

**Employer Instructions**

- Complete all sections of this document in accordance with the elections you made on the Adoption Agreement. Retain the original for your records. Do not return this document to Charles Schwab & Co., Inc. ("Schwab").
- Using the completed original as a master, provide a copy of the Participant Notice/Summary Description to each employee along with an Employee Enrollment booklet.

**Employee Instructions**

- This notice provides you information about the type of contribution your Employer will make to your SIMPLE IRA in the coming year. Carefully read and consider the information in this notice before you decide whether to start, continue or change your Elective Deferral Agreement.

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**1. Employer Information**

Name of Employer (business name)	Name of Plan		
Street Address (no P.O. boxes, please)	City	State	Zip Code

**2. Eligibility Requirements**

**Opportunity to Participate**

This form is intended, in part, to notify you of your right to choose, during the Election Period, to make Elective Deferrals under the Savings Incentive Match Plan for Employees (SIMPLE IRA Plan) established by your Employer. The Election Period is generally the 60-day period before the beginning of each year and the 60-day period before the first day you become eligible to participate. This notice includes a Summary Description of your Employer's SIMPLE IRA Plan.

**Eligible Employees**

You may become eligible to participate in the Plan unless you are:

- Covered by the terms of a collective bargaining agreement (a union agreement)
- A non-resident alien with no earned income from the Employer
- An employee on account of an acquisition or similar transaction involving the Employer

**Compensation and Service**

To become eligible to participate in the Plan, you must have earned \$5,000 from the Employer during any two preceding years and you must be reasonably expected to earn such amount during the current year, unless otherwise specified below.

You are required to earn at least \$\_\_\_\_\_ (may not exceed \$5,000) during any \_\_\_\_\_ (may not exceed two) preceding years to be eligible to participate in the Plan. You must also be reasonably expected to earn at least \$\_\_\_\_\_ (may not exceed \$5,000) during the current year.

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**3. Plan Contributions**

**Elective Deferrals**

By completing an Elective Deferral Agreement, you agree to make Elective Deferral Contributions to this Plan. Your compensation will be reduced each pay period by the amount equal to the percentage of your compensation you specify on the Elective Deferral Agreement. Generally, your Elective Deferral (excluding Catch-Up Contributions) may not exceed \$10,000 for 2006. For tax years after 2006, this limit may be increased to reflect cost-of-living increases.

You may make or change an election to make Elective Deferrals at any time during the period beginning November 1 and ending December 31. Your election will be effective January 1 of the following year. Additional times when you may make or change an election to make Elective Deferrals are indicated below. You may discontinue making Elective Deferrals at any time, but, unless specified below, you cannot begin making Elective Deferrals again until January 1 of the following year.

**Elective Deferral Elections**

For this calendar year, in addition to the required election period from November 1 to December 31:

You may begin making Elective Deferrals by completing and signing an Elective Deferral Agreement during the period from:

\_\_\_\_\_ to \_\_\_\_\_  
(mm/dd/yyyy) (mm/dd/yyyy)

You may change the amount of your Elective Deferrals by completing and signing a revised Elective Deferral Agreement during the period from:

\_\_\_\_\_ to \_\_\_\_\_  
(mm/dd/yyyy) (mm/dd/yyyy)

You are allowed to recommence making Elective Deferrals as of the first day of the year following the year you cease deferring or during the period from:

\_\_\_\_\_ to \_\_\_\_\_  
(mm/dd/yyyy) (mm/dd/yyyy)

### 3. Plan Contributions (Continued)

#### Catch-Up Contributions (Select one.)

- Will be permitted under the Plan
- Will **not** be permitted under the Plan

If Catch-Up Contributions are available under the Plan and you will attain age 50 at or before the end of the calendar year, you are eligible to make Catch-Up Contributions. Your Catch-Up Contributions may not exceed \$2,500 for 2006. For years after 2006, the limit may be raised to reflect cost-of-living increases.

#### Employer Contributions

For calendar year \_\_\_\_\_, your Employer will make Matching Contributions equal to 100% of your Elective Deferrals that do not exceed 3% of your compensation, unless your Employer elects to make either the alternative Matching Contribution or the Nonelective Contribution described in Options 1 and 2 below.

##### Option 1:

- Matching Contributions in an amount equal to your Elective Deferrals that do not exceed \_\_\_\_\_% (must not be less than 1%).

##### Option 2:

- Nonelective Contributions in an amount equal to 2% of compensation on behalf of each Participant who earns at least \$5,000 during the year, unless a different dollar amount is specified below.

You are required to earn at least \$\_\_\_\_\_ (may not exceed the amount stated under "Compensation and Service" in Section 2) during the year to be eligible to receive Nonelective Contributions.

#### Financial Institution

You must select the institution that will serve as the trustee, custodian or issuer of your SIMPLE IRA, and notify your Employer of your selection.

### 4. Distributions

The following is a brief summary of the rules applicable to distributions from SIMPLE IRAs. The rules are complex and subject to change, and this summary does not include all rules that may apply. You are advised to refer to your SIMPLE IRA Custodial Account Agreement and Disclosure Statement and seek the assistance of a qualified tax advisor if you have additional questions.

#### Procedures

SIMPLE IRA assets are fully vested and may be withdrawn at any time, subject to taxes and penalties as explained below. The trustee, custodian or issuer of your SIMPLE IRA, and not your Employer, is responsible for making distributions to you upon your request.

#### Federal Income Tax

Distributions from SIMPLE IRAs are taxed as ordinary income in the year in which you receive them. Federal income tax withholding will be applied to your distribution at a rate of 10%, unless you specify a higher rate or waive your right to withholding.

#### Early-Distribution Penalty

A 25% early-withdrawal penalty applies to SIMPLE IRA distributions taken within two years of your initial participation in the Plan, unless you are age 59½ or older or qualify for an exemption from the penalty. If you are under age 59½, have satisfied the two-year requirement and receive a distribution that does not qualify for an exemption, you will be subject to a 10% early-distribution penalty.

#### Rollovers

SIMPLE IRA distributions may be rolled over to other SIMPLE IRAs. Rollovers from Traditional IRAs to SIMPLE IRAs are not permitted. If a SIMPLE IRA distribution is properly rolled over, your rollover amount will be excluded when determining the amount of your federal income tax or early-distribution penalty. You may roll over SIMPLE IRA distributions to Traditional IRAs, qualified retirement plans, tax-sheltered annuities and 457(b) deferred compensation plans. However, you must wait two years from the date you become a participant before doing so.

#### Required Minimum Distributions

You are required to begin taking minimum distributions from your SIMPLE IRA upon attainment of age 70½ in accordance with IRS regulations.

#### Procedures for Withdrawal

If you wish to take a distribution from your SIMPLE IRA, you must complete and sign a withdrawal statement or form provided by the trustee, custodian or issuer of your SIMPLE IRA.

#### Special Procedures Regarding Transfers

If you wish to make a transfer of your balance in your SIMPLE IRA, you must complete and sign a transfer statement or form provided by the successor trustee, custodian or issuer of your SIMPLE IRA.

### 5. Plan Sponsor

Charles Schwab & Co., Inc., 101 Montgomery Street, San Francisco, CA 94104