



PROFUNDS® Account Application

For SIMPLE Individual Retirement Accounts (IRAs)

This form is for SIMPLE IRA Only.

Traditional and Roth Individual Retirement Accounts Applications are available at www.profund.com.

For assistance, please call 1-888-776-3637. Financial Professionals, please call 1-888-776-5717.

1. Registration and Contact Information (Please Print or Type)

IMPORTANT INFORMATION ABOUT OPENING A NEW ACCOUNT

Federal law mandates that all financial institutions obtain, verify and record information identifying each person who opens a new account.

Please verify the following information is accurate: name, Social Security number, date of birth, and physical address.

If you fail to provide the requested information and/or if any of the information cannot be confirmed, ProFunds may not be able to open your account and reserves the right to redeem your account.

If mailing address is a post office box, a street address is also required by the USA Patriot Act.

For mailing outside the U.S., please provide Country of Residence, Province, Foreign Routing/Postal Code.

Through PaperFree™, you can receive account statements, transaction confirmations, ProFunds prospectuses and financial reports online—while removing the clutter from your mailbox!

Owner Information

Title: (optional) Mr. Mrs. Ms. Dr. Other _____

Owner Name (first/initial/last) _____ Social Security Number _____ Date of Birth (mm/dd/yyyy) _____

Street Address _____ City _____ State _____ Zip Code _____

Mailing Address (if different from above) _____ City/State/Province/Region _____ Country/Zip/Postal Code _____

Daytime Phone (Area Code + Number) _____ Evening Phone (Area Code + Number) _____

Enter your email below and we will send you instructions on how to activate your **PaperFree™** service.

Email address: _____

You will automatically receive an email containing a hyperlink to your documents when they are available online. Please go to www.profund.com for more information.

2. Employer Information

A completed IRS form 5304 is required for this account type and is included with this application form for your convenience.

Employer Name _____ Plan ID Number _____

Employer Street Address _____ City _____ State _____ Zip Code _____

Contact Name _____

3. Initial Contribution

Transfer – assets transferred directly from your present custodian to ProFunds.

All purchases must be made in U.S. dollars drawn on a U.S. Bank. Cash, starter checks, internet-based checks, credit cards, travelers' checks, money orders and credit card checks are not accepted. ACH purchases and third-party checks are generally not accepted to open an account.

Refer to the Shareholder Services Guide for wire transfer cut off times.

Type of Contribution (please select one option and specify approximate amount)

- New SIMPLE IRA Account** \$ _____
- Transfer from an existing SIMPLE IRA** \$ _____

(Complete ProFunds IRA Transfer or Direct Rollover Request Form)

NOTE: SIMPLE IRA funds cannot be combined with regular IRA funds within two years of initial participation in the SIMPLE IRA.

Source of Funds (please select one)

- Employer Contribution**
- Check enclosed** My check is enclosed, payable to ProFunds.
- By Wire:** I will call (888) 776-3637 for wire instructions.
- Transfer from another IRA or Direct Rollover from a qualified plan***

*Please enclose a completed ProFunds IRA Transfer or Direct Rollover Request Form and attach a copy of your most recent account statement.

4. Investment Selection

Refer to the Prospectus for specific information on share classes.

*An Appointment of Financial Professional form must be included to list a Financial Professional.

- | | |
|---|--|
| <p><input type="checkbox"/> Investor Class</p> <ul style="list-style-type: none"> • May be used by self-directed investors or accounts listing a Financial Professional** • Account Minimum with Financial Professional = \$5,000 • Account Minimum without Financial Professional = \$15,000 | <p><input type="checkbox"/> Service Class</p> <ul style="list-style-type: none"> • May ONLY be used for accounts listing a Financial Professional** • Account Minimum with Financial Professional = \$5,000 • Account Minimum without Financial Professional = N/A |
|---|--|

Fund Name	Allocation
_____	\$ _____ or _____ %
_____	\$ _____ or _____ %
_____	\$ _____ or _____ %
_____	\$ _____ or _____ %
TOTAL AMOUNT INVESTED \$ _____ or 100 %	
	Required Must Equal

Please make your initial investment selections. Indicate the dollar amount or percentage of total investment next to the fund name.

If no ProFund is selected, your investment will be credited to the Government Money Market ProFund.

Fund Name	Fund Name	Fund Name	Fund Name
Access Flex Bear High Yield	Large-Cap Value	Short Nasdaq-100	UltraInternational
Access Flex High Yield	Mid-Cap	Short Oil and Gas	UltraJapan
Banks	Mid-Cap Growth	Short Precious Metals	UltraLatin America
Basic Materials	Mid-Cap Value	Short Real Estate	UltraMid-Cap
Bear	Mobile Telecommunications	Short Small-Cap	UltraNasdaq-100
Biotechnology	Government Money Market ProFund	Small-Cap	UltraShort China
Bull	Nasdaq-100	Small-Cap Growth	UltraShort Dow 30
Consumer Goods	Oil and Gas	Small-Cap Value	UltraShort Emerging Markets
Consumer Services	Oil Equipment & Services	Technology	UltraShort International
Europe 30	Pharmaceuticals	Telecommunications	UltraShort Japan
Falling U.S. Dollar	Precious Metals	U.S. Government Plus	UltraShort Latin America
Financials	Real Estate	UltraBear	UltraShort Mid-Cap
Health Care	Rising Rates Opportunity	UltraBull	UltraShort Nasdaq-100
Industrials	Rising Rates Opportunity 10	UltraChina	UltraShort Small-Cap
Internet	Rising U.S Dollar	UltraDow 30	UltraSmall-Cap
Large-Cap Growth	Semiconductor	UltraEmerging Markets	Utilities

6. Account Options

The following account options are available as described in the Prospectus.

Automatic Plans

Shareholders may purchase, and/or exchange shares automatically on a monthly, bimonthly, quarterly or annual basis.

For automatic redemptions, please use the IRA Distribution Request form.

Dividend and Capital Gains

Your Dividends and Capital Gains will be **automatically reinvested** in the same ProFund from which they were distributed.

Telephone Redemption and Exchange Privileges

The telephone redemption and exchange privileges will be added to your account automatically unless you check the box below:

No, I do not authorize exchanges between ProFunds or redemptions upon instructions from any person by telephone.

Automatic Investment Plan

I would like the plan to begin the month of _____ 20____. Please have the amount indicated below withdrawn from my bank account noted in Bank Information, Section 5, of this document and invested in the ProFund(s) listed below.

Fund _____ \$ _____ Once per month on the _____ day.
 Fund _____ \$ _____ Twice per month on the _____ & _____.
 Fund _____ \$ _____ Quarterly on the ___ (Mar, Jun, Sep, Dec).
 Fund _____ \$ _____ Annually on the _____ day of _____.
 (Month)

Automatic Exchange Program

I would like the plan to begin the month of _____ 20____. Please select how often you would like to have the amount shown below withdrawn from your ProFund and invested into the selected ProFund(s).

From: _____ \$ _____ Once per month on the _____ day.
 Fund _____ \$ _____ Twice per month on the _____ & _____.
 To: _____ \$ _____ Quarterly on the ___ (Mar, Jun, Sep, Dec).
 Fund _____ \$ _____ Annually on the _____ day of _____.
 (Month)

7. Beneficiary Designation

Complete this section to add beneficiaries to this new account.

Neither ProFunds, the Custodian nor any of their agents will be liable for any claims, loss, damage, or expense arising out of or in any manner connected with a distribution pursuant to the Beneficiary Designation.

Total percentages must add up to 100% for primary beneficiaries.

Additionally, any contingent beneficiaries must add up to 100%.

ProFunds is unable to accept "Per Stirpes" Beneficiary designations.

If naming more beneficiaries, please attach a separate sheet of paper listing them with the same information as to the right, and check here or use the Designation Beneficiary for Retirement Plan Accounts Form.

Beneficiary Spousal Consent (Required if beneficiaries are added below)

I am not married I am widowed My Spouse is listed below
 I am the IRA owner's spouse, and I approve and consent to the naming of a primary beneficiary other than myself.

 Signature of Spouse

 Date (mm/dd/yyyy)

A. Primary

Contingent

 Primary Beneficiary Name (first/initial/last)

 Social Security Number

 Date of Birth
 (mm/dd/yyyy)

 Relationship

 Percentage of Distribution

B. Primary

Contingent

 Primary Beneficiary Name (first/initial/last)

 Social Security Number

 Date of Birth
 (mm/dd/yyyy)

 Relationship

 Percentage of Distribution

C. Primary

Contingent

 Primary Beneficiary Name (first/initial/last)

 Social Security Number

 Date of Birth
 (mm/dd/yyyy)

 Relationship

 Percentage of Distribution

8. Trusted Contact / Designated Representative (Optional)

Designating a trusted contact is not required and does not authorize the named individual to transact on or make changes to the account.

Designated contact person information may be revoked or amended via telephone call to ProFunds or by providing a written letter of instructions to ProFunds.

I authorize ProFunds to contact the person listed below and for the person listed below to disclose information about me in the following circumstances:

- To prevent the presumption of abandonment
- To address possible financial exploitation
- To confirm the specifics of my current contact information, health status, or the identity of any legal guardian, executor, trustee, or holder of a power of attorney or as otherwise permitted by federal or state law.

Full Name of Trusted Contact

Relationship to Account Owner

Mailing Address (Street, City, State, Zip Code)

Email Address

Primary Telephone Number

9. Signatures

Please read this section carefully before signing.

- Under penalties of perjury, I certify that the Social Security Number on this form is true, correct and complete and that I am a U.S. person (including a U.S. resident alien).
- I certify that I have received and read the current prospectus for the ProFunds in which I am investing and understand the terms are incorporated in this application by reference. I certify that I have authority and legal capacity to make this purchase and that I am of legal age in my state of residence.
- I have received and read the Custodial Account Agreement and Disclosure Statement, and I agree to the terms and conditions contained within these documents.
- I understand that my account(s) will automatically have exchange privileges with other ProFunds. I agree to read the prospectus for each fund into which exchanges are made. The terms, representations and conditions in this application will apply to any account established at a later date.
- Neither ProFunds, nor any of its agents, will be liable for any loss or expense for acting upon written or telephone instructions reasonably believed to be genuine and in accordance with the procedures described in the Prospectus.
- Any change to the information or authorizations set forth in this application will be made by me to ProFunds in writing. Any such change will be effective at such time as ProFunds has had a reasonable amount of time to act upon it.
- I understand that neither ProFunds nor any of its agents has provided any investment, tax, or legal advice, and I have relied on my independent judgment or the judgment of the advisor I have selected with respect to the suitability or potential value of any security or order.
- A \$15.00 annual maintenance fee will be deducted from my account by UMB Bank, if not paid separately.
- I understand that the assets in this account may be transferred to the appropriate state if no activity occurs in the account within the time period specified by state law.
- I am not subject to any restrictions or sanctions by the Office of Foreign Asset Control or any other government agency.
- I understand that all telephone calls made to or received by ProFunds may be recorded for security, verification, and quality control purposes.

Under penalty of perjury, I certify that: (U.S. Persons Only)

1. The Tax payer Identification Number shown on this application is correct.
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 (does not apply to real estate transactions, mortgage interest paid, the acquisition or abandonment of secured property, contributions to an Individual Retirement Account (IRA), and payments other than interest and dividends). **Cross out item 2 if you have been notified by the IRS that you are currently subject to backup withholding.**
3. I am a U.S. Person (including a U.S. Resident Alien).
The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.
4. I am exempt from Foreign Account Tax Compliance Act (FATCA) reporting.
FATCA applies to persons submitting this form for accounts maintained outside of the U.S. by certain foreign financial institutions.

Signature of IRA Owner

Date (mm/dd/yyyy)



Alan Collins, Authorized Agent for UMB Bank, n.a.
(UMB Bank, n.a. accepts IRA application and agrees to act as custodian.)

10. Notice of ProFunds Privacy Policy

This Privacy Policy applies to the ProFunds family of funds, the Access One Trust family of funds and to ProFund Advisors LLC.

ProFunds, Access One Trust and ProFund Advisors LLC (the "Funds") are committed to respecting the privacy of personal information you entrust to us in the course of doing business.

The Funds collect non-public personal information from various sources. For instance, account applications may include name, address, and social security number. The Funds receive information from transactions in your accounts, including account balances, and from correspondence between you and the Funds or third parties, such as the Fund's service providers. The Funds use such information provided by you or your representative to process transactions, to respond to inquiries from you, to deliver reports, products, and services, and to fulfill legal and regulatory requirements.

The Funds do not disclose any non-public personal information about their customers to anyone unless permitted by law or approved by the customer. The Funds may share information with certain third parties who are not affiliated with the Funds to process or service a transaction at your request or as permitted by law. For example, sharing information with non-affiliated third parties that maintain or service customer accounts for the Funds is essential. Information may also be shared with companies that perform administrative or marketing services for the Funds, including research firms. When the Funds enter into such a relationship, such third parties' use of customers' information is restricted and they are prohibited from sharing it or using it for any purposes other than those for which they were hired. The Funds also require service providers to maintain physical, electronic and procedural safeguards that comply with federal standards to guard non-public personal information of customers of the Funds.

The Funds maintain physical, electronic, and procedural safeguards to protect your personal information. Within the Funds, access to personal information is restricted to those employees who require access to that information in order to provide products or services to our customers such as processing transactions and handling inquiries. The Funds' employment policies restrict the use of customer information and require that it be held in strict confidence.

The Funds will adhere to the policies and practices described in this notice for both current and former customers.

FOR ASSISTANCE CALL: 1-888-776-3637 • FINANCIAL PROFESSIONALS CALL: 1-888-776-5717

MAIL TO: ProFunds, P.O. Box 182800, Columbus, OH 43218-2800

OVERNIGHT TO: ProFunds c/o Transfer Agency, 4249 Easton Way, Suite 400, Columbus, OH 43219

ProFunds are distributed by ProFunds Distributors, Inc.

**Savings Incentive Match Plan
for Employees of Small Employers (SIMPLE)—Not
for Use With a Designated Financial Institution**

_____ establishes the following SIMPLE

Name of Employer _____

IRA plan under section 408(p) of the Internal Revenue Code and pursuant to the instructions contained in this form.

Article I—Employee Eligibility Requirements (complete applicable box(es) and blanks—see instructions)

- 1 General Eligibility Requirements.** The Employer agrees to permit salary reduction contributions to be made in each calendar year to the SIMPLE IRA established by each employee who meets the following requirements (select either 1a or 1b):
- a** **Full Eligibility.** All employees are eligible.
- b** **Limited Eligibility.** Eligibility is limited to employees who are described in both (i) and (ii) below:
- (i) Current compensation.** Employees who are reasonably expected to receive at least \$ _____ in compensation (not to exceed \$5,000) for the calendar year.
- (ii) Prior compensation.** Employees who have received at least \$ _____ in compensation (not to exceed \$5,000) during any _____ calendar year(s) (insert 0, 1, or 2) preceding the calendar year.
- 2 Excludable Employees.**
- The Employer elects to exclude employees covered under a collective bargaining agreement for which retirement benefits were the subject of good faith bargaining. **Note:** This box is deemed checked if the Employer maintains a qualified plan covering only such employees.

Article II—Salary Reduction Agreements (complete the box and blank, if applicable—see instructions)

- 1 Salary Reduction Election.** An eligible employee may make an election to have his or her compensation for each pay period reduced. The total amount of the reduction in the employee's compensation for a calendar year cannot exceed the applicable amount for that year.
- 2 Timing of Salary Reduction Elections**
- a** For a calendar year, an eligible employee 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 the employee becomes eligible to make salary reduction contributions, the period during which the employee may make or modify the election is a 60-day period that includes either the date the employee becomes eligible or the day before.
- b** In addition to the election periods in 2a, eligible employees may make salary reduction elections or modify prior elections _____, _____. If the Employer chooses this option, insert a period or periods (for example, semi-annually, quarterly, monthly, or daily) that will apply uniformly to all eligible employees.
- c** No salary reduction election may apply to compensation that an employee received, or had a right to immediately receive, before execution of the salary reduction election.
- d** An employee may terminate a salary reduction election at any time during the calendar year. If this box is checked, an employee who terminates a salary reduction election not in accordance with 2b may not resume salary reduction contributions during the calendar year.

Article III—Contributions (complete the blank, if applicable—see instructions)

- 1 Salary Reduction Contributions.** The amount by which the employee agrees to reduce his or her compensation will be contributed by the Employer to the employee's SIMPLE IRA.
- 2a Matching Contributions**
- (i)** For each calendar year, the Employer will contribute a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year.
- (ii)** The Employer may reduce the 3% limit for the calendar year in (i) only if:
- (1)** The limit is not reduced below 1%; **(2)** The limit is not reduced for more than 2 calendar years during the 5-year period ending with the calendar year the reduction is effective; and **(3)** Each employee is notified of the reduced limit within a reasonable period of time before the employees' 60-day election period for the calendar year (described in Article II, item 2a).
- b Nonelective Contributions**
- (i)** For any calendar year, instead of making matching contributions, the Employer may make nonelective contributions equal to 2% of compensation for the calendar year to the SIMPLE IRA of each eligible employee who has at least \$ _____, (not more than \$5,000) in compensation for the calendar year. No more than \$250,000* in compensation can be taken into account in determining the nonelective contribution for each eligible employee.
- (ii)** For any calendar year, the Employer may make 2% nonelective contributions instead of matching contributions only if:
- (1)** Each eligible employee is notified that a 2% nonelective contribution will be made instead of a matching contribution; and
- (2)** This notification is provided within a reasonable period of time before the employees' 60-day election period for the calendar year (described in Article II, item 2a).
- 3 Time and Manner of Contributions**
- a** The Employer will make the salary reduction contributions (described in 1 above) for each eligible employee to the SIMPLE IRA established at the financial institution selected by that employee no later than 30 days after the end of the month in which the money is withheld from the employee's pay. See instructions.
- b** The Employer will make the matching or nonelective contributions (described in 2a and 2b above) for each eligible employee to the SIMPLE IRA established at the financial institution selected by that employee no later than the due date for filing the Employer's tax return, including extensions, for the taxable year that includes the last day of the calendar year for which the contributions are made.

* This is the amount for 2012. For later years, the limit may be increased for cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS's internet website at IRS.gov.

Article IV—Other Requirements and Provisions

- 1 Contributions in General.** The Employer will make no contributions to the SIMPLE IRAs other than salary reduction contributions (described in Article III, item 1) and matching or nonelective contributions (described in Article III, items 2a and 2b).
- 2 Vesting Requirements.** All contributions made under this SIMPLE IRA plan are fully vested and nonforfeitable.
- 3 No Withdrawal Restrictions.** The Employer may not require the employee to retain any portion of the contributions in his or her SIMPLE IRA or otherwise impose any withdrawal restrictions.
- 4 Selection of IRA Trustee.** The Employer must permit each eligible employee to select the financial institution that will serve as the trustee, custodian, or issuer of the SIMPLE IRA to which the Employer will make all contributions on behalf of that employee.
- 5 Amendments To This SIMPLE IRA Plan.** This SIMPLE IRA plan may not be amended except to modify the entries inserted in the blanks or boxes provided in Articles I, II, III, VI, and VII.
- 6 Effects Of Withdrawals and Rollovers**
 - a An amount withdrawn from the SIMPLE IRA is generally includible in gross income. However, a SIMPLE IRA balance may be rolled over or transferred on a tax-free basis to another IRA designed solely to hold funds under a SIMPLE IRA plan. In addition, an individual may roll over or transfer his or her SIMPLE IRA balance to any IRA or eligible retirement plan after a 2-year period has expired since the individual first participated in any SIMPLE IRA plan of the Employer. Any rollover or transfer must comply with the requirements under section 408.
 - b If an individual withdraws an amount from a SIMPLE IRA during the 2-year period beginning when the individual first participated in any SIMPLE IRA plan of the Employer and the amount is subject to the additional tax on early distributions under section 72(t), this additional tax is increased from 10% to 25%.

Article V—Definitions

- 1 Compensation**
 - a **General Definition of Compensation.** Compensation means the sum of the wages, tips, and other compensation from the Employer subject to federal income tax withholding (as described in section 6051(a)(3)), the amounts paid for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority, and the employee’s salary reduction contributions made under this plan, and, if applicable, elective deferrals under a section 401(k) plan, a SARSEP, or a section 403(b) annuity contract and compensation deferred under a section 457 plan required to be reported by the Employer on Form W-2 (as described in section 6051(a)(8)).
 - b **Compensation for Self-Employed Individuals.** For self-employed individuals, compensation means the net earnings from self-employment determined under section 1402(a), without regard to section 1402(c)(6), prior to subtracting any contributions made pursuant to this plan on behalf of the individual.
- 2 Employee.** Employee means a common-law employee of the Employer. The term employee also includes a self-employed individual and a leased employee described in section 414(n) but does not include a nonresident alien who received no earned income from the Employer that constitutes income from sources within the United States.
- 3 Eligible Employee.** An eligible employee means an employee who satisfies the conditions in Article I, item 1 and is not excluded under Article I, item 2.
- 4 SIMPLE IRA.** A SIMPLE IRA is an individual retirement account described in section 408(a), or an individual retirement annuity described in section 408(b), to which the only contributions that can be made are contributions under a SIMPLE IRA plan and rollovers or transfers from another SIMPLE IRA.

Article VI—Procedures for Withdrawals *(The Employer will provide each employee with the procedures for withdrawals of contributions received by the financial institution selected by that employee, and that financial institution’s name and address (by attaching that information or inserting it in the space below) unless: (1) that financial institution’s procedures are unavailable, or (2) that financial institution provides the procedures directly to the employee. See **Employee Notification** in the instructions.)*

Article VII—Effective Date

This SIMPLE IRA plan is effective _____ . See instructions.

* * * * *

Name of Employer

By: Signature Date

Address of Employer

Name and title

Model Notification to Eligible Employees

I. Opportunity to Participate in the SIMPLE IRA Plan

You are eligible to make salary reduction contributions to the _____ SIMPLE IRA plan. This notice and the attached summary description provide you with information that you should consider before you decide whether to start, continue, or change your salary reduction agreement.

II. Employer Contribution Election

For the _____ calendar year, the Employer elects to contribute to your SIMPLE IRA (*employer must select either (1), (2), or (3)*):

- (1) A matching contribution equal to your salary reduction contributions up to a limit of 3% of your compensation for the year;
- (2) A matching contribution equal to your salary reduction contributions up to a limit of _____% (*employer must insert a number from 1 to 3 and is subject to certain restrictions*) of your compensation for the year; or
- (3) A nonelective contribution equal to 2% of your compensation for the year (limited to compensation of \$250,000*) if you are an employee who *makes at least \$ _____* (*employer must insert an amount that is \$5,000 or less*) in compensation for the year.

III. Administrative Procedures

To start or change your salary reduction contributions, you must complete the salary reduction agreement and return it to _____ (employer should designate a place or individual by _____ (*employer should insert a date that is not less than 60 days after notice is given*).

IV. Employee Selection of Financial Institution

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

Model Salary Reduction Agreement

I. Salary Reduction Election

Subject to the requirements of the SIMPLE IRA plan of _____ (*name of employer*) I authorize _____% or \$ _____ (which equals _____% of my current rate of pay) to be withheld from my pay for each pay period and contributed to my SIMPLE IRA as a salary reduction contribution.

II. Maximum Salary Reduction

I understand that the total amount of my salary reduction contributions in any calendar year cannot exceed the applicable amount for that year. See instructions.

III. Date Salary Reduction Begins

I understand that my salary reduction contributions will start as soon as permitted under the SIMPLE IRA plan and as soon as administratively feasible or, if later, _____. (*Fill in the date you want the salary reduction contributions to begin. The date must be after you sign this agreement.*)

IV. Employee Selection of Financial Institution

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

Name of financial institution

Address of financial institution

SIMPLE IRA account name and 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.

V. 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 request to end my salary reduction contributions or provide a new salary reduction agreement as permitted under this SIMPLE IRA plan.

Signature of employee _____ Date _____

* This is the amount for 2012. For later years, the limit may be increased for cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS website at **IRS.gov**.

General Instructions

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

Purpose of Form

Form 5304-SIMPLE is a model Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) plan document that an employer may use to establish a SIMPLE IRA plan described in section 408(p), under which each eligible employee is permitted to select the financial institution for his or her SIMPLE IRA.

These instructions are designed to assist in the establishment and administration of the SIMPLE IRA plan. They are not intended to supersede any provision in the SIMPLE IRA plan.

Do not file Form 5304-SIMPLE with the IRS. Instead, keep it with your records.

For more information, see Pub. 560, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans), and Pub. 590, Individual Retirement Arrangements (IRAs).

Note. If you used the March 2002, August 2005, or September 2008 version of Form 5304-SIMPLE to establish a model Savings Incentive Match Plan, you are not required to use this version of the form.

Which Employers May Establish and Maintain a SIMPLE IRA Plan?

To establish and maintain a SIMPLE IRA plan, you must meet both of the following requirements:

1. Last calendar year, you had no more than 100 employees (including self-employed individuals) who earned \$5,000 or more in compensation from you during the year. If you have a SIMPLE IRA plan but later exceed this 100-employee limit, you will be treated as meeting the limit for the 2 years following the calendar year in which you last satisfied the limit.

2. You do not maintain during any part of the calendar year another qualified plan with respect to which contributions are made, or benefits are accrued, for service in the calendar year. For this purpose, a qualified plan (defined in section 219(g)(5)) includes a qualified pension plan, a profit-sharing plan, a stock bonus plan, a qualified annuity plan, a tax-sheltered annuity plan, and a simplified employee pension (SEP) plan. A qualified plan that only covers employees covered under a collective bargaining agreement for which retirement benefits were the subject of good faith bargaining is disregarded if these employees are excluded from

participating in the SIMPLE IRA plan. If the failure to continue to satisfy the 100-employee limit or the one-plan rule described in 1 and 2 above is due to an acquisition or similar transaction involving your business, special rules apply. Consult your tax advisor to find out if you can still maintain the plan after the transaction.

Certain related employers (trades or businesses under common control) must be treated as a single employer for purposes of the SIMPLE IRA requirements. These are: (1) a controlled group of corporations under section 414(b); (2) a partnership or sole proprietorship under common control under section 414(c); or (3) an affiliated service group under section 414(m). In addition, if you have leased employees required to be treated as your own employees under the rules of section 414(n), then you must count all such leased employees for the requirements listed above.

What Is a SIMPLE IRA Plan?

A SIMPLE IRA plan is a written arrangement that provides you and your employees with an easy way to make contributions to provide retirement income for your employees. Under a SIMPLE IRA plan, employees may choose whether to make salary reduction contributions to the SIMPLE IRA plan rather than receiving these amounts as part of their regular compensation. In addition, you will contribute matching or nonelective contributions on behalf of eligible employees (see *Employee Eligibility Requirements* below and *Contributions* later). All contributions under this plan will be deposited into a SIMPLE individual retirement account or annuity established for each eligible employee with the financial institution selected by him or her.

When To Use Form 5304-SIMPLE

A SIMPLE IRA plan may be established by using this Model Form or any other document that satisfies the statutory requirements.

Do not use Form 5304-SIMPLE if:

1. You want to require that all SIMPLE IRA plan contributions initially go to a financial institution designated by you. That is, you do not want to permit each of your eligible employees to choose a financial institution that will initially receive contributions. Instead, use Form 5305-SIMPLE, Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)—for Use With a Designated Financial Institution;

2. You want employees who are nonresident aliens receiving no earned income from you that is income from sources within the United States to be eligible under this plan; or

3. You want to establish a SIMPLE 401(k) plan.

Completing Form 5304-SIMPLE

Pages 1 and 2 of Form 5304-SIMPLE contain the operative provisions of your SIMPLE IRA plan. This SIMPLE IRA plan is considered adopted when you have completed all applicable boxes and blanks and it has been executed by you.

The SIMPLE IRA plan is a legal document with important tax consequences for you and your employees. You may want to consult with your attorney or tax advisor before adopting this plan.

Employee Eligibility Requirements (Article I)

Each year for which this SIMPLE IRA plan is effective, you must permit salary reduction contributions to be made by all of your employees who are reasonably expected to receive at least \$5,000 in compensation from you during the year, and who received at least \$5,000 in compensation from you in any 2 preceding years. However, you can expand the group of employees who are eligible to participate in the SIMPLE IRA plan by completing the options provided in Article I, items 1a and 1b. To choose full eligibility, check the box in Article I, item 1a. Alternatively, to choose limited eligibility, check the box in Article I, item 1b, and then insert "\$5,000" or a lower compensation amount (including zero) and "2" or a lower number of years of service in the blanks in (i) and (ii) of Article I, item 1b.

In addition, you can exclude from participation those employees covered under a collective bargaining agreement for which retirement benefits were the subject of good faith bargaining. You may do this by checking the box in Article I, item 2. Under certain circumstances, these employees must be excluded. See *Which Employers May Establish and Maintain a SIMPLE IRA Plan?* above.

Salary Reduction Agreements (Article II)

As indicated in Article II, item 1, a salary reduction agreement permits an eligible employee to make a salary reduction election to have his or her compensation for each pay period reduced by a percentage (expressed as a percentage or dollar amount). The total amount of

the reduction in the employee's compensation cannot exceed the applicable amount for any calendar year. The applicable amount is \$11,500 for 2012. After 2012, the \$11,500 amount may be increased for cost-of-living adjustments. In the case of an eligible employee who is 50 or older by the end of the calendar year, the above limitation is increased by \$2,500 for 2012. After 2012, the \$2,500 amount may be increased for cost-of-living adjustments.

Timing of Salary Reduction Elections

For any calendar year, an eligible employee 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 the employee becomes eligible to make salary reduction contributions, the period during which the employee may make or modify the election is a 60-day period that includes either the date the employee becomes eligible or the day before.

You can extend the 60-day election periods to provide additional opportunities for eligible employees to make or modify salary reduction elections using the blank in Article II, item 2b. For example, you can provide that eligible employees may make new salary reduction elections or modify prior elections for any calendar quarter during the 30 days before that quarter.

You may use the *Model Salary Reduction Agreement* on page 3 to enable eligible employees to make or modify salary reduction elections.

Employees must be permitted to terminate their salary reduction elections at any time. They may resume salary reduction contributions for the year if permitted under Article II, item 2b. However, by checking the box in Article II, item 2d, you may prohibit an employee who terminates a salary reduction election outside the normal election cycle from resuming salary reduction contributions during the remainder of the calendar year.

Contributions (Article III)

Only contributions described below may be made to this SIMPLE IRA plan. No additional contributions may be made.

Salary Reduction Contributions

As indicated in Article III, item 1, salary reduction contributions consist of the amount by which the employee agrees to reduce his or her compensation. You must contribute the salary reduction contributions to the financial institution selected by each eligible employee.

Matching Contributions

In general, you must contribute a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions. This matching contribution cannot exceed 3% of the employee's compensation. See *Definition of Compensation*, below.

You may reduce this 3% limit to a lower percentage, but not lower than 1%. You cannot lower the 3% limit for more than 2 calendar years out of the 5-year period ending with the calendar year the reduction is effective.

Note. If any year in the 5-year period described above is a year before you first established any SIMPLE IRA plan, you will be treated as making a 3% matching contribution for that year for purposes of determining when you may reduce the employer matching contribution.

To elect this option, you must notify the employees of the reduced limit within a reasonable period of time before the applicable 60-day election periods for the year. See *Timing of Salary Reduction Elections* above.

Nonelective Contributions

Instead of making a matching contribution, you may, for any year, make a nonelective contribution equal to 2% of compensation for each eligible employee who has at least \$5,000 in compensation for the year. Nonelective contributions may not be based on more than \$250,000* of compensation.

To elect to make nonelective contributions, you must notify employees within a reasonable period of time before the applicable 60-day election periods for such year. See *Timing of Salary Reduction Elections* above.

Note. Insert "\$5,000" in Article III, item 2b(i) to impose the \$5,000 compensation requirement. You may expand the group of employees who are eligible for nonelective contributions by inserting a compensation amount lower than \$5,000.

Effective Date (Article VII)

Insert in Article VII the date you want the provisions of the SIMPLE IRA plan to become effective. You must insert January 1 of the applicable year unless this is the first year for which you are adopting any SIMPLE IRA plan. If this is the first year for which you are adopting a SIMPLE IRA plan, you may insert any date between January 1 and October 1, inclusive of the applicable year.

Additional Information

Timing of Salary Reduction Contributions

The employer must make the salary reduction contributions to the financial institution selected by each eligible employee for his or her SIMPLE IRA no later than the 30th day of the month following the month in which the amounts would otherwise have been payable to the employee in cash.

The Department of Labor has indicated that most SIMPLE IRA plans are also subject to Title I of the Employee Retirement Income Security Act of 1974 (ERISA). Under Department of Labor regulations at 29 CFR 2510.3-102, salary reduction contributions must be made to each participant's SIMPLE IRA as of the earliest date on which those contributions can reasonably be segregated from the employer's general assets, but in no event later than the 30-day deadline described previously.

Definition of Compensation

"Compensation" means the amount described in section 6051(a)(3) (wages, tips, and other compensation from the employer subject to federal income tax withholding under section 3401(a)), and amounts paid for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority. Usually, this is the amount shown in box 1 of Form W-2, Wage and Tax Statement. For further information, see Pub. 15, (Circular E), Employer's Tax Guide. Compensation also includes the salary reduction contributions made under this plan, and, if applicable, compensation deferred under a section 457 plan. In determining an employee's compensation for prior years, the employee's elective deferrals under a section 401(k) plan, a SARSEP, or a section 403(b) annuity contract are also included in the employee's compensation.

For self-employed individuals, compensation means the net earnings from self-employment determined under section 1402(a), without regard to section 1402(c)(6), prior to subtracting any contributions made pursuant to this SIMPLE IRA plan on behalf of the individual.

Employee Notification

You must notify each eligible employee prior to the employee's 60-day election period described above that he or she can make or change salary reduction elections and select the financial institution that will serve as the trustee, custodian, or

*This is the amount for 2012. For later years, the limit may be increased for cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS's website at IRS.gov.

issuer of the employee's SIMPLE IRA. In this notification, you must indicate whether you will provide:

1. A matching contribution equal to your employees' salary reduction contributions up to a limit of 3% of their compensation;
2. A matching contribution equal to your employees' salary reduction contributions subject to a percentage limit that is between 1 and 3% of their compensation; or
3. A nonelective contribution equal to 2% of your employees' compensation.

You can use the *Model Notification to Eligible Employees* earlier to satisfy these employee notification requirements for this SIMPLE IRA plan. A *Summary Description* must also be provided to eligible employees at this time. This summary description requirement may be satisfied by providing a completed copy of pages 1 and 2 of Form 5304-SIMPLE (including the information described in *Article VI—Procedures for Withdrawals*).

If you fail to provide the employee notification (including the summary description) described above, you will be liable for a penalty of \$50 per day until the notification is provided. If you can show that the failure was due to reasonable cause, the penalty will not be imposed.

If the financial institution's name, address, or withdrawal procedures are not available at the time the employee must be given the summary description, you must provide the summary description without this information. In that case, you will have reasonable cause for not including this information in the summary description, but only if you ensure that it is provided to the employee as soon as administratively feasible.

Reporting Requirements

You are not required to file any annual information returns for your SIMPLE IRA plan, such as Form 5500, Annual Return/Report of Employee Benefit Plan, or Form 5500-EZ, Annual Return of One-Participant (Owners and Their Spouses) Retirement Plan. However, you must report to the IRS which eligible employees are active participants in the SIMPLE IRA plan and the amount of your employees' salary reduction contributions to the SIMPLE IRA plan on Form W-2. These contributions are subject to social security, Medicare, railroad retirement, and federal unemployment tax.

Deducting Contributions

Contributions to this SIMPLE IRA plan are deductible in your tax year containing the end of the calendar year for which the contributions are made.

Contributions will be treated as made for a particular tax year if they are made for that year and are made by the due date (including extensions) of your income tax return for that year.

Summary Description

Each year the SIMPLE IRA plan is in effect, the financial institution for the SIMPLE IRA of each eligible employee must provide the employer the information described in section 408(l)(2)(B). This requirement may be satisfied by providing the employer a current copy of Form 5304-SIMPLE (including instructions) together with the financial institution's procedures for withdrawals from SIMPLE IRAs established at that financial institution, including the financial institution's name and address. The summary description must be received by the employer in sufficient time to comply with the *Employee Notification* requirements earlier.

There is a penalty of \$50 per day imposed on the financial institution for each failure to provide the summary description described above. However, if the failure was due to reasonable cause, the penalty will not be imposed.

Paperwork Reduction Act Notice. You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	3 hr., 38 min.
Learning about the law or the form	2 hr., 26 min.
Preparing the form	47 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:M:S, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send this form to this address. Instead, keep it with your records.