an affiliated service group (under section 414(m)) or is required to be aggregated with any other entity under section 414(o), then for purposes of this SIMPLE IRA Plan, the term "Employer" shall include the other members of such groups or other entities required to be aggregated with the Employer.
- 5.11 **Matching Contributions:** The Employer contribution described in section 3.03(b) of the Plan.
- 5.12 **Nonelective Contributions:** The 2% of each Eligible Employee's Compensation described in section 3.03(c) of the Plan.
- 5.13 **Participant:** Any Employee who has met the eligibility requirements of this Plan and who is eligible to receive an Employer contribution.
- 5.14 **Plan:** The Sponsoring Organization's Prototype SIMPLE Retirement Plan consisting of this plan document and the Adoption Agreement as completed and signed by the Employer.
- 5.15 **Plan Year:** The calendar year.
- 5.16 **SIMPLE:** A Savings Incentive Match Plan for Employees, as defined in section 408(p) of the Code under which Elective Deferrals may be made.
- 5.17 **Self-Employed:** An individual who has Earned Income for a Plan Year from the trade or business with respect to which the Plan is established. A Self-Employed also includes an individual who would have had Earned Income but for the fact that the trade or business had no net profits for the Plan Year.
- 5.18 **Sponsoring Organization:** The entity specified in the Adoption Agreement.
- 5.19 **Trustee/Custodian:** The financial institution or other organization which qualifies under section 408(a) of the Code and is serving as Trustee or Custodian of the IRA plan to which an Employer contribution is made under this SIMPLE Retirement Plan. The term Trustee shall also include an issuer of an annuity contract or endowment contract of an individual retirement annuity as described under section 408(b) of the Code.
- 5.20 **Designated Financial Institution (DFI):**
- (a) A Designated Financial Institution is a trustee, custodian, or insurance company (that issues annuity contracts) that receives all contributions made pursuant to this SIMPLE IRA Plan and deposits those contributions to the SIMPLE IRA of each Eligible Employee. If Item 14(b) of the Adoption Agreement is checked, the Employer will designate the financial institution at which SIMPLE IRAs will be established to receive contributions for Eligible Employees. Pursuant to the provisions of section 408(p)(7) of the Code, the DFI will notify Eligible Employees in writing (either separately or as part of the Plan Notice described in section 2.04 of the Plan) that their SIMPLE IRA balances may be transferred without cost or penalty to another SIMPLE IRA in accordance with the withdrawal and rollover provisions under section 408(d)(3)(G).
  - (b) If Item 14(a) of the Adoption Agreement is checked, the Employer must permit each Eligible Employee to select the financial institution for his or her SIMPLE IRA (Non-DFI).

## EMPLOYER DISCLOSURE

The Savings Incentive Match Plan for Employees ("SIMPLE") is a plan that provides you with a simplified way to enhance your employees' retirement income. Under a SIMPLE, eligible employees may choose whether to make elective deferrals to the SIMPLE or to receive the amounts in cash. If elective deferrals are made, you contribute the amounts deferred by employees directly into a SIMPLE Individual Retirement Arrangement (SIMPLE IRA) set up by or on behalf of the employee with a bank, insurance company, or other qualified financial institution. The SIMPLE IRA must be one for which the Internal Revenue Service has issued a favorable opinion letter or a model SIMPLE IRA published by the Service. The information provided below is intended to assist you in understanding and administering the elective deferral provisions of your SIMPLE Retirement Plan.

### I. Employers Who May Not Use This SIMPLE Plan

This SIMPLE Plan may not be used if you are an employer who:

- A. Maintains any other retirement plan including a qualified plan, SEP, SARSEP or 403(b) plan.
- B. Had more than 100 employees, who received at least \$5,000, at any time during the prior plan year. (If you are a member of a controlled group of businesses, you may use this SIMPLE Plan, provided that in the prior plan year there were never more than 100 employees who received at least \$5,000 for the prior plan year, in total, of all the members of such groups, trades, or businesses. In addition, all eligible employees of all the members of such groups, trades, or businesses must be eligible to make elective deferrals to this SIMPLE Plan.)

### II. Making the Agreement

This SIMPLE Plan agreement is considered made when:

- A. You have completed all blanks on the Adoption Agreement and the Summary Description; and
- B. You have given all eligible employees copies of this SIMPLE agreement and the completed Summary Description. Any individual who, in the future, becomes eligible to participate in this SIMPLE Plan must be given the Summary Description prior to becoming an eligible employee.

### III. Effective Date

This SIMPLE Plan agreement is effective on the date indicated in the Adoption Agreement. No elective deferrals may be made by an employee on the basis of compensation that the employee received or had a right to receive before adoption of this agreement and execution by the employee of the deferral election. This means your employees may not use compensation received during a plan year prior to executing a deferral election as a source of their elective deferrals.

For example, you adopt your SIMPLE Plan on July 1st for a calendar plan year, and your employees execute the deferral elections during July of that year. An eligible employee elects to defer up to 10% of his annual compensation. The employee earns \$10,000 prior to executing the deferral election. The same employee earns \$10,000 after executing their deferral election. Your employee may defer up to \$20,000 X 10% or \$2,000 for the plan year. However, the \$2,000 would only be permitted to be deferred into the plan from the \$10,000 earned after signing the deferral election.

### IV. Deductibility of Contributions

You may deduct, subject to the otherwise applicable limits, those contributions made to a SIMPLE Plan. Contributions to the SIMPLE Plan are deductible for your tax year with or within which the plan year of the SIMPLE Plan ends. Contributions made for a particular tax year and contributed by the due date of your income tax return, including extensions, are deemed made in that taxable year.

### V. Elective Deferrals

You may permit your employees to make elective deferrals through salary reduction that, at the employee's option, may be contributed to the SIMPLE Plan or received by the employee in cash during the year. You are responsible for telling your employees how they may make, change, or terminate elective deferrals based on salary reduction. You must also provide a SIMPLE Deferral Form on which they may make their deferral election. Elective deferrals (although treated as employer contributions) are treated as wages for purposes of FICA and FUTA taxes. Nonelective and Matching contributions are not subject to FICA and FUTA taxes. You are required to report the amount of each employee's elective deferral on such employee's Form W-2. If an employee elects to stop deferring during a Plan Year, you may elect on the Adoption Agreement to restrict such employee from resuming deferrals until the 1st day of the next Plan Year.

### VI. SIMPLE Plan Requirements

- A. Compensation is the employee's total compensation from the employer and includes:
  1. Amounts received for personal services actually performed (see section 1.219-1(c) of the Income Tax Regulations); and
  2. Earned income defined under section 408(p)(6)(A)(ii) of the Code.

- B. The maximum limit on the amount of compensation an employee may elect to defer under a SIMPLE for a year is the lesser of the percentage of compensation indicated in the Deferral Form (which cannot exceed 100%) or "the applicable annual dollar limitation" described below:

<u>Tax Year</u>	<u>Contribution Limit</u>
2001	\$ 6,500
2002	\$ 7,000
2003	\$ 8,000
2004	\$ 9,000
2005	\$10,000
2006	\$10,000
2007	\$10,500
2008	\$10,500
2009	\$11,500
2010	\$11,500

The maximum amount will be adjusted for cost-of-living increases in multiples of \$500.

- C. Employees who attain age 50 or over by the end of a calendar year can elect to have his or her Compensation reduced by an additional amount listed below. The maximum additional age-50 catch-up amount will be adjusted for cost-of-living increases in multiples of \$500.

<u>Tax Year</u>	<u>Catch-Up Limit</u>
2002	\$500
2003	\$1,000
2004	\$1,500
2005	\$2,000
2006	\$2,500
2007	\$2,500
2008	\$2,500
2009	\$2,500
2010	\$2,500

- D. You are generally required to match each employee's elective deferrals on a dollar for dollar basis up to 3% of compensation, not to exceed "the applicable annual dollar limitation". However, you may elect to reduce the 3% of compensation match (but not less than 1%), as long as such election will not result in less than a 3% Match in more than 2 years of the 5 year period ending with the current year.
- E. In lieu of an Employer Matching Contribution, you may contribute a 2% of Compensation Nonelective Contribution on behalf of all Eligible Employees. This is the only contribution under the SIMPLE plan where each employee's compensation is limited to \$200,000 adjusted for the cost of living. The compensation limit is:

\$220,000 for 2006  
 \$225,000 for 2007  
 \$230,000 for 2008  
 \$245,000 for 2009  
 \$245,000 for 2010

- F. Matching and Nonelective contributions cannot be made during the same plan year. You must indicate under which contribution formula you are making contributions and must communicate your election to your employees by providing a Notice within a reasonable period before the election period as specified in Article 5.06 of the Plan.
- G. Failure to provide the required employee notices or the Summary Description will result in a \$50 per day penalty.
- H. All contributions made to an Employee's SIMPLE IRA are immediately 100% vested.
- I. You are responsible for delivering all contributions under this SIMPLE Plan directly to the trustee or custodian of your employee's SIMPLE IRA. Salary deferral contributions are required to be deposited into the employee's SIMPLE IRA on a date that is as soon as you can reasonably segregate them from your general assets, but absolutely no later than 30 calendar days following the month that the deferral contributions were withheld from your employee's pay. Failure to make these deposits on a timely basis could result in your entire SIMPLE Plan being disqualified, as well as civil or criminal penalties under ERISA. These rules also apply in the case of self-employed individuals. Thus, the latest day for the deposit of salary reduction contributions made on behalf of a self-employed individual for a calendar year is 30 days after the end of such year, which is January 30<sup>th</sup>. In order to meet the "as soon as you can reasonably segregate" standard, the DOL regulations provide for a 7-business day deadline for depositing the employee's salary deferral into their account.

**VII. Excess Elective Deferrals**

The law limits the maximum amount of compensation an employee may elect to defer under a SIMPLE (and certain other arrangements) during the calendar year. This deferral limit under the SIMPLE is indexed according to the cost of living. In addition, the limit may be increased if the employee makes elective deferrals to a salary reduction arrangement under section 403(b) of the Code, or a 401(k) plan maintained by another Employer. Amounts deferred for a year in excess of this limit are considered "excess elective deferrals" and are

subject to the consequences described below.

The SIMPLE deferral limit applies to the total elective deferrals the employee makes for the calendar year, from all employers, under the following arrangements:

- A. SIMPLE Retirement Plans under section 408(p) of the Code;
- B. Elective SEPs under section 408(k)(6) of the Code;
- C. Cash or deferred arrangements under section 401(k) of the Code; and
- D. Salary reduction arrangements under section 403(b) of the Code.

Thus, an employee may have excess elective deferrals even if the amount deferred under this SIMPLE plan alone does not exceed the deferral limit. If an employee who elects to defer compensation under this SIMPLE Plan has made excess elective deferrals for a calendar year, he or she must include such excess elective deferrals in income in the year to which the deferrals relate and must also withdraw those excess elective deferrals by April 15 following the calendar year to which the deferrals relate.

#### **VIII. Nondeductible Employer Contributions - Tax Consequences**

If you contribute more than you can deduct, you are liable for an excise tax of 10% on the amount of the Nondeductible Employer Contribution under section 4972 of the Code. Nondeductible Employer Contributions may occur when you contribute too much (more than a 3% of compensation match, or more than a 2% of compensation nonelective contribution).

#### **IX. Restrictions on Withdrawals**

Your employees may roll over or transfer only to another trustee or custodian of a SIMPLE IRA any SIMPLE contributions (or income on these contributions) made during a particular plan year within the 2 year period the employee first participated in the SIMPLE Plan. After such 2 year period, the employee may roll over or transfer amounts in the SIMPLE IRA into any other IRA. If the Adoption Agreement indicates that all initial SIMPLE contributions will be made to a single designated Trustee or Custodian, an Employee must be permitted to move that SIMPLE IRA without cost or penalty to another SIMPLE IRA or, if after the 2 year period, to any other IRA.

If your employees withdraw amounts from their SIMPLE IRA during the 2 year period beginning on the date such employee first participated in the SIMPLE Plan, the distribution will be includible in the employee's gross income and may also be subject to a 25% additional income tax as described in section 72(t)(6) of the Code.

#### **X. For More Information**

To obtain more information concerning the rules governing this SIMPLE Retirement Plan, please contact the Sponsoring Organization, whose name, address and phone number appear in the Prototype SIMPLE Retirement Plan Adoption Agreement. IRS Publication 560 also contains more information regarding SIMPLE plans.



# Internal Revenue Service

# Department of the Treasury

Prototype SIMPLE IRA Plan 001

FFN: 5092949AQ00-001 Case: 200201539 EIN: 75-1382137

Letter Serial No: K910768b

Washington, DC 20224

SWS SECURITIES INC

1201 ELM STREET SUITE 3500

DALLAS, TX 75270

**Contact Person:**

Ms. Arrington 50-00197

**Telephone Number:**

(202) 283-8811

**In Reference to:**

OP:E:EP:T

**Date:**

10/24/2002

Dear Applicant:

In our opinion, the amendment to the form of your Savings Incentive Match Plan for Employees of Small Employers (SIMPLE IRA Plan) does not adversely affect its acceptability under section 408(p) of the Internal Revenue Code. This SIMPLE IRA Plan is approved for use only in conjunction with one or more SIMPLE Individual Retirement Arrangements (SIMPLE IRAs), each of which meets the requirements of Code section 408(p) and has received a favorable opinion letter, or is a model SIMPLE IRA (Form 5305-S or 5305-SA).

An employer that adopts this approved prototype will be considered to have a SIMPLE IRA Plan that satisfies the requirements of Code section 408(p) provided that the terms of the plan are followed and that it is used in conjunction with one or more approved SIMPLE IRAs. Please provide a copy of this letter to each adopting employer.

Code section 408(1)(2) requires an employer that adopts a SIMPLE IRA Plan to provide to employees certain information about the SIMPLE IRA Plan.

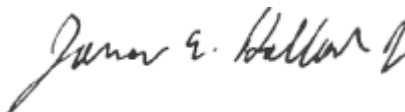
Your prototype may have to be amended to include or revise provisions to comply with future changes in the law or regulations.

If you, the sponsoring organization, have any questions concerning the IRS processing of this case, please call the above telephone number. This number is only for use of the sponsoring organization. Individual participants and/or adopting employers with questions concerning the plan should contact the sponsoring organization. The sponsoring organization must provide its address and telephone number for inquiries by individual participants and adopting employers.

If you write to the IRS regarding this plan, please provide your telephone number and the most convenient time for us to call in case we need more information. Whether you call or write, please refer to the File Folder Number (FFN) shown in the heading of this letter.

You should keep this letter as a permanent record. Please notify us in writing if you modify or discontinue sponsorship of this prototype plan.

Sincerely yours,



Chief, Employee Plans Technical Branch



**Southwest Securities, Inc. and/or Broker/Dealers for which it Clears**  
 Southwest Securities, Inc. - Member: NYSE/ FINRA/ SIPC

New Account  
 Account Update

## SIMPLE IRA Account Application

### 1. Type of IRA (Check ONE)

- SIMPLE IRA       SIMPLE IRA Rollover (Must also complete a Rollover Certification Form)

### 2. Customer Information

Full Name of Applicant (First, Middle, Last)		Social Security #	Date of Birth		
Physical/ Home Address (P.O. Box is not acceptable)	City	State/Province	Country	Zip	Years at Residence
Mailing Address (P.O. Box acceptable if physical address provided above)	City	State/Province	Country	Zip	
Home Phone Number	Cell Phone Number	Fax Number	Email Address		

### 3. Customer Identification

#### USA PATRIOT Act - Important Information About Opening A New Account

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means to you: When you open an account, we will require your name, address, date of birth and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

**For Applicant:**

Driver's License     Passport/Visa     Other \_\_\_\_\_

Issuer: \_\_\_\_\_ ID Number: \_\_\_\_\_

Date of Issuance (If applicable): \_\_\_\_\_ Date of Expiration (If applicable): \_\_\_\_\_

### 4. Customer Profile

**Marital Status:**  Single     Married     Divorced     Widowed      **Number of Dependents:** \_\_\_\_\_

**Citizenship Status:**  U.S. Citizen     Resident Alien (**Note: Non-Resident Aliens are NOT permitted to open IRA Accounts.**)

**Country of Citizenship if Non-U.S. :** \_\_\_\_\_

**Please attach a copy of your employer's completed SIMPLE Prototype Adoption Agreement, which should be available to you from your SIMPLE Plan contact person.**      **Plan Contact Person:** \_\_\_\_\_

**Employment Information:** (Please specify if self-employed, unemployed, retired, homemaker, student or other):

Employer (If self-employed or retired, specify type of business.)	Occupation/Job Title	Business Telephone
Employer's Address	City	State/Province
	Country	Zip

### Customer Affiliations and Disclosures

Indicate the affiliation of yourself, your spouse, or any other immediate family members (i.e. parents, siblings, children or in-laws) with the following (Please include name and relationship as is applicable):		Self	Family Member
<b>A.</b> Employed by or associated with the securities industry or a financial regulatory agency? (If yes, please specify the entity name and address to which duplicate account mailings should be sent, as well as including a letter from employer approving this account.):	<input type="checkbox"/> No	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes
<b>B.</b> An officer, director or 10% (or more) shareholder in a publicly-owned company? (If yes, please specify company name and trading symbol.):	<input type="checkbox"/> No	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes
<b>C.</b> A senior military, governmental or political official in either the U.S. or a foreign jurisdiction? (If yes, identify the name of the official, office held, and country.):	<input type="checkbox"/> No	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes

Have you granted account trading authorization to another party? (If yes, please specify the agent name and provide a copy of the written agreement conferring trading and account authority.)     Yes     No \_\_\_\_\_

### Financial Institution References

Reference 1: \_\_\_\_\_ Reference 2: \_\_\_\_\_ Reference 3: \_\_\_\_\_

## Customer Investment Objectives and Risk Tolerance

Select the categories that best describe your investment objectives and the risk that you are willing to assume in this account. Different investment products and strategies involve different degrees of risk. The greater the expected returns of a product or strategy, the greater the risk that you could lose some or all of your investment. Investments should be chosen based on your objectives, timeframe, and tolerance for market fluctuations. *(Note that a secondary investment objective is not required)*

Select One Primary Investment Objective with Your Associated Risk Tolerance <i>(Check one box only)</i>				Select One Secondary Investment Objective with Your Associated Risk Tolerance <i>(Check one box only)</i>			
<b>Capital Preservation</b>	<input type="checkbox"/> Low	You may not choose a secondary investment objective if you select Capital Preservation.		<b>Income</b>	<input type="checkbox"/> Low	<input type="checkbox"/> Moderate	<input type="checkbox"/> High
<b>Income</b>	<input type="checkbox"/> Low	<input type="checkbox"/> Moderate	<input type="checkbox"/> High	<b>Growth</b>	<input type="checkbox"/> Low	<input type="checkbox"/> Moderate	<input type="checkbox"/> High
<b>Growth</b>		<input type="checkbox"/> Moderate	<input type="checkbox"/> High	<b>Speculation</b>		<input type="checkbox"/> Moderate	<input type="checkbox"/> High
<b>Speculation</b>			<input type="checkbox"/> High			<input type="checkbox"/> High	

### Investment Objective Descriptions

- Capital Preservation:** The object of capital preservation is to protect your initial investment by choosing investments that minimize the potential of a loss of principal. The long-term risk of this strategy is that returns may not offset inflation.
- Income:** The primary objective of the income strategy is to provide current income rather than the long-term growth of principal.
- Growth:** The objective of the growth strategy is to increase the value of your investment over time while recognizing a high likelihood of volatility.
- Speculation:** A speculative objective assumes a higher risk of loss in anticipation of potentially higher-than-average gains by taking advantage of expected price changes. You recognize and are able to bear the full risk of the loss of some or all principal in such investments.

### Risk Tolerance Descriptions

- Low (Conservative):** I want to preserve my initial principal in this account, with minimal risk, even if that means this account does not generate significant income or returns and may not keep pace with inflation.
- Moderate:** I am willing to accept some risk to my initial principal and tolerate some volatility to seek higher returns, and understand I could lose a portion of the money invested.
- High (Aggressive):** I am willing to accept high risk to my initial principal, including high volatility, to seek higher returns over time, and understand I could lose all or a substantial amount of the money invested.

## Customer Financial Information

### Financial Information

The more we know about you and your goals for this account, the better we can serve you. Please answer the following questions about your investment experience and financial situation to help us determine which investment products and strategies are suitable for you.

Investment Experience <i>(Include Years of Experience)</i>	Annual Income <sup>1</sup> <i>(From all Sources)</i>	Net Worth <sup>2</sup> <i>(Exclusive of Residence)</i>	Liquid Net Worth <sup>3</sup> <i>(Cash, Securities, etc.)</i>	Federal Tax Rate
<input type="checkbox"/> Stocks _____	<input type="checkbox"/> Under \$25,000	<input type="checkbox"/> Under \$50,000	<input type="checkbox"/> Under \$50,000	<input type="checkbox"/> 10%
<input type="checkbox"/> Bonds _____	<input type="checkbox"/> \$25,000-\$49,999	<input type="checkbox"/> \$50,000-\$99,999	<input type="checkbox"/> \$50,000-\$99,999	<input type="checkbox"/> 15%
<input type="checkbox"/> Options _____	<input type="checkbox"/> \$50,000-\$99,999	<input type="checkbox"/> \$100,000-\$249,999	<input type="checkbox"/> \$100,000-\$249,999	<input type="checkbox"/> 25%
<input type="checkbox"/> Commodities _____	<input type="checkbox"/> \$100,000-\$249,999	<input type="checkbox"/> \$250,000-\$499,999	<input type="checkbox"/> \$250,000-\$499,999	<input type="checkbox"/> 28%
<input type="checkbox"/> Futures _____	<input type="checkbox"/> \$250,000-\$499,999	<input type="checkbox"/> \$500,000-\$999,999	<input type="checkbox"/> \$500,000-\$999,999	<input type="checkbox"/> 33%
<input type="checkbox"/> Mutual Funds _____	<input type="checkbox"/> \$500,000-\$999,999	<input type="checkbox"/> \$1,000,000-\$3,000,000	<input type="checkbox"/> \$1,000,000-\$3,000,000	<input type="checkbox"/> 35%
<input type="checkbox"/> Other <i>(List)</i> _____	<input type="checkbox"/> \$1,000,000-\$3,000,000	<input type="checkbox"/> Over \$3,000,000	<input type="checkbox"/> Over \$3,000,000	
	<input type="checkbox"/> Over \$3,000,000			

### Additional Customer Information

Annual Expenses <sup>4</sup> <i>(Recurring)</i>	Special Expenses <sup>5</sup> <i>(Future/ Non-Recurring)</i>	Description of Terms
<input type="checkbox"/> \$50,000 and under	<input type="checkbox"/> \$50,000 and under	<b>1 Annual income</b> includes income from sources such as employment, alimony, social security, investment income, etc.
<input type="checkbox"/> \$50,001-100,000	<input type="checkbox"/> \$50,001-100,000	<b>2 Net worth</b> is the value of your assets minus your liabilities. For purposes of this application, assets include stocks, bonds, mutual funds, other securities, bank accounts, and other personal property. Do not include your primary residence among your assets. For liabilities, include any outstanding loans, credit card balances, taxes, etc. Do not include your mortgage.
<input type="checkbox"/> \$100,001-250,000	<input type="checkbox"/> \$100,001-250,000	<b>3 Liquid net worth</b> is your net worth minus assets that cannot be converted quickly and easily into cash, such as real estate, business equity, personal property and automobiles, expected inheritances, assets earmarked for other purposes, and investments or accounts subject to substantial penalties if they were sold or if assets were withdrawn from them.
<input type="checkbox"/> \$250,001-500,000	<input type="checkbox"/> Over \$250,000	<b>4 Annual expenses</b> might include mortgage payments, rent, long-term debts, utilities, alimony or child support payments, etc.
<input type="checkbox"/> Over \$500,000		<b>5 Special expenses</b> might include a home purchase, remodeling a home, a car purchase, education, medical expenses, etc.
<b>The investments in this account will be:</b> <i>(Check one)</i>	<b>Timeframe for Special Expenses</b>	
<input type="checkbox"/> Less than 1/3 of my financial portfolio	<b>Special Expense:</b> _____	
<input type="checkbox"/> Roughly 1/3 to 2/3 of my financial portfolio	<input type="checkbox"/> Within 2 years	
<input type="checkbox"/> More than 2/3 of my financial portfolio	<input type="checkbox"/> 3-5 years	
	<input type="checkbox"/> 6-10 years	
	<input type="checkbox"/> 11 years or more	

**Investment Time Horizon** - When is the earliest that you expect to need funds from this account?

- Under 3 years  3-5 years  6-10 years  11-20 years  Over 20 years  Unknown

I plan to use this account for the following (Check all that apply)	What is your source of funds for this account (Check all that apply)
<input type="checkbox"/> Generate income for current or future expenses <input type="checkbox"/> Partially fund my retirement <input type="checkbox"/> Wholly fund my retirement <input type="checkbox"/> Steadily accumulate wealth over the long term <input type="checkbox"/> Preserve wealth and pass it on to my heirs <input type="checkbox"/> Pay for educational expenses <input type="checkbox"/> Market speculation <input type="checkbox"/> Other: _____	<input type="checkbox"/> Income from Earnings <input type="checkbox"/> Investments/ Transfer from Brokerage Account <input type="checkbox"/> Gift <input type="checkbox"/> Sale of Business or Real Estate <input type="checkbox"/> Inheritance <input type="checkbox"/> Pension/ IRA/ Retirement Savings <input type="checkbox"/> Spouse/ Parent/ Relative <input type="checkbox"/> Legal/ Insurance Settlement <input type="checkbox"/> Lottery/Gaming <input type="checkbox"/> Other: _____

**Other Investment Information (Optional)** - Please consider providing us with additional information about your other investments to help us more fully understand your financial situation and the types of investments or strategies that may be appropriate for your total investment portfolio. (Use additional pages if needed)

Investment Type/Description	Firm Holding Your Investment	Amount of Investment
		\$
		\$
		\$

**5. Beneficiary Designation**

Name and Address	Birth Date	Social Security #*	Relationship	Beneficiary Type*	Share %*
				<input type="checkbox"/> Primary <input type="checkbox"/> Contingent	_____%
				<input type="checkbox"/> Primary <input type="checkbox"/> Contingent	_____%
				<input type="checkbox"/> Primary <input type="checkbox"/> Contingent	_____%
				<input type="checkbox"/> Primary <input type="checkbox"/> Contingent	_____%

**\*Note:** Beneficiaries must have a social security number. In the event of your death, the Primary Beneficiaries will receive the proceeds of your IRA in equal shares or in the specified Share %, if indicated. If no Primary Beneficiary survives you, the Contingent Beneficiaries will receive the proceeds of your IRA in equal shares or in the specified Share %, if indicated. If the Beneficiary Type box is not checked for a beneficiary, the beneficiary will be deemed to be a Primary Beneficiary. If no beneficiary is listed, the balance in the account shall be paid to your estate. The total % of all Primary Beneficiaries must equal 100%; the total % of all Contingent Beneficiaries, if designated should also equal 100%. If you elect to have a predeceased Primary Beneficiary's proceeds distributed to contingent beneficiaries equally or in the specified Share %, if indicated, instead of equally divided among surviving Primary Beneficiaries, check here.  If you check this option, you must provide the name and social security number of the contingent beneficiary.

**Additional Guidance**

It is in your best interest to seek the guidance of your tax or legal professional before completing this form because of the potentially significant financial and estate planning consequences associated with beneficiaries naming successor IRA beneficiaries. Please see the Death Distribution information contained within your IRA adoption agreement and disclosure. For more information, refer to Internal Revenue Service (IRS) Publication 590 or visit the IRS Website at [www.irs.gov](http://www.irs.gov).

**6. Spousal Consent (Required if participant's spouse is not designated as the sole primary beneficiary.)**

As the spouse of the participant in the above-named Plan, I acknowledge that I understand my rights to be named the Primary Beneficiary of my spouse's account balance. I hereby consent to the designation made by my spouse to have the death benefit paid to the beneficiary(ies) named on my spouse's most current Beneficiary Designation instead of to me. I further acknowledge that I understand that the effect of my consent may be to forfeit benefits which I would be entitled to receive upon my spouse's death; that my spouse may not name a non-spouse beneficiary unless I consent to it; that the trustees may or may not permit me to revoke my consent to waiver at a later date; and that my spouse may not change beneficiary(ies) to anyone other than myself without my consent.

**X** \_\_\_\_\_  
 Spouse's Signature (Required if not sole primary beneficiary.) Date

**7. Sweep Account Instructions**

**For Cash Within the Account:**

You must make ONE selection below. This type of account may not retain excess cash balances in Credit Interest (CIP). Excess cash balances must sweep to one of the fund or bank insured deposit options below. Applications without a selection will be rejected.

- |   |  |
|---|--|
| <input type="checkbox"/> Sweep to Bank Insured Deposit (FDIC Insured Deposit Account) | <input type="checkbox"/> Sweep to Federated Florida Muni Fund    |
| <input type="checkbox"/> Sweep to Dreyfus General Money Market Fund                   | <input type="checkbox"/> Sweep to Federated California Muni Fund |
| <input type="checkbox"/> Sweep to Dreyfus General Muni Fund                           | <input type="checkbox"/> Sweep to Federated Minnesota Muni Fund  |
| <input type="checkbox"/> Sweep to Dreyfus General Government Fund                     | <input type="checkbox"/> Sweep to Federated New York Muni Fund   |
| <input type="checkbox"/> Sweep to Dreyfus General Treasury Prime Fund                 |  |

The Bank Insured Deposit is a program administered by Reich & Tang Insured Deposits ("RTIDs"), which involves a series of FDIC-insured bank accounts maintained at various participant banks, including Southwest Securities FSB, Dallas, Texas, an affiliate of Southwest Securities, Inc. (SWST). Bank deposits are generally insured up to \$250,000 per depositor, while your IRA and other qualifying self-directed retirement funds on deposit are separately insured up to \$250,000. Balances in Bank Insured Deposit up to \$2.5 million may be covered depending on the number of participant banks in the program. Account balances in excess of the combined coverage limits of the participant banks will be swept by SWST to a money market fund. A list of participant banks is available at [www.swst.com](http://www.swst.com). Deposits you may have directly placed with any participant bank should be taken into account when assessing your FDIC coverage. If you have a deposit with one of the participant banks that is separate from a balance in the Bank Insured Deposit, please notify your broker if the combined deposits are in excess of \$250,000. I acknowledge that I am aware that if I elect or otherwise have cash swept to the Bank Insured Deposit, the RTIDs Terms and Conditions document will be mailed to me. Information regarding FDIC coverage is available at [www.fdic.gov](http://www.fdic.gov). Cash balances invested in the Bank Insured Deposit are not covered by SIPC or excess-SIPC coverage. Please consult your broker, as certain types of accounts may not be eligible to invest in the Bank Insured Deposit. Your broker may receive a fee with respect to the Bank Insured Deposit. For more information concerning your cash account options, please contact your broker. For complete sweep account disclosures please see the Customer Information Brochure.

**8. Option Account Agreement** (Please read, complete and sign below if you wish to trade options)

Investment Objective (See Descriptions on Page 2)	Prior Option Activity Has Been	Prior Option Trading Frequency	Prior Option Trading Occurred In What Account Type
<input type="checkbox"/> Income <input type="checkbox"/> Speculation	<input type="checkbox"/> No Activity <input type="checkbox"/> Buying <input type="checkbox"/> Writing <input type="checkbox"/> Uncovered (Sales)	<input type="checkbox"/> No Trading <input type="checkbox"/> Infrequent <input type="checkbox"/> Moderate <input type="checkbox"/> Active	<input type="checkbox"/> Cash <input type="checkbox"/> Margin <input type="checkbox"/> Both <input type="checkbox"/> Neither

**Option Strategy Levels Requested:** (Check the strategy level that you wish to utilize in this account)

- Level 1:** Covered Option Writing – Writing calls fully covered by underlying stock or security convertible into underlying stock or writing puts fully covered by cash.
- Level 2:** Level 1 plus buying calls and/or puts.

By signing below, I acknowledge that I have received a copy of the SWST Option Account Agreement Section of the Customer Information Brochure and that I have read, understand and agree to be bound by the terms. I feel that I have sufficient knowledge to invest in options and I represent that I will maintain extra awareness due to the short life and price volatility of options. **I REPRESENT THAT I AM CAPABLE OF EVALUATING, CARRYING AND BEARING THE FINANCIAL RISKS AND HAZARDS OF THE OPTION STRATEGIES AS I HAVE REQUESTED.**

**X** \_\_\_\_\_  
 Applicant's Signature Date

**9. Account Agreement and Special Instructions** (Please read and sign)

You hereby request that your broker maintain a brokerage account in the name(s) listed on this application. You acknowledge that you have received, read and understood the Southwest Securities, Inc. (SWST/Firm) Cash Account Agreement (Agreement) section of the Customer Information Brochure and that you agree to be bound by the terms and conditions of the Agreement that apply to your brokerage account, as is currently in effect and as may be amended from time to time, and that you will contact your broker regarding any questions that may relate to your account in a timely manner.

By signing below, you authorize SWST to invest or transfer on an ongoing basis any excess cash balances to another account or institution as per the sweep account option selected above. You also acknowledge that you have read, understand, and agree to be bound by all terms as contained in the Customer Information Brochure relating to sweep accounts. You agree to notify your Broker should you wish to change your sweep account selection. You also authorize SWST to transfer your interest in the selected sweep option to another product in its sweep account program upon 30 days written notice.

By signing this Application, you confirm your intention to reinvest cash credit balances held by SWST in your name, and you further confirm that this cash credit balance is being maintained in your account solely for the purpose of reinvestment. You acknowledge your understanding that cash balances of up to \$250,000 are protected by the Securities Investor Protection Corporation (SIPC), but that SIPC coverage is not available for funds maintained solely for the purpose of earning interest.

Under rule 14b-1(c) of the Securities Exchange Act, a broker is required to disclose to an issuer the name, address, and securities positions of our customers who are beneficial owners of that issuer's securities unless the customer objects. If you object to the disclosure of such information, please check this box:

- Yes, I object to the disclosure of such information.

**Tax Withholding Certifications**

Please check all boxes that apply, and sign and date in Section 10:

Account Applicant	
<input type="checkbox"/>	<b>U.S. Person:</b> Under penalties of perjury, I certify that: (1) the number shown on this form is my correct taxpayer identification number; (2) I am not subject to backup withholding because: (a) I am exempt from backup withholding; or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends; or (c) the IRS has notified me that I am no longer subject to backup withholding; (3) I am a U.S. person (including a U.S. resident alien); and (4) the Foreign Account Tax Compliance Act (FATCA) code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.
<input type="checkbox"/>	<b>Certification Instructions:</b> You must check this box if you cannot certify to item (2) above, meaning that you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return.
<input type="checkbox"/>	<b>Non-Resident Alien:</b> I certify that I am not a U.S. citizen, U.S. resident alien, or other U.S. person for U.S. tax purposes, and I am submitting the applicable Form W-8BEN with this form to certify my foreign status and, if applicable, claim tax treaty benefits.

Under penalties of perjury, I certify that the above information (including my social security number) is correct. I hereby agree to participate in the IRA offered by the Custodian. I acknowledge receipt of a copy of the plan document under which this IRA is established and a copy of the Disclosure Statement with respect to this IRA. I direct that all benefits upon my death be paid as indicated above. In the event that this is a rollover contribution, the undersigned hereby irrevocably elects, pursuant to the requirements of Section 1.402(a)(5)-IT of the IRS regulations, to treat this contribution as a rollover contribution. The Custodian of this account is Southwest Securities, Inc. Notice of revocation must be delivered or mailed to Southwest Securities, Inc. / 1201 Elm Street, Suite 3500 / Dallas, TX 75270 / Phone #: (214) 859-1800.

By signing and dating this form, all applicants authorize the disclosure of their names, security position(s) and contact information, for purposes of receiving official communications concerning municipal securities, if relevant, to (a) an issuer of municipal securities; (b) a trustee for an issue of municipal securities in its capacity as trustee; (c) a state or federal tax authority; or (d) a custody agent for a stripped coupon municipal securities program in its capacity as custody agent. (For additional information, please see MSRB Rules G-8(a)(xi) and G-15(g)(iii)(A).)

"Power of Attorney" not related to limited trading authorization will be accepted if it complies with the POA standards established by Southwest Securities, Inc.

**The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup and FATCA withholding. For IRS Form W-9 instructions please use the following link: <http://www.irs.gov/pub/irs-pdf/iw9.pdf>.**

In consideration of the firm accepting this account, I acknowledge that I have read, understand and agree to be bound by the SWST Cash Account Agreement terms as contained in the Customer Information Brochure, that I acknowledge receiving at the time the account was opened. **I further acknowledge that I have read and understand the pre-dispute arbitration clause contained in the Cash Account Agreement section of the Customer Information Brochure and agree to resolve any disputes arising out of my account by arbitration.** I certify that the foregoing client information is accurate and I am aware that the information is relied upon by the broker in servicing my account, and as such, I agree to notify the Firm in writing of any material changes, including those to the holder's financial situation or investment objectives.

**10. Customer Signature**

X \_\_\_\_\_  
 Applicant's Signature Date Applicant's Printed Name

FOR BROKERAGE USE ONLY	
Characteristics and Risks of Standardized Options Delivered: _____ / _____ / _____ Special Statement for Uncovered Option Writers Delivered: _____ / _____ / _____ In my capacity as Registered Options Principal, I have reviewed the client's financial condition, investment objective(s) and investment experience, and on that basis feel the following level of trading is suitable for this client: <input type="checkbox"/> Level 1 <input type="checkbox"/> Level 2 <input type="checkbox"/> None X _____ Registered Options Principal Signature Date _____ Registered Options Principal Printed Name Office #: _____ Rep #: _____ Account #: _____	Customer Information Brochure Delivered: _____ / _____ / _____ Privacy Policy Delivered: _____ / _____ / _____ Copies of all Written Agreements Delivered: _____ / _____ / _____ X _____ Investment Representative's Signature Date _____ Investment Representative's Printed Name X _____ Principal's Signature Date _____ Principal's Printed Name X _____ Authorized Signature of Custodian Date _____ Authorized Printed Name of Custodian

**PROTOTYPE SIMPLE RETIREMENT PLAN  
ADOPTION AGREEMENT**

The undersigned Employer hereby establishes on the date indicated, the Sponsoring Organization's Prototype SIMPLE Retirement Plan and agrees that the following elections and terms shall be part of such Plan.

**EMPLOYER INFORMATION**

- 1. Name: \_\_\_\_\_ 3. Phone: \_\_\_\_\_
- 2. Address: \_\_\_\_\_ 4. EIN: \_\_\_\_\_
- 5. Contact Person: \_\_\_\_\_

**PLAN INFORMATION**

- 6. Effective Date:  January 1, \_\_\_\_\_; or  \_\_\_\_\_ (For initial Plan Year enter a date between January 1 and October 1.)
- 7. Sponsoring Organization: \_\_\_\_\_

The Sponsoring Organization will inform the Employer of any amendments to the SIMPLE or if the Sponsoring Organization no longer sponsors this Prototype.

**ELIGIBILITY REQUIREMENTS**

- 8. All Employees of the Employer shall be eligible to participate under the Plan except:
  - a. Employees included in a unit of employees covered under a collective bargaining agreement described in section 2.02(a) of the Plan. (NOTE: This box is deemed checked if the special rule for the one-plan requirement in section 1.03(a) applies.)
  - b. Non-resident alien employees who did not receive US source income described in section 2.02(b) of the Plan.
  - c. If the Employer has been involved in an acquisition, or similar transaction, by checking the box below, the following Employees are not Eligible Employees, but only for the calendar year of the transaction and the following calendar year (the following 2 calendar years, if permitted by section 408(p)):
    - Employees who would be employed by another employer involved in the \_\_\_\_\_ (insert date of transaction) transaction with the Employer had the transaction not occurred. (NOTE: This box is deemed checked if section 1.03(a) of the Plan applies.)
- 9.  a. Full eligibility. All Employees are eligible.
- b. Limited eligibility. Eligibility is limited to each Eligible Employee who is described in both (i) and (ii) below:
  - (i) Prior year compensation. An Eligible Employee who has received at least \$5,000, or \_\_\_\_\_, if lesser, in Compensation during any 2, or \_\_\_\_\_ (insert 0 or 1), if less, preceding calendar years (need not be consecutive); and
  - (ii) Current year compensation. An Eligible Employee who is reasonably expected to receive at least \$5,000, or \_\_\_\_\_, if lesser, in Compensation during the current calendar year.

**WRITTEN ALLOCATION FORMULA - EMPLOYER CONTRIBUTIONS**

- 10. The Employer shall contribute on behalf of each Participant for each Plan Year in accordance with one of the following as indicated in the Summary Description.
  - a. Matching Contribution in the amount of the Participant's Elective Deferral. Employer Matching Contributions must meet the requirements of section 3.03(b) of the Plan.
  - b. Nonelective Contribution of 2% of each Eligible Employee's Compensation, who receives at least \$5,000, or \_\_\_\_\_, if lesser, in Compensation from the Employer for the Plan Year.

**WRITTEN ALLOCATION FORMULA - ELECTIVE DEFERRALS**

- 11. An Eligible Employee may elect to have his/her Compensation reduced by a percentage as specified on the Deferral Form (including a "catch-up" contribution.).
- 12. If a Participant elects to stop deferring during a Plan Year, such Participant:
  - a. may not begin Elective Deferrals until January 1 of the next Plan Year; or
  - b. may resume Elective Deferrals at any time provided another Deferral Form is filed with the Employer.
- 13. An Eligible Employee will be permitted to make or modify his deferral election: \_\_\_\_\_ (insert date(s) which will apply to all Eligible Employees).

**INVESTMENT PROVISIONS**

- 14. The IRA accounts of each Participant shall be established and maintained with:
  - a. A Trustee/Custodian of each Participant's choice if indicated on the Deferral Form; or
  - b. The "DFI" Trustee/Custodian named by the Employer is: (insert name and address of DFI)

**SIGNATURES**

Employer: \_\_\_\_\_ Trustee (optional): \_\_\_\_\_

By (Authorized Signature): \_\_\_\_\_ By (Authorized Signature): \_\_\_\_\_

Date: \_\_\_\_\_ Date: \_\_\_\_\_

# SIMPLE PLAN DEFERRAL FORM

## SECTION I - GENERAL PLAN INFORMATION

Participant's Name: \_\_\_\_\_

Participant's Address: \_\_\_\_\_ SSN: \_\_\_\_\_

Name of Employer: \_\_\_\_\_

Trustee/Custodian: \_\_\_\_\_

## SECTION II - SALARY REDUCTION DEFERRAL ELECTION

Subject to the requirements of the SIMPLE Retirement Plan of the above-named employer, I authorize the following amount or percentage of my compensation to be withheld from each of my paychecks and contributed to my SIMPLE IRA:

- a. \_\_\_\_\_ percent of my salary (not in excess of 100%); OR
- b. \$ \_\_\_\_\_ per pay period; OR
- c. \$ \_\_\_\_\_ as of \_\_\_\_\_ [insert amount and date of single-sum deferral payment].

I elect not to participate in my Employer's SIMPLE Plan with respect to Salary reduction contributions.

This salary reduction authorization shall remain in effect until I give a written modification or termination of its terms to my employer.

## SECTION III - AMOUNT OF DEFERRAL

- a. If I will be under age 50 by the end of the relevant year, I understand that the total amount of my salary reduction contributions cannot exceed a specified dollar amount explained in the Summary Description.
- b. If I will be age 50 or over by the end of the relevant year, I understand that the total amount of my age 50 catch-up salary reduction contributions cannot exceed a specified dollar amount explained in the Summary Description.
- c. I understand that the total amount I defer in any calendar year to this SIMPLE may not exceed the lesser of:  
\_\_\_\_\_ % of my compensation; or the dollar limitation indicated in (a) or (b) above.

## SECTION IV - COMMENCEMENT OF DEFERRAL

The deferral election specified in Section II above shall not become effective before \_\_\_\_\_ (Specify a date no earlier than the first day of the first pay period beginning after you sign this agreement.)

## SECTION V - DISTRIBUTIONS FROM SIMPLE IRA

I understand that any amounts withdrawn from my SIMPLE IRA are includible in my gross income and may be subject to a 25% additional income tax if withdrawn within 2 years of the day I first participated in this SIMPLE Plan.

## SECTION VI - EMPLOYEE SELECTION OF SIMPLE IRA TRUSTEE OR CUSTODIAN

I select the following financial institution to serve as the trustee, custodian, or issuer of my SIMPLE IRA.

Name of Financial Institution: \_\_\_\_\_

Address: \_\_\_\_\_

SIMPLE IRA Account Name/Number: \_\_\_\_\_

I understand that I must establish a SIMPLE IRA to receive any contributions made on my behalf under this SIMPLE IRA Plan. If the information regarding my SIMPLE IRA is incomplete when I first submit my salary reduction agreement, I realize that it must be completed by the date contributions must be made under the SIMPLE IRA Plan. If I fail to update my agreement to provide this information by that date, I understand that my employer may select a financial institution for my SIMPLE IRA.

Date: \_\_\_\_\_ Signature of Participant: \_\_\_\_\_

## SECTION VII - TERMINATION OF ELECTIVE DEFERRALS

I understand that my Employer may restrict me from resuming Elective Deferrals until the January 1st of the next Plan Year, if so indicated on the Adoption Agreement.

I wish to stop my Elective Deferrals as of \_\_\_\_\_. (Fill in the date you want your salary reduction contributions to end. The date must be after you sign this agreement).

Employee Initials \_\_\_\_\_.

## SECTION VIII - DURATION OF ELECTION

This salary reduction agreement replaces any earlier agreement and will remain in effect as long as I remain an Eligible Employee under the SIMPLE IRA Plan or until I provide my Employer with a new salary reduction agreement as permitted under this SIMPLE IRA Plan.



**ANNUAL SUMMARY DESCRIPTION**  
**(For Existing SIMPLE Plan)**

**EMPLOYER INSTRUCTIONS:**

We are required to provide you with an Annual Summary Description for your SIMPLE Plan. You, the employer, must complete the information in items 1 through 9 below, prior to providing this Summary Description to your employees. A completed Annual Summary Description must be given to each eligible employee within a reasonable time prior to November 2nd of each year. Therefore, this description is providing information on your SIMPLE Plan with respect to the following calendar year. If you are not the Employer, please provide this to your Employer for completion.

**PLAN INFORMATION**

1. Name of Employer: \_\_\_\_\_  
Address of Employer: \_\_\_\_\_
2. Name of Trustee/Custodian: \_\_\_\_\_  
Address of Trustee/Custodian: \_\_\_\_\_

The Trustee/Custodian named above is a  non-DFI;  DFI  
(If the "DFI" (Designated Financial Institution) box is checked, the Trustee/Custodian must provide information regarding procedures for, and effects of, withdrawals (including rollovers) from the SIMPLE IRA.)

**ELIGIBILITY REQUIREMENTS**

3. All Employees of the Employer shall be eligible to participate under the Plan except:
- a. Employees included in a unit of employees covered under a collective bargaining agreement.
  - b. Non-resident alien employees who did not receive US source income.
  - c. Employees who are not reasonably expected to earn \$\_\_\_\_\_ (not to exceed \$5,000) during the Plan Year for which the contribution is being made.
  - d. There are no eligibility requirements. All Employees are eligible to participate upon the later of the plan's effective date or the employee's date of hire.
4. Each Eligible Employee will be eligible to become a Participant after having worked for the Employer during any prior years (not to exceed 2) and received at least \$\_\_\_\_\_ in compensation (not to exceed \$5,000), during each of such prior years.

**WRITTEN ALLOCATION FORMULA**

5. The Employer has agreed to provide contributions for the \_\_\_\_\_ Plan Year as follows (complete only one choice):
- a. Matching Contribution - The amount of the Participant's Elective Deferral not in excess of 3% of such Participant's Compensation.
  - b. Matching Contribution - The amount of the Participant's Elective Deferral not in excess of \_\_\_\_\_% (not less than 1% nor more than 3%) of such Participant's Compensation.
  - c. Nonelective Employer Contribution - 2% of each Eligible Employee's Compensation, if the Eligible Employee earns at least \$\_\_\_\_\_ in compensation (not to exceed \$5,000) during the calendar year.
6. Catch-up Elective Deferral Contributions shall not exceed \$2,500 (subject to cost-of-living adjustments) and may only be made by Eligible Employees who have attained or who will attain the age of 50 on or before December 31.

**TIMING OF ELECTION**

7. If a Participant elects to stop deferring during a Plan Year, such Participant:
- a. may not resume Elective Deferrals until January 1 of the next Plan Year; or
  - b. may resume Elective Deferrals at the next change date permitted under Item 8 below.
8. An Eligible Employee will be permitted to make or modify his deferral election: \_\_\_\_\_  
(insert date(s) which will apply to all Eligible Employees).

**ADDITIONAL INFORMATION**

9. The Employer has designated \_\_\_\_\_  
(insert Name & Title) to provide additional information to Eligible Employees about the Employer's SIMPLE Plan.

## GENERAL INFORMATION

The following information explains what a Savings Incentive Match Plan for Employees ("SIMPLE") is how contributions are made, and how to treat these contributions for tax purposes. For more specific information, refer to the SIMPLE Retirement Plan document itself, the completed Adoption Agreement and the accompanying disclosure information.

For a calendar year, you may make or modify a salary reduction election during the 60-day period immediately preceding January 1 of that year. However, for the year in which you first become eligible to make salary reduction contributions, the period during which you may make or modify the election is a 60 day period that includes either the date you become eligible or the day before. If indicated on the Adoption Agreement, you may have additional opportunities during a calendar year to make or modify your salary reduction election.

**SIMPLE Retirement Plan and SIMPLE IRA Defined:** A SIMPLE Retirement Plan is a retirement income arrangement established by your employer. Under this SIMPLE Plan, you may choose to defer compensation to your own SIMPLE Individual Retirement Account or Annuity ("SIMPLE IRA"). You may base these "elective deferrals" on a salary reduction basis that, at your election, may be contributed to a SIMPLE IRA or received in cash. This type of plan is available only to an employer with 100 or fewer employees who earned at least \$5,000 during the prior calendar year.

A SIMPLE IRA is a separate IRA plan that you establish with an eligible financial institution for the purpose of receiving contributions under this SIMPLE Retirement Plan. Your employer must provide you with a copy of the SIMPLE agreement containing eligibility requirements and a description of the basis upon which contributions may be made. All amounts contributed to your SIMPLE IRA belong to you, even after you quit working for your employer.

**Elective Deferrals - Not Required:** You are not required to make elective deferrals under this SIMPLE Retirement Plan. However, if the Employer is matching your elective deferrals, no Employer contribution will be made on your behalf unless you elect to defer under the plan.

**Elective Deferrals - Annual Limitation:** The maximum amount that you may defer under this SIMPLE Plan for any calendar year is limited to the lesser of the percentage of your compensation indicated in the Deferral Form or the maximum deferral limit permitted under law, subject to cost-of-living adjustments. For 2013, this amount is \$12,000 (subject to cost of living adjustments).

**Allowance of Catch-Up Contributions:** All Employees who are eligible to make Elective Deferrals under this Plan and who have attained age 50 before the close of the Plan Year shall be eligible to make Catch-Up Contributions for 2013 up to \$2,500, (subject to cost of living adjustments.)

**Tax Treatment of Elective Deferrals:** The amount that you may elect to contribute to your SIMPLE IRA is excludible from gross income, subject to the limitations discussed above, and is not includible as taxable wages on Form W-2. However, these amounts are subject to FICA and FUTA taxes.

If you work for other employers (unrelated to this Employer) who also maintain a salary deferral plan, there is an overall limit on the maximum amount that you may defer in each calendar year to all elective SEPs, cash or deferred arrangements under section 401(k) of the Code, other SIMPLE plans and 403(b) plans regardless of how many employers you may have worked for during the year.

This limitation is referred to as the §402(g) limit. The section 402(g) limit on elective deferrals is currently \$17,500, subject to cost of living adjustments.

When "excess elective deferrals" (i.e., amounts in excess of the SIMPLE elective deferral limit or the section 402(g) limit) are made, you are responsible for calculating whether you have exceeded these limits in the calendar year. Excess elective deferrals are includible in your gross income in the calendar year of deferral. Income on the excess elective deferrals is includible in your income in the year of withdrawal from the SIMPLE IRA. You should withdraw excess elective deferrals and any allocable income, from your SIMPLE IRA by April 15 following the year to which the deferrals relate. These amounts may not be transferred or rolled over tax-free to another SIMPLE IRA. The trustee or custodian of your SIMPLE IRA will inform you of the income allocable to such excess amounts.

**SIMPLE IRA Distributions:** You may withdraw from your SIMPLE IRA at any time. However, any distributions will be includible in your gross income and may also be subject to a 25% additional income tax or a 10% additional income tax depending upon how long you have participated in the SIMPLE Plan. For more information refer to the SIMPLE IRA disclosure statement which was provided to you when you established your SIMPLE IRA.

**Rollover or Transfer to Another IRA:** You may not roll over or transfer from your SIMPLE IRA any SIMPLE contributions (or income on these contributions) made during the plan year to another IRA (other than a SIMPLE IRA) until the 2 years following the date you first participated in the SIMPLE plan. You may, however, remove excess elective deferrals and income allocable to such excess amounts from your SIMPLE IRA before this time, but you may not roll over or transfer these amounts to another IRA.

If the Adoption Agreement indicates that all initial SIMPLE contributions will be made to a Designated Financial Institution, you may be able to transfer your SIMPLE IRA without cost or penalty to another SIMPLE IRA (if within the 2 year period) or thereafter to any other IRA. The DFI may impose a deadline for electing no cost or penalty free transfers and if the employee so elects, may also limit your choice of investments.

After the restriction described above no longer applies, you may withdraw, or receive, funds from your SIMPLE IRA, and no more than 60 days later, place such funds in another IRA or SIMPLE IRA. This is called a "rollover" and may not be done more frequently than at 12-month intervals. However, there are no restrictions on the number of times that you may make "transfers" if you arrange to have such funds transferred between the trustees so that you never have possession of the funds. You may not, however, roll over or transfer excess elective deferrals and income allocable to such excess amounts from your SIMPLE IRA to another IRA. These excess amounts generally may be reduced only by a distribution to you.

**Conversions to a Roth IRA:** After the 2-year restriction described above no longer applies, you may convert your SIMPLE IRA to a Roth IRA. Such conversion is taxable to you but is not subject to the 10% additional income tax if you are under age 59½.

**Cost of Living Adjustments/or COLAS:** COLAs are announced by the IRS during the last calendar quarter of a calendar year relating to the following calendar year.