Simplified Employee Pension Plan Agreement

THIS DOCUMENT MAY ONLY BE USED WITH A SOUTHWEST SECURITIES ACCOUNT.

HOW TO GET STARTED
EMPLOYERS ADOPTING A SIMPLIFIED EMPLOYEE PENSION (SEP) PLAN

- Discuss the selection of a **SEP** and the available options in the **Adoption Agreement** with the employer's tax advisor.
- Complete and sign the **SEP IRA Adoption Agreement**. [1]
- Supply each eligible employee with a **SEP IRA Plan Adoption Agreement**.
- Complete a **SEP IRA Contribution Disclosure** [1] every year a contribution is made to the plan. A copy of this form should be distributed to each eligible employee.

EMPLOYEES OPENING A SIMPLIFIED EMPLOYEE PENSION (SEP) ACCOUNT

- Submit a completed **SEP IRA Application** [1] to Account Executive.
- Forward the completed **SEP IRA Application** and a copy of the employer's completed **SEP IRA Adoption Agreement** to your Account Executive.
- Complete and sign an **Account Transfer Form** if you are transferring an existing SEP IRA to a Southwest Securities SEP IRA. Attach a copy of the most recent account statement.
- Complete a **Rollover Certification Form** if you are rolling qualified funds into a SEP IRA. A copy of the previous plan's distribution statement or direct rollover request forms may be substituted for the Rollover Certification Form.
- Contact your Account Executive for any other forms that may be required to establish your account.

[1] These forms are available as separate inserts to this booklet.

CUSTODIAL FEES FOR STANDARD ASSETS

• Initial Set Up or Acceptance Fee	**No Charge**
• Annual Maintenance Fee	**$35.00**
• Spousal Annual Maintenance Fee	**$35.00**
• Premature Distribution Fee	**$50.00**
• Transfer or Termination Fee	**$50.00**

The Custodial Fee Schedule for Standard Assets will apply to any Southwest Securities IRA Account which is invested in widely held or publicly traded securities, such as Stocks, Bonds, Mutual Funds and/or Fixed Income instruments.

Only publicly traded securities are eligible investments for a Southwest Securities SEP IRA account.

PROTOTYPE SIMPLIFIED EMPLOYEE PENSION 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 Simplified Employee Pension Plan. This Agreement must be used with an Internal Revenue Service Model IRA (Form 5305 or Form 5305-A) or an IRS approved Master or Prototype IRA

1.02 Purpose: 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(k) of the Code.

1.03 Limitation:

a.) This Plan may not be adopted by an Employer who has ever maintained a defined benefit plan which is now terminated. If, subsequent to adopting this plan, any defined benefit plan maintained by the Employer terminates, the Employer will no longer participate in the Sponsoring Organization's Prototype Simplified Employee Pension Plan, and the Employer will be considered to have an individually designed plan.

b.) If the Employer amends this plan other than by making an election permitted in the Adoption Agreement, the Employer will no longer participle in the Sponsoring Organization's Prototype Simplified Employee Pension Plan, the Employer will be considered to have an individually designed SEP Plan, and the Employer may no longer rely on the opinion letter received in connection with this Prototype Simplified Employee Pension Plan.

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 have not met the age and service requirements specified in the Adoption Agreement.

d.) Employees who did not earn at least $300 (as adjusted for cost of living increases) of compensation from the Employer during the Plan Year.

2.03 Participation:

a.) Each Employee who meets the eligibility requirements as specified in the Adoption Agreement shall, as a condition for further employment, become a Participant under this SEP Plan.

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.

c.) If a Participant fails to timely establish or to maintain an IRA in which SEP 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.

d.) If an Employer maintained a SEP Plan and desires to change to a Plan Year other than a calendar year, an Employee who has any service during the short Plan Year must be given credit for that service in three of the last five years. Such an Employee must also receive a contribution for the short Plan Year if such Employee would have been entitled to a contribution for the calendar year in which the short Plan year begins if there had been no change.

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 the written allocation formula specified in the Adoption Agreement.

3.02 Uniform Relationship to Compensation:

a.) All Employer contributions to this Plan shall bear a uniform relationship to the total Compensation (not to exceed $200,000, or such higher amount as may be permitted under law) of each Participant.

b.) If the Employer elects the Flat Dollar Contribution allocation in the Adoption Agreement, such contributions shall be deemed to bear a uniform relationship to the total compensation of each Participant.

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 the lesser of 15% of such Participant's Compensation or $30,000 (or if greater, 1/4 of the dollar limitation under Section 415(b)(1)(A) of the Code).

3.04 Permitted Disparity for Certain Contributions:

a.) Definite Integrated Contribution Formula: If elected in the Adoption Agreement, the Employer will contribute an amount equal to the Base Contribution Percentage selected in the Adoption Agreement (but not less than 3%) of each Participant's Compensation (as defined in Section 4.04 of the Plan) for the Plan Year, up to the Integration Level plus an amount equal to the Excess Contribution Percentage selected in the Adoption Agreement (but not less than 3% and not to exceed the Base Contribution Percentage by more than the lesser of: (i) the Base Contribution Percentage, or (ii) the Maximum Disparity Rate) of such Participant's Excess Compensation.

b.) Discretionary Integrated Contribution Formula: If elected in the Adoption Agreement, Employer contributions for the Plan Year will be allocated to Participants' accounts as follows:

STEP 1: Contributions will be allocated to each Participant's account in the ratio that each Participant's total Compensation bears to the total Compensation of all Participants, at a rate not in excess of 3% of each Participant's Compensation.

STEP 2: Any contributions remaining after the allocation in Step One will be allocated to each Participant's account in the ratio that each Participant's Excess Compensation bears to the Excess Compensation of all Participants, at a rate not in excess of 3% of such Excess Compensation.

STEP 3: Any contributions remaining after the allocation in Step Two will be allocated to each Participant's account in the ratio that the sum of each Participant's total Compensation and Excess Compensation bears to the sum of all Participants' total Compensation and Excess Compensation, at a rate not in excess of the Maximum Disparity Rate.

STEP 4: Any remaining Employer contributions will be allocated to each Participant's account in the ratio that each Participant's total Compensation bears to the total Compensation of all Participants.

c.) For purposes of the allocations made pursuant to this Section 3.04, in no event can the amount allocated to each Participant's IRA exceed the lesser of 15% of the first $200,000 (or such higher amount, as may be permitted under law) of compensation or $30,000 (or if greater, 1/4 of the dollar limitation under Section 415(b)(1)(A) of the Code).

ARTICLE IV - Glossary of Plan Terms

4.01 Adoption Agreement: The document executed by the Employer through which it adopts the Plan and agrees to he bound by all terms and conditions of the Plan.

4.02 Base Contribution Percentage: The percentage of Compensation contributed under the Plan (but in no event less than 3%) with respect to that portion of each Participant's Compensation not in excess of the Integration Level.

4.03 Code: The Internal Revenue Code of 1986 and the regulations issued thereunder as heretofore or hereafter amended. Reference to a section of the Code shall include that section and any comparable section or sections of future legislation that amends, supplements or supersedes that section.

4.04 Compensation; 415 Safe Harbor 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 to the extent that the amounts are includible in gross income (including but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, and reimbursements, or other expense allowances under a nonaccountable plan (as described in Section 1.61-2(c) IRC), and excluding the following:

a.) Employer contributions to a plan of deferred compensation which are not includible in the employee's gross income for the taxable year in which contributed, or employer contributions under a simplified employee pension plan or any distributions from a plan of deferred compensation;

b.) Amounts realized from the exercise of a nonqualified stock option, or when restricted stock (or property) held by the employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;

c.) Amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option, and

d.) Other amounts which received special tax benefits, or contributions made by the employer (whether or not under a salary reduction agreement) towards the purchase of an annuity contract described in section 403(b) of the internal Revenue Code (whether or not the contributions are actually excludable from the gross income of the employee).

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 125, 402(a)(8), 402(h) or 403(b) of the Code.

The annual Compensation of each Participant taken into account under the plan for any year shall not exceed $200,000. This limitation shall be adjusted by the Secretary at the same time and in the same manner as under Section 415(d) of the Code, except the dollar increase in effect January 1 of any calendar year is effective for years beginning in such calendar year and the first adjustment to the $200,000 limitation is effected on January 1, 1990. If a plan determines compensation on a period of time that contains fewer than l2 calendar months, then the annual compensation limit is an amount equal to the annual compensation limit for the calendar year in which the compensation period begins multiplied by the ratio obtained by dividing the number of full months in the period by 12.

In addition to other applicable limitations set forth in the Plan, and notwithstanding any other provision of the Plan to the contrary, for Plan Years beginning on or after January 1,1994, the annual compensation of each Employee taken into Account under the plan shall not exceed the OBRA '93 annual compensation limit. The OBRA '93 annual compensation limit is $150,000, as adjusted by the Commissioner for increases in the cost of living in accordance with section 401(a)(17)(B) of the Internal Revenue Code. The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding l2 months, over which compensation is determined (determination period) beginning in such calendar year. If a determination period consists of fewer than 12 months, the OBRA '93 annual compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12.

For Plan Years beginning on or after January 1, 1994, any reference in this Plan to the limitation under section 401(a)(17) of the Code shall mean the OBRA '93 annual compensation limit set forth in this provision.

4.05 Earned Income: The net earnings from self-employment in the trade or business with respect to which the Plan is established, for which personal services of the individual are a material income-producing factor. Net earnings will be determined without regard to items not included in gross income and the deductions allocable to such items. Net earnings are reduced by contributions by the Employer to qualified plans or to a SEP plan to the extent deductible under Section 404 of the Code. Net earnings shall be determined with regard to the deduction allowed to the Employer by Section 164(f) of the Code.

4.06 Employee: An individual, including a Self-Employed, 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.

4.07 Employer: The sole proprietorship, partnership, corporation or other entity identified as such in the Adoption Agreement.

4.08 Excess Compensation: A Participant's Compensation in excess of the Integration Level.

4.09 Excess Contribution Percentage: The percentage of Compensation contributed under the Plan with respect to each Participant's Excess Compensation.

4.10 Integration Level: The taxable wage base, or such lesser amount elected by the Employer in the Adoption Agreement. The taxable wage base is the maximum amount of earnings which may be considered wages for a year under section 3121(a)(1) of the Code in effect as of the beginning of the Plan Year.

4.11 Maximum Disparity Rate:

a.) If the Definite Integrated Contribution Formula is selected by the Employer under Section 3.04(a) above, the Maximum Disparity Rate is equal to the lesser of:

i.) 5.7%; or

ii.) the applicable percentage determined in accordance with Table I below.

Table I

If the Integration Level is more than	But not more than	the applicable percentage is:
$0	X*	5.7%
X* of Taxable Wage Base	80% of Taxable Wage Base	4.3%
80% of Taxable Wage Base	Y**	5.4%
Equal to the Taxable Wage Base	N/A	5.7%

*X = the greater of $10,000 or 20% of the Taxable Wage Base.

**Y = any amount more than 80% of the Taxable Wage Base but less than 100% of the Taxable Wage Base.

b.) If the Discretionary Integrated Contribution Formula is selected by the Employer under section 3.04(h) above, the maximum Disparity Rate is equal to the lesser of:

i.) 2.7%; or

ii.) the applicable percentage determined in accordance with Table II below:

Table II

If the Integration Level is more than	But not more than	the applicable percentage is:
$0	X*	2.7%
X* of Taxable Wage Base	80% of Taxable Wage Base	1.3%
80% of Taxable Wage Base	Y**	2.4%
Equal to the Taxable Wage Base	N/A	2.7%

*X = the greater of $10,000 or 20% of the Taxable Wage Base

**Y = any amount more than 80% of the Taxable Wage Basic but less than 100% of the Taxable Wage Base

4.12 Participant: Any Employee who has met the eligibility requirements of this Plan and who is eligible to receive an Employer contribution.

4.13 Plan: The Sponsoring Organization's Prototype Simplified Employee Pension Plan consisting of this plan document and the Adoption Agreement as completed and signed by the Employer.

4.14 Plan Year: The 12-consecutive month period specified by the Employer in the Adoption Agreement.

4.15 Self-Employed: An individual who has Earned Income for a Plan Year from the trade or business for which the Plan is established. A Self-Employed also includes an individual who would have had Earned Income but for the tact that the trade or business had no net profits for the Plan Year.

4.16 Sponsoring Organization: The entity specified in the Adoption Agreement.

4.17 Trustee: The financial institution or other organization specified in the Adoption Agreement 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.

PROTOTYPE SEP DISCLOSURE STATEMENT

INFORMATION FOR THE EMPLOYEE

The information provided below explains what a Simplified Employee Pension (SEP) plan is, how contributions are made, and how to treat your employer's contributions for tax purposes. Please read the questions and answer carefully. For more specific information, see the Prototype SEP Plan document and Adoption Agreement executed by your Employer. Also, see IRS Publication 590.

QUESTIONS & ANSWERS

Q1 What is a Simplified Employee Pension, or SEP?

A1 A SEP is a written arrangement (a plan) that allows an employer to make contributions toward your retirement. Contributions are made to an individual retirement account/annuity (IRA).

Your employer will provide you with a copy of the agreement containing participation rules and a description of how employer contributions may be made to your IRA.

All amounts contributed to your IRA by your employer belong to you even after you stop working for that employer.

Q2 Must my employer contribute to my IRA under the SEP?

A2 No. An employer is not required to make SEP contributions. If a contribution is made, it must be allocated to all the eligible employees according to the SEP agreement. The Prototype SEP Plan specifies that the contribution for each eligible employee will be the same percentage of compensation (excluding compensation higher than $150,000) for all employees.

Q3 How much may my employer contribute to my SEP-IRA in any year?

A3 Your employer will determine the amount to be contributed to your IRA each year. However, the amount for any year is limited to the smaller of $30,000 or 15% of your compensation for that year. Compensation does not include any amount that is contributed by your employer to your IRA under the SEP. Your employer is not required to make contributions every year or to maintain a particular level of contributions, Sec Question 5.

Q4 How do I treat my employer's SEP contributions for my taxes?

A4 Employer contributions to your SEP-IRA are excluded from your income unless there are contributions in excess of the applicable limit. See Question 3. Employer contributions within these limits will not be included on your Form W-2.

Q5 May I also contribute to my IRA if I am a participant in a SEP?

A5 Yes. You may contribute the smaller of $2,000 of 100% of your compensation to an IRA. However, the amount you can deduct may be reduced or eliminated because, as a participant in a SEP, you are covered by an employer retirement plan. See Question 11.

Q6 Are there any restrictions on the IRA I select to have my SEP contributions deposited in?

A6 Contributions must be made to either a Model IRA executed on an IRS form or a master or prototype IRA for which the IRS has issued a favorable opinion letter.

Q7 What if I do not want to participate in a SEP?

A7 If your employer does not require you to participate in a SEP as a condition of employment, and you elect not to participate, all other employees of your employer may be prohibited from participating. If one or more eligible employees do not participate and the employer tries to establish a SEP for the remaining employees, it could cause adverse tax consequences for the participating employees.

Q8 Can I move funds from my SEP-IRA to another tax-sheltered IRA?

A8 Yes. You can withdraw or receive funds from your SEP-IRA if within 60 days of receipt, you place those funds in another IRA or SEP-IRA This is called a "rollover" and can be done without penalty only once in any 1-year period. However, there are no restrictions on the number of times you may make "transfers" if you arrange to have these funds transferred between the trustees or the custodians so that you never have possession of the funds.

Q9 What happens if I withdraw my employer's contribution from my IRA?

A9 You may withdraw your employer's contribution at any time, but any amount withdrawn is includible in your income unless rolled over. Also, if withdrawals occur before you reach age 59 1/2, you may be subject to a tax on early withdrawal.

Q10 May I participate in a SEP even though I am covered by another plan?

A10 An employer may adopt this Prototype SEP in conjunction with a qualified plan, including a defined benefit plan. However, if your employer allows for elective deferrals to be made into the plan, the employer may not currently maintain a defined benefit plan. Also if your employer maintained in the past a defined benefit plan, which is now terminated this Prototype SEP may not be adopted. In such a situation an individually

designed SEP plan must be drafted and approved by the IRS for the employer. In addition, if you work for several employers you may be covered by a SEP of one employer and a different SEP or pension or profit-sharing plan of another employer.

Q11 What happens if too much is contributed to my SEP-IRA in one year?

A11 Contributions exceeding the yearly limitations may be withdrawn without penalty by the due date (plus extensions) for filing your tax return (normally April 15) but is includible in your gross income. Excess contributions left in your SEP-IRA account after that time may have adverse tax consequences. Withdrawals of those contributions may be taxed as premature withdrawals. See Question 9.

Q12 Is my employer required to provide me with information about SEP-IRAs and the SEP agreement?

A12 Yes. Your employer must provide you with a copy of the executed SEP Plan agreement with Adoption Agreement and a yearly statement showing any contributions to your IRA.

Q13 Is the financial institution where my IRA is established required to provide me with information?

A13 Yes. It must provide you with a disclosure statement that contains the following information in plain, nontechnical language.

1.) The law that relates to your IRA.
2.) The tax consequences of various options concerning your IRA.
3.) Participation eligibility rules, and rules on the deductibility of retirement savings.
4.) Situations and procedures for revoking your IRA, including the name, address, and telephone number of the person designated to receive notice of revocation. (This information must be clearly displayed at the beginning of the disclosure statement.)
5.) A discussion of the penalties that may be assessed because of prohibited activities concerning your IRA.
6.) Financial disclosure that provides the following information:
    a.) Projects value growth rates of your IRA under various contribution and retirement schedules, or describes the method of determining annual earnings and charges that may be assessed.
    b.) Describes whether, and for when, the growth projections are guaranteed, or a statement of the earnings rate and the terms on which the projections are based.
    c.) States the sales commission for each year expressed as a percentage of $1,000.

In addition, the financial institution must provide you with a financial statement each year. You may want to keep these statements to evaluate your IRA's investment performance.

See IRS Publication 590, Individual Retirement Arrangements (IRAs), available at most IRS offices, for a more complete explanation of the disclosure requirements.

In addition to this disclosure statement, the financial institution is required to provide you with a financial statement each year. It may be necessary to retain and refer to statements for more than one year in order to evaluate the investment performance of the IRA and in order that you will know how to report IRA distributions for tax purposes.

Form **5305-A** **Individual Retirement Custodial Account**

(Rev. October 1992) (Under Section 408(a) of the Internal Revenue Code)
Department of the Treasury
Internal Revenue Service

Article I

1.01 The Custodian may accept additional cash contributions on behalf of the Depositor for a tax year of the Depositor. The total cash contributions are limited to $2,000 for the tax year unless the contribution is a rollover contribution described in section 402(c) (but only after December 31, 1992), 403(a)(4), 403(b)(8), 408(d)(3), or an employer contribution to a simplified employee pension plan as described in section 408(k). Rollover contributions before January 1, 1993, include rollovers described in section 402(a)(5), 402(a)(6), 402(a)(7), 403(a)(4), 403(b)(8), 408(d)(3), or an employer contribution to a simplified employee pension plan described in section 408(k).

Article II

2.01 The Depositor's interest in the balance in the custodial account is non-forfeitable.

Article III

3.01 No part of the custodial funds may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or common investment fund (within the meaning of section 408(a)(5)).

3.02 No part of the custodial funds may be invested in collectibles (within the meaning of section 408(m) except as otherwise permitted by section 408(m)(3) which provides an exception for certain gold and silver coins and coins issued under the laws of any state.

Article IV

4.01 Notwithstanding any provision of this agreement to the contrary, the distribution of the Depositor's interest in the custodial account shall be made in accordance with the following requirements and shall otherwise comply with section 408(a)(6) and Proposed Regulations section 1.408-8, including the incidental death benefit provisions of Proposed Regulations section 1.401(a)(9)-2, the provisions of which are herein incorporated by reference.

4.02 Unless otherwise elected by the time distributions are required to begin to the Depositor under section 4.03, or to the surviving spouse under section 4.04, other than in the case of a life annuity, life expectancies shall be recalculated annually. Such election shall be irrevocable as to the Depositor and the surviving spouse and shall apply to all subsequent years. The life expectancy of a nonspouse beneficiary may not be recalculated.

4.03 The Depositor's entire interest in the custodial account must be, or begin to be, distributed by the Depositor's required beginning date, April 1 following the calendar year end in which the Depositor reaches age 70 1/2. By that date, the Depositor may elect, in a manner acceptable to the trustee, to have the balance in the custodial account distributed in:

a.) A single sum payment.
b.) An annuity contract that provides equal or substantially equal monthly, quarterly, or annual payments over the life of the Depositor.
c.) An annuity contract that provides equal or substantially equal monthly, quarterly, or annual payments over the joint and last survivor lives of the Depositor and his or her designated beneficiary.
d.) Equal or substantially equal annual payments over a specified period that may not be longer than the Depositor's life expectancy.
e.) Equal or substantially equal annual payments over a specified period that may not be longer than the joint life and last survivor expectancy of the Depositor and his or her designated beneficiary.

4.04 If the Depositor dies before his or her entire interest is distributed to him or her, the entire remaining interest will be distributed as follows:

a.) If the Depositor dies on or after distribution of his or her interest has begun, distribution must continue to be made in accordance with section 4.03.
b.) If the Depositor dies before distribution of his or her interest has begun, the entire remaining interest will, at the election of the Depositor or, if the Depositor has not so elected, at the election of the beneficiary or beneficiaries, either
   i.) Be distributed by the December 31 of the year containing the fifth anniversary of the Depositor's death, or
   ii.) Be distributed in equal or substantially equal payments over the life or life expectancy of the designated beneficiary or beneficiaries starting by December 31 of the year following the year of the Depositor's death. If, however, the beneficiary is the Depositor's surviving spouse, then this distribution is not required to begin before December 31 of the year in which the Depositor would have turned age 70 1/2.
c.) Except where distribution in the form of an annuity meeting the requirements of section 408(b)(3) and its related regulations has irrevocably commenced, distributions are treated as having begun on the Depositor's required beginning date, even though payments may actually have been made before that date.
d.) If the Depositor dies before his or her entire interest has been distributed and if the beneficiary is other than the surviving spouse, no additional cash contributions or rollover contributions may be accepted in the account.

4.05 In the case of a distribution over life expectancy in equal or substantially equal annual payments, to determine the minimum annual payment for each year, divide the Depositor's entire interest in the Custodial account as of the close of business on December 31 of the preceding year by the life expectancy of the Depositor (or the joint life and last survivor expectancy of the Depositor and the Depositor's designated beneficiary, or the life expectancy of the designated beneficiary, whichever applies). In the case of distributions under section 4.03, determine the initial life expectancy (or joint life and last survivor expectancy) using the attained ages of the Depositor and designated beneficiary as of their birthdays in the year the Depositor reaches age 70 1/2. In the case of a distribution in accordance with section 4.04(b)(ii), determine life expectancy using the attained age of the designated beneficiary as of the beneficiary's birthday in the year distributions are required to commence.

4.06 The owner of two or more individual retirement accounts may use the "alternative method" described in Notice 88-38, 1988-1 C.B. 524, to satisfy the minimum distribution requirements described above. This method permits an individual to satisfy these requirements by taking from one individual retirement account the amount required to satisfy the requirement for another.

Article V

5.01 The Depositor agrees to provide the Custodian with information necessary for the Custodian to prepare any reports required under section 408(i) and Regulations section 1.408-5 and 1.408-6.

5.02 The Custodian agrees to submit reports to the Internal Revenue Service and the Depositor as prescribed by the Internal Revenue Service.

Article VI

6.01 Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through III and this sentence will be controlling. Any additional articles that are not consistent with section 408(a) and related regulations will be invalid.

Article VII

7.01 This agreement will be amended from time to time to comply with the provisions of the Code and related regulations. Other amendments may be made with the consent of the persons whose signatures appear below.

Article VIII

8.01 Applicable Law: This Custodial Agreement shall be governed by the laws of the state where the Trust resides.

8.02 Annual Accounting: The Custodian shall, at least annually, provide the Depositor or Beneficiary (in the case of death) with an accounting of such Depositor's account. Such accounting shall be deemed to be accepted by the Depositor, if the Depositor or Beneficiary does not object in writing within 60 days after the mailing of such accounting statement.

8.03 Amendment: The Depositor irrevocably delegates to the Custodian the right and power to amend this Custodial Agreement. Except as hereafter provided, the Custodian will give the Depositor 30 days prior written notice of any amendment. In case of a retroactive amendment required by law, the Custodian will provide written notice to the Depositor of the amendment within 30 days after the amendment is made, or if later, by the time that notice of the amendment is required to be given under regulations or other guidance provided by the IRS. The Depositor shall be deemed to have consented to any such amendment unless the Depositor notifies the Custodian to the contrary within 30 days after notice to the Depositor and requests a distribution or transfer of the balance in the account.

8.04 Resignation and Removal of Custodian:

a.) The Custodian may resign at any time by giving at least 30 days notice to the Depositor. The Custodian may resign and appoint a successor trustee or custodian to serve under this agreement or under another governing instrument selected by the successor trustee or custodian by giving the Depositor written notice at least 30 days prior to the effective date of such resignation and appointment, which notice shall also include a copy of such other governing instrument, if applicable, and the related disclosure statement. The Depositor shall then have 30 days from the date of such notice to either request a complete distribution of the account balance or designate a different successor trustee or custodian. If the Depositor does not request distribution of the account or designate a different successor within such 30 days, the Depositor shall be deemed to have consented to the appointment of the successor trustee or custodian and the terms of any new governing instrument, and neither the Depositor nor the successor shall be required to execute any written document to complete the transfer of the account to the successor trustee or custodian. The successor trustee or custodian may rely on any information, including beneficiary designations, previously provided by the Depositor.
b.) The Depositor may at any time remove the Custodian and replace the Custodian with a successor trustee or custodian of the Depositor's choice by giving 30 days written notice to the Custodian. In such event, the Custodian shall then deliver the assets of the account as directed by the Depositor. However, the Custodian may retain a portion of the assets of the IRA as a reserve for payment of any anticipated remaining fees and expenses, and shall pay over any remainder of this reserve to the successor trustee or custodian upon satisfaction of such fees and expenses.

8.05 Custodian's Fees and Expenses:

a.) The Depositor agrees to pay the Custodian any and all fees specified in the Custodian's current published fee schedule for establishing and maintaining this IRA, including any fees for distributions from, transfers from, and terminations of this IRA. The Custodian may change its fee schedule at any time by giving the Depositor 30 days prior written notice.

b.) The Depositor agrees to pay any expenses incurred by the Custodian in the performance of its duties in connection with the account. Such expenses include, but are not limited to, administrative expenses, such as legal and accounting fees, and any taxes of any kind whatsoever that may be levied or assessed with respect to such account.

c.) All such fees, taxes, and other administrative expenses charged to the account shall be collected either from the assets in the account or from any contributions to or distributions from such account if not paid by the Depositor, but the Depositor shall be responsible for any deficiency.

d.) In the event that for any reason the Custodian is not certain as to who is entitled to receive all or part of the Custodial Funds, the Custodian reserves the right to withhold any payment from the Custodial account, to request a court ruling to determine the disposition of the Custodial account assets, and to charge the Custodial account for any expenses incurred in obtaining such legal determination.

8.06 Withdrawal Requests: All requests for withdrawal shall be in writing on the form provided by the Custodian. Such written notice must also contain the reason for the withdrawal and the method of distribution being requested.

8.07 Age 70 1/2 Default Provisions:

a.) Unless the Custodian (or the Depositor, if the Custodian permits) elects otherwise, life expectancies for purposes of calculating the required minimum distribution shall not be recalculated.

b.) If the Depositor does not choose any of the distribution methods under Section 4.03 of this Custodial Agreement by April 1st following the calendar year in which he/she reaches age 70 1/2, distribution shall be made to the Depositor based on such Depositor's single life expectancy.

8.08 Death Benefit Default Provisions: Unless the Custodian (or the Beneficiary, if the Custodian permits) elects otherwise, life expectancies for purposes of calculating the required minimum death distribution shall not be recalculated. If the Depositor dies before his or her required beginning date and the beneficiary does not select a method of distribution described in section 4.04(b)(i) or (ii) by December 31st following the year of death, then distributions will be made pursuant to proposed regulation 1.401(a)(9)-1.

8.09 Responsibilities: Depositor agrees that all information and instructions given to the Custodian by the Depositor is complete and accurate and that the Custodian shall not be responsible for any incomplete or inaccurate information provided by the Depositor or Depositor's beneficiary(ies). Depositor agrees to be responsible for all tax consequences arising from contributions to and distributions from this Custodial account and acknowledges that no tax advice has been provided by the Custodian.

8.10 Designation of Beneficiary: Except as may be otherwise required by State law, in the event of the Depositor's death, the balance in the account shall be paid to the beneficiary or beneficiaries designated by the Depositor on a beneficiary designation acceptable to and filed with the Custodian. The Depositor may change the Depositor's beneficiary or beneficiaries at any time by filing a new beneficiary designation with the Custodian. If no beneficiary designation is in effect, if none of the named beneficiaries survive the Depositor, or if the Custodian cannot locate any of the named beneficiaries after reasonable search, any balance in the account will be payable to the Depositor's estate.

ARTICLE IX
SELF-DIRECTED IRA PROVISIONS

9.01 Investment of Contributions: At the direction of the Depositor (or the direction of the beneficiary upon the Depositor's death), the Custodian shall invest all contributions to the account and earnings thereon in investments acceptable to the Custodian, which may include marketable securities traded on a recognized exchange or "over the counter" (excluding any securities issued by the Custodian), covered call options, certificates of deposit, and other investments to which the Custodian consents, in such amounts as are specifically selected and specified by Depositor in orders to the Custodian in such form as may be acceptable to the Custodian, without any duty to diversify and without regard to whether such property is authorized by the laws of any jurisdiction as a trust investment. The Custodian shall be responsible for the execution of such orders and for maintaining adequate records thereof. However, if any such orders are not received as required, or, if received, are unclear in the opinion of the Custodian, all or a portion of the contribution may be held uninvested without liability for loss of income or appreciation, and without liability for interest pending receipt of such orders or clarification, or the contribution may be returned. The Custodian may, but need not, establish programs under which cash deposits in excess of a minimum set by it will be periodically and automatically invested in interest-bearing investment funds. The Custodian shall have no duty other than to follow the written investment directions of the Depositor, and shall be under no duty to question said instructions and shall not be liable for any investment losses sustained by the Depositor.

9.02 Registration: All assets of the account shall be registered in the name of the Custodian or of a suitable nominee. The same nominee may be used with respect to assets of other investors whether or not held under agreements similar to this one or in any capacity whatsoever. However, each Depositor's account shall be separate and distinct; a separate account therefor shall be maintained by the Custodian, and the assets thereof shall be held by the Custodian in individual or bulk segregation either in the Custodian's vaults or in depositories approved by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

9.03 Investment Advisor: The Depositor may appoint an Investment Advisor, qualified under Section 3(38) of the Employee Retirement Income Security Act of 1974, to direct the investment of his IRA. The Depositor shall notify the Custodian in writing of any such appointment by providing the Custodian a copy of the instruments appointing the Investment Advisor and evidencing the Investment Advisor's acceptance of such

appointment, an acknowledgment by the Investment Advisor that it is a fiduciary of the account, and a certificate evidencing the Investment Advisor's current registration under the Investment Advisor's Act of 1940. The Custodian shall comply with any investment directions furnished to it by the Investment Advisor, unless and until it receives written notification from the Depositor that the Investment Advisor's appointment has been terminated. The Custodian shall have no duty other than to follow the written investment directions of such Investment Advisor and shall be under no duty to question said instructions, and the Custodian shall not be liable for any investment losses sustained by the Depositor.

9.04 No Investment Advice: The Custodian does not assume any responsibility for rendering advice with respect to the investment and reinvestment of Depositor's account and shall not be liable for any loss which results from Depositor's exercise of control over his account. The Custodian and Depositor may specifically agree in writing that the Custodian shall render such advice, but the Depositor shall still have and exercise exclusive responsibility for control over the investment of the assets of his account, and the Custodian shall not have any duty to question his investment directives.

9.05 Prohibited Transactions: Notwithstanding anything contained herein to the contrary, the Custodian shall not lend any part of the corpus or income of the account to; pay any compensation for personal services rendered to the account to; make any part of its services available on a preferential basis to; acquire for the account any property, other than cash, from; or sell any property to, any Depositor, any member of a Depositor's family, or a corporation controlled by any Depositor through the ownership, directly or indirectly, of 50 percent or more of the total combined voting power of all classes of stock entitled to vote, or of 50 percent or more of the total value of shares of all classes of stock of such corporation.

9.06 Unrelated Business Income Tax: If the Depositor directs investment 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 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.

9.07 Disclosures and Voting: The Custodian shall deliver, or cause to be executed and delivered, to Depositor all notices, prospectuses, financial statements, proxies and proxy soliciting materials relating to assets credited to the account. The Custodian shall not vote any shares of stock or take any other action, pursuant to such documents, with respect to such assets except upon receipt by the Custodian of adequate written instructions from Depositor.

9.08 Miscellaneous Expenses: In addition to those expenses set out in section 8.05 of this plan, the Depositor agrees to pay any and all expenses incurred by the Custodian in connection with the investment of the account, including expenses of preparation and filing any returns and reports with regard to unrelated business income, including taxes and estimated taxes, as well as any transfer taxes incurred in connection with the investment or reinvestment of the assets of the account.

9.09 Non-bank Trustee Provision: If the Custodian is a non-bank trustee, the Depositor shall substitute another trustee or custodian in place of the Custodian upon receipt of notice from the Commissioner of the Internal Revenue Service or his delegate that such substitution is required because the Custodian has failed to comply with the requirements of Income Tax Regulations Section 1.408-2(e), or is not keeping such records, making such returns, or rendering such statements as are required by applicable law, regulations, or other rulings. The successor trustee or custodian shall be a bank, insured credit union, or other person satisfactory to the Secretary of the Treasury pursuant to Section 408(a)(2) of the Code. Upon receipt by the Custodian of written acceptance by its successor of such successor's appointment, Custodian shall transfer and pay over to such successor the assets of the account (less amounts retained pursuant to section 8.04 of the Custodial Agreement) and all records (or copies thereof) of the Custodian pertaining thereto, provided that the successor trustee or custodian agrees not to dispose of any such records without the Custodian's consent.

Instructions - (Section references are to the Internal Revenue Code unless otherwise noted.)

Purpose of Form - Form 5305-A is a model custodial account agreement that meets the requirements of section 408(a) and has been automatically approved by the IRS. An individual retirement account (IRA) is established after the form is fully executed by both the individual (Depositor) and the Custodian and must be completed no later than the due date of the individual's income tax return for the tax year (without regard to extensions). This account must be created in the United States for the exclusive benefit of the Depositor or his or her beneficiaries. Individuals may rely on regulations for the Tax Reform Act of 1986 to the extent specified in those regulations. Do not file Form 5305-A with the IRS. Instead, keep it for your records. For more information on IRAs, including the required disclosure you can get from your trustee, get Pub. 590, Individual Retirement Arrangements (IRAs).

Definitions:

Custodian - The Custodian must be a bank or savings and loan association, as defined in section 408(n), or any person who has the approval of the IRS to act as Custodian.

Depositor - The Depositor is the person who establishes the Custodial account.

Identifying Number - The Depositor's social security number will serve as the identifying number of his or her IRA. An employer identification number is required only for an IRA account for which a return is filed to report unrelated business taxable income. An employer identification number is required for a common fund created for IRAs.

IRA for Non-working Spouse - Form 5305-A may be used to establish the IRA custodial account for a nonworking spouse. Contributions to an IRA custodial account for a nonworking spouse must be made to a separate IRA custodial account established by the nonworking spouse.

Specific Instructions:
Article IV - Distributions made under this article may be made in a single sum, periodic payment, or a combination of both. The distribution option should be reviewed in the year the Depositor reaches age 70 1/2 to ensure that the requirements of section 408(a)(6) have been met. Article VIII and any that follow it may incorporate additional provisions that are agreed to by the depositor and custodian to complete the agreement. They may include, for example, definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the custodian, custodian's fees, state law requirements, beginning date of distributions, accepting only cash, treatment of excess contributions, prohibited transactions with the depositor, etc. Use additional pages if necessary and attach them to this form.

FINANCIAL DISCLOSURE

In General: IRS regulations require the Custodian to provide you with a financial projected growth of your IRA account based upon certain assumptions.

Growth in the Value of Your IRA: Growth in the value of your IRA is neither guaranteed nor projected. The value of your IRA will be computed by totaling the fair market value of the assets credited to your account. At least once a year the Custodian will send you a written report stating the current value of your IRA assets. The Custodian shall disclose separately a description of:

a.) The type and amount of each charge;
b.) the method of computing and allocating earnings, and
c.) any portion of the contribution, if any, which may be used for the purchase of life insurance.

Custodian Fees: The Custodian may charge reasonable fees or compensation for its services and it may deduct all reasonable expenses incurred by it in the administration of your IRA, including any legal, accounting, distribution, transfer, termination or other designated fees. Any charges made by the Custodian will be separately disclosed on an attachment hereto. Such fees may be charged to you or directly to your custodial account. In addition, depending on your choice of investment vehicles, you may incur brokerage commissions attributable to the purchase or sale of assets.

IRA DISCLOSURE STATEMENT

RIGHT TO REVOKE YOUR IRA ACCOUNT

You may revoke your IRA within 7 days after you sign the IRA Adoption Agreement by hand-delivering or mailing a written notice to the name and address indicated on the IRA Adoption Agreement. If you revoke your account by mailing a written notice, such notice must be postmarked by the 7th day after you sign the Adoption Agreement. If you revoke your IRA within the 7 day period you will receive a refund of the entire amount of your contributions to the IRA without any adjustment for earnings or any administrative expenses. If you exercise this revocation, we are still required to report the contribution on Form 5498 (except transfers) and the revoked distribution on Form 1099-R.

GENERAL REQUIREMENTS OF AN IRA

- Your contributions must be made in cash, unless you are making a rollover contribution and the Custodian accepts non-cash rollover contributions.
- The annual contributions you make on your behalf may not exceed the lesser of 100% of your compensation or $2,000, unless you are making a rollover, transfer, or SEP contribution. If contributions are being made under an employer's SIMPLE Retirement Plan, you must establish a separate SIMPLE-IRA document to which only SIMPLE contributions may be made. This type of IRA is called a "SIMPLE-IRA". "SIMPLE-IRA" contributions may not be made into this account.
- Your regular annual contributions for any taxable year may be deposited at any time during that taxable year and up to the due date for the filing of your federal income tax return for that taxable year, no extensions. This generally means April 15th of the following year.
- The Custodian of your IRA must be a bank, savings and loan association, credit union or a person who is approved to act in such a capacity by the Secretary of the Treasury.
- No portion of your IRA funds may be invested in life insurance contracts.
- Your interest in your IRA is non-forfeitable at all times.
- The assets in your IRA may not be commingled with other property except in a common trust fund or common investment fund.
- You may not invest the assets of your IRA in collectibles (as described in Section 408(m) of the Internal Revenue Code.) A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property specified by the IRS. However, if the Custodian permits, specially minted US Gold, Silver and platinum coins and certain state-issued coins are permissible IRA investments. Beginning on 1/1/98 you may also invest in certain gold, silver, platinum or palladium bullion. Such bullion must be permitted by the custodian and held in the physical possession of the IRA trustee or custodian.
- Your interest in your IRA must begin to be distributed to you by the April 1st following the calendar year you attain the age of 70 1/2. The methods of distribution, election deadlines, and other limitations are described in detail below.

WHO IS ELIGIBLE TO ESTABLISH AN IRA?

You are permitted to make a regular contribution to your IRA for any taxable year prior to the taxable year you attain age 70 1/2, and if you receive compensation for such taxable year. Compensation includes salaries, wages, tips, commissions, bonuses, alimony, royalties from creative efforts and "earned income" in the case of self-employed. The amount which is deductible, depends upon whether or not you are an active participant in a retirement plan maintained by your employer; your adjusted gross income (Modified AGI); your marital status; and your tax filing status.

ACTIVE PARTICIPANT

You are considered an active participant if you participate in your employer's qualified pension, profit-sharing, or stock bonus plan qualified under Section 401(a) of the Internal Revenue Code ("the Code"); qualified annuity under Section 403(a) of the Code; a simplified employee pension plan (SEP) under Section 408(k) of the Code; a retirement plan established by a government for its employees (this does not include a Section 457 plan); Tax-sheltered annuities (TSA) or custodial accounts under Section 403(b) of the Code; pre-1959 pension trusts under Section 501(c)(18) of the Code; and SIMPLE retirement plans under Section 408(p) of the Code.

If you are not sure whether you are covered by an employer-sponsored retirement plan, check with your employer or check your Form W-2 for the year in question. The W-2 form will have a check in the "pension plan" box if you are covered by a retirement plan. You can also obtain IRS Publication 923 for more information on active participation in retirement plans for IRA deduction purposes.

CONTRIBUTIONS

Regular Contributions - The maximum amount you may contribute for any one year is the lesser of 100% of your compensation or $2,000. This is your contribution limit. The deductibility of regular IRA contributions depends upon your marital status, tax filing status, whether or not you are an "active participant" and your Modified AGI.

<u>Deductibility of Regular Contributions for tax years before 1/1/98:</u>

Nonactive Participants - If you (and your spouse) are not an active participant, then the $2,000 contribution limit is also your deduction limit for federal income tax purposes.

Unmarried Active Participant (or Married Persons filing separate returns who did not live with their spouses at any time during the year) - If you are unmarried and your Modified AGI is $25,000 or less you may deduct the total amount contributed. If your Modified AGI is $35,000 or more, no deduction is permitted. If your Modified AGI is over $25,000 but less than $35,000, then a calculation must be made to determine your deductible limit for the year. The calculation reduces your otherwise deductible limit of $2,000 by .20 for every $1 of Modified AGI between $25,000 and $35,000. The IRS has provided worksheets for this calculation in the Form 1040 and 1040A instruction booklets.

Married Persons Filing Joint Tax Returns (if either spouse is an active participant) - If you file a joint tax return with your spouse and your combined Modified AGI is $40,000 or less you may deduct the total amount contributed. If your combined Modified AGI is $50,000 or more, no deduction is permitted. If your Modified AGI is over $40,000 but less than $50,000, then a calculation similar to the one described above must be made. The calculation reduces each spouse's otherwise deductible limit of $2,000 by .20 for every $1 of Modified AGI between $40,000 and $50,000.

Married Persons Filing Separate Returns (who lived together at any time during the year) - If you have a separate Modified AGI of more than $10,000 no deduction is permitted if either you or your spouse was an active participant for the year. If your or your Spouse's separate Modified AGI is more than $0 but less than $10,000, then each spouse's deductible limit of $2,000 is reduced by .20 for every $1 of Modified AGI between $0 and $10,000.

<u>Deductibility of Regular Contributions for tax years beginning after 12/31/97:</u> The dollar thresholds for pre-1998 years for certain active participants in employer-sponsored plans will be replaced with the following thresholds:

	Married Participants	Single Participants
1998	$50,000 - $ 60,000	$30,000 - $40,000
1999	$51,000 - $ 61,000	$31,000 - $41,000
2000	$52,000 - $ 62,000	$32,000 - $42,000
2001	$53,000 - $ 63,000	$33,000 - $43,000
2002	$54,000 - $ 64,000	$34,000 - $44,000
2003	$60,000 - $ 70,000	$40,000 - $50,000
2004	$65,000 - $ 75,000	$45,000 - $55,000
2005	$70,000 - $ 80,000	$50,000 - $60,000
2006	$75,000 - $ 85,000	$50,000 - $60,000
2007	$80,000 - $100,000	$50,000 - $60,000

Married participants filing separately still have a beginning threshold of zero. Therefore the phase out range remains $0 - $10,000. This rule also applies to a non-active participant spouse who files separately, where their spouse is an active participant.

<u>Limitation for Spouse Who is not an Active Participant:</u> In the case where an IRA participant is not an active participant in an employer plan at any time during a taxable year but whose spouse is an active participant, a special dollar threshold shall apply. In these cases the phase-out dollar threshold for deductible IRA contributions shall be $150,000 - $160,000, beginning for taxable years after 12/31/97, and such spouse must file a joint income tax return with their spouse who is the active participant.

Spousal IRAs - If during any year you receive compensation and your spouse receives no compensation (or receives compensation), you may make contributions to both your IRA and your spouse's IRA. If you are eligible then you may contribute the lesser of 100% of your combined compensation or $4,000 divided any way you wish so long as no more than $2,000 is contributed into either account. You and your spouse must file a joint tax return and have unequal compensations to take advantage of this spousal contribution limit.

If you are over the age of 70-1/2 and your spouse is under age 70-1/2, then a contribution may still be made for the year into the IRA established by your spouse. Such contribution, however, is limited to the lesser of 100% of your combined compensation or $2,000.

If you or your spouse are an active participant in an employer-sponsored plan, then the IRA deduction for your IRA and your spouse's IRA is based upon the "phase-out" amounts in exactly the same manner as the phase-out under the Married Persons Filing Joint Tax Returns.

$200 Minimum Deduction - If you fall into any of the categories listed above, your minimum allowable deduction will be $200 until phased out under the appropriate marital status. In other words, if your deductible amount calculated under the appropriate dollar amounts above results in a deduction between $0 and $200, your permitted deduction is $200 instead of the calculated deduction.

Nondeductible IRA Contributions - You may make a nondeductible IRA contribution in one of two ways. First, you are permitted to treat any IRA contributions which are not deductible due to your active participation status as explained above as nondeductible contributions. Secondly, you are permitted to treat an otherwise deductible IRA contribution as a nondeductible contribution. Your total contribution for the year however, is still limited to the lesser of 100% of your compensation or $2,000.

Nondeductible IRA contributions represent money in your IRA which has already been taxed. Therefore, when you receive a distribution from any of your IRAs, a portion of each distribution will be treated as a tax-free return of your nondeductible contributions. You are responsible for indicating the amount of nondeductible IRA contributions you made for the year on IRS Form 8606 which is attached to your federal income tax return. You should also be aware that there is a penalty of $100 if you should overstate the nondeductible amount unless you can show it was due to a reasonable cause. There is also a $50 penalty if you do not file the IRS Form 8606 for years that you are required to do so.

If you make a nondeductible IRA contribution for a year and you decide not to treat it as a nondeductible contribution, you must withdraw the contribution plus earnings attributable to the nondeductible contributions on or before that year's tax filing deadline, including extensions, and you may not take a deduction for such amounts. Such earnings will be taxable to you in the year in which the contribution was made.

Simplified Employee Pension Plan (SEP) Contributions - Your employer may make a SEP contribution on your behalf into this IRA up to 15% of your compensation. This limit is a per employer limit. Therefore if you work for more than one employer who maintains a SEP plan, you may receive up to 15% of your compensation from each employer. Your employer may contribute to this IRA or any other IRA on your behalf under a SEP plan even if you are age 70 1/2 or over, and even if you are covered under a qualified plan for the year.

For Plan Years beginning before January 1, 1994, not more than $200,000 (as adjusted annually by the Secretary of the Treasury) will be considered as your compensation in any year. For Plan Years beginning after December 31, 1993, not more than $150,000 (as adjusted annually by the Secretary of the Treasury beginning in 1995) will be considered as your compensation in any year.

Therefore for years beginning before January 1, 1994 the maximum contribution made by your employer may not exceed the smaller of $30,000 or 15% of your compensation. For years beginning after December 31, 1993 and subsequent years until the $150,000 compensation limit equals or exceeds $200,000, the maximum contribution will be less than $30,000.

EXCESS CONTRIBUTIONS

Generally an excess IRA contribution is any contribution which exceeds the contribution limits, and such excess contribution is subject to a 6% excise tax penalty on the principal amount of the excess each year until the excess is corrected.

Method of Withdrawing Excess in a Timely Manner - This 6% penalty may be avoided, if the excess amount plus the earnings attributable to the excess are distributed by your tax filing deadline including extensions for the year the excess contribution was made, and you do not take a deduction for such excess amount. If you decide to correct your excess in this manner, the principal amount of the excess returned is not taxable, however, the earnings attributable to the excess are taxable to you in the year in which the contribution was made. In addition, if you are under age 59 1/2 the earnings attributable are subject to a 10% premature distribution penalty. THIS IS THE ONLY METHOD OF CORRECTING AN EXCESS CONTRIBUTION THAT WILL AVOID THE 6% PENALTY!

Method of Withdrawing Excess After Tax Filing Due Date - If you do not correct your excess contribution in the manner prescribed above by the due date for filing your tax return, then you may withdraw the principal amount of the excess (no earnings need be distributed). The 6% penalty will, however, apply first to the year in which the excess was made and each subsequent year until it is withdrawn.

$2,000 Rule: If the principal amount of your excess contribution is withdrawn after your tax filing deadline for the year during which the contribution was made, it is not taxable unless the total amount of contributions you made during the year the excess was made exceeded $2,000. In this case, the principal amount of the excess withdrawn is taxable and would be subject to the 10% premature distribution penalty if you are not yet age 59 1/2.

Undercontribution Method - Another method of correcting an excess contribution is to treat a prior year excess as a regular contribution in a subsequent year. Basically all you do is undercontribute in the first subsequent year

where you have an unused contribution limit until your excess amount is used up. However, once again you will be subject to the 6% penalty in the first year and each subsequent year that an excess remains.

ROLLOVER IRAs

Rollover Contribution from Another IRA - A rollover from another IRA is any amount you receive from one IRA and roll some or all of it over into another IRA. You are not required to roll over the entire amount received from the first IRA. However, any amount you do not roll over will be taxed at ordinary income tax rates for federal income tax purposes.

The following special rules also apply to rollovers between IRAs:

- The rollover must be completed no later than the 60th day after the day the distribution was received by you.
- You may have only one IRA to IRA rollover during a 12 consecutive month period measured from the date you received a distribution of an IRA which was rolled over to another IRA. (See IRS Publication 590 for more information.)
- The same property you receive in a distribution must be the same property you roll over into the second IRA. For example, if you receive a distribution from an IRA of property, such as stocks, that same stock must be rolled over into the second IRA.
- You are required to make an irrevocable election indicating that this transaction will be treated as a rollover contribution.
- You are not required to receive a complete distribution from your IRA in order to make a rollover contribution into another IRA, nor are you required to roll over the entire amount you received from the first IRA.
- If you inherit an IRA due to the death of the participant, you may not roll this IRA into your own IRA unless you are the spouse of the decedent.
- If you are age 70 1/2 or older and wish to roll over to another IRA, you must first satisfy the minimum distribution requirement for that year and then the rollover of the remaining amount may be made.
- Rollovers from a SEP or an Employer-IRA follow the IRA to IRA rollover rules since your contributions under these types of plans are funded directly into your own IRA.

Rollovers From SIMPLE-IRA Plans: A SIMPLE-IRA is a separate IRA that may only receive contributions under an Employer-sponsored SIMPLE Retirement Plan. These contributions must remain segregated in a SIMPLE-IRA account for a two-year period from your initial participation in the Employer's SIMPLE plan. A rollover or transfer from a SIMPLE-IRA to any other IRA may not occur until this initial two-year period has been met. Rollovers or transfers between SIMPLE-IRA plans are permitted. All of the IRA to IRA rollover rules generally apply to rollovers from a SIMPLE-IRA.

Rollovers From Employer-Sponsored Plans - Employer-Sponsored Plans Eligible for Rollovers to IRAs - Rollovers to IRAs are permitted if you have received an eligible rollover distribution from one of the following:

- A qualified plan under Section 401(a);
- A qualified annuity under Section 403(a); or
- A Tax-Sheltered Annuity (TSA) or Custodial Account under Section 403(b).

Eligible Rollover Distributions before 1/1/93 - Eligible rollover distributions from a qualified plan, annuity or TSA include a qualified total distribution, a partial distribution or a total distribution to you as an eligible alternate payee under a qualified domestic relations order (QDRO). (The following citations are from the Internal Revenue Code prior to its amendment under the Unemployment Compensation Amendments Act of 1992.)

A Qualified Total Distribution includes either a lump sum distribution (as defined under §402(e)(4)(A)), a plan termination distribution (as defined under §402(a)(5)(E)(i)(I)), or a distribution of accumulated deductible employee contributions (as defined under §402(a)(5)(E)(i)(III)). A Partial Distribution is also permitted to be rolled over if it meets the requirements under §402(a)(5)(D). A spouse or former spouse may make a rollover pursuant to a QDRO (as defined under §414(p)) if it meets the requirements under §402(a)(6)(F).

Conduit IRAs Before 1/1/93 - A conduit IRA is an IRA which contains only qualified total distributions from qualified plans, annuities and TSAs. The IRA is then used as a "holding account" until you subsequently roll that IRA back into another qualified plan, annuity or TSA. In order to take advantage of this conduit treatment, you must establish a separate IRA plan into which the qualified total distribution will be rolled over. When you decide to roll the conduit IRA back into a qualified plan or TSA, the entire balance in the IRA plan must be distributed. However, you are not required to roll over the entire amount into a qualified plan or TSA. Any amounts not rolled back into a qualified plan or TSA will be taxed to you at ordinary income tax rates. A surviving spouse who rolls a qualified total distribution to the spouse's own IRA may not use that IRA as a Conduit IRA.

Eligible Rollover Distributions after 12/31/92: Eligible rollover distributions from a qualified plan, annuity, or TSA generally include any distribution which is not:

1.) part of a series of substantially equal payments that are made at least once a year and that will last for:
    - your lifetime (or your life expectancy), or
    - your lifetime and your beneficiary's lifetime (or joint life expectancies), or
    - a period of ten years or more.
2.) attributable to your required minimum distribution for the year; and
3.) attributable to your "after-tax" employee contributions to the plan, since these amounts will be non-taxable when they are paid to you.
4.) Caution: A pending technical correction would not allow amounts attributable to a "hardship" distribution from a 401(k) plan to be rolled to an IRA for years beginning after 12/31/97.

Rollovers to Roth IRAs: You are not permitted to make a qualified rollover contribution to a Roth IRA from any IRA plan (other than another Roth IRA) if your AGI for the year during which the rollover is made exceeds $100,000 or you are a married individual filing a separate return.

Adjusted gross income means the AGI determined for the year during which the rollover is made, but reduced by the taxable amount of an IRA distribution includible in income but only with respect to such amount that was rolled over to a Roth IRA. Taxable IRA distributions that are not rolled over to a Roth IRA are included in the AGI amount. Qualified rollovers between Roth IRAs are permitted regardless of your AGI.

Taxation in Rolling Over from Traditional IRA to Roth IRA: The amount that would have been included in your income if you had taken a distribution is included in gross income "ratably" over a four-tax-year period beginning with the tax year in which the distribution is made. In order for the taxable amount of an IRA distribution to be included in income ratably over 4 years, such rollover must be made before 1/1/99. Any rollovers from an IRA to a Roth IRA after 12/31/98 will be fully includible in income the year in which rolled over. The 10% premature distribution tax shall not apply to the taxable amount of an IRA rolled to a Roth IRA. Income tax withholding will apply to the distribution.

Caution: Pending technical corrections would apply the 10% premature additional tax to a distribution from a Roth IRA of an amount that was rolled over from a traditional IRA if the distribution is made before the first day of the taxable year immediately following the 5-year period beginning with the year of the rollover unless an exception applies. Also, if the distribution is attributable to a rollover conversion made in 1998, an additional 10% tax will apply to the portion includible in income regardless of age.

Contribution Conversion of Traditional IRA to a Roth IRA: Generally, the conversion of a traditional IRA to a Roth IRA is treated as a distribution and subsequent rollover conversion contribution. However, if an individual decides by their tax filing deadline (not including extensions) to transfer a current year contribution plus earnings thereon from an IRA to a Roth IRA, no amount shall be includible in gross income as long as no deduction was taken for the contribution. In addition, pending technical corrections would also permit you to "convert" a contribution plus earnings from a Roth IRA to a traditional IRA by your tax filing deadline, including extensions.

Qualified Rollover Contribution: This term includes: (a) Rollovers between Roth IRA accounts; and (b) Traditional IRA to a Roth IRA. Qualified Rollovers must meet the general IRA rollover rules outlined in your Disclosure Statement, except that the 12 month rollover restriction shall not apply to rollovers between a traditional IRA and a Roth IRA. However, the 12 month rule shall apply to rollovers between Roth IRAs. Rollovers from employer-sponsored plans, such as qualified plans and 403(b)s, to a Roth IRA are not permitted. However, you could roll over from the employer plan to a traditional IRA, and then roll over to a Roth IRA.

Caution: Pending technical corrections would not allow rollover conversions from a SEP IRA or SIMPLE IRA to a Roth IRA.

Direct Rollovers to Another Plan - You can elect a direct rollover of all or any portion of your payment that is an "eligible rollover distribution", as described above. In a direct rollover, the eligible rollover distribution is paid directly from the Plan to an IRA or another employer plan that accepts rollovers. If you elect a direct rollover, you are not taxed on the payment until you later take it out of the IRA or the employer plan, and you will not be subject to the 20% mandatory income tax withholding otherwise applicable to Eligible Rollover Distributions which are paid directly to you. Your employer is required to provide you with a Notice regarding the effects of electing or not electing a direct rollover to an IRA or another employer plan. Although a direct rollover is accomplished similar to a transfer, the Custodian must report the direct rollover on Form 5498 as a rollover contribution.

Eligible Rollover Distribution Paid to You - If you choose to have your eligible rollover distribution paid to you (instead of electing a direct rollover), you will receive only 80% of the payment, because the plan administrator is required to withhold 20% of the payment and send it to the IRS as income tax withholding to be credited against your taxes. However, you may still roll over the payment to an IRA within 60 days of receiving the distribution. The amount rolled over will not be taxed until you take it out of the IRA. If you want to roll over 100% of the payment to an IRA, you must replace the 20% that was withheld from other sources. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over. In either event, the 20% that was withheld can be claimed on your income tax return as a credit toward that year's tax liability.

Conduit IRAs after 12/31/92 - A direct rollover (or rollover within 60 days of receipt) of any eligible rollover distribution may be treated as a "Conduit IRA", provided that a separate IRA is established for purposes of retaining the ability to later roll these funds back into a qualified plan or 403(b) plan. The conduit IRA need not be completely distributed in order for a rollover back to a qualified plan or 403(b) plan, however, the amount distributed must be rolled over to the qualified plan or 403(b) plan. In addition, a surviving spouse may also treat such conduit IRA for purposes of rolling over into the surviving spouse's qualified plan or 403(b) plan.

Special Rules for surviving spouses, alternate payees, and other beneficiaries - If you are a surviving spouse, you may choose to have an eligible rollover distribution paid in a direct rollover to an IRA or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA, but you cannot roll it over to an employer plan. If you are the spouse or former spouse alternate payee with respect to a Qualified Domestic Relations Order, you may have the payment paid as a direct rollover or paid to you which you may roll over to an IRA or another employer plan. If you are a beneficiary other than the surviving spouse, you cannot choose a direct rollover and you cannot roll over the payment yourself.

The following additional rules apply to a rollover from an employer-sponsored plan to an IRA:

- The rollover must be completed no later than the 60th day after the day the distribution was received by you.
- You are required to make an irrevocable election indicating that this transaction will be treated as a rollover contribution.
- You are not required to contribute the entire amount you received from the qualified plan, qualified annuity or TSA distribution.

- If you are age 70 1/2 or older and wish to roll over your qualified plan, qualified annuity or TSA distribution to an IRA, you must first satisfy the minimum distribution requirement for that year and then the rollover of the remaining amount may be made.
- If your distribution consists of money which was nondeductible employee contributions, these amounts may not be rolled over to an IRA.
- If your distribution consists of property (i.e., stocks) you may either roll over the same property (the same stock) or you may sell the distributed property and roll over the proceeds from the sale. This is true whether the proceeds from the sale are more or less than the fair market value of the property on the date of distribution. You may not keep the property received in the distribution and roll over cash which represents the fair market value of the property.

DISTRIBUTIONS

Taxation of Distributions - When you start withdrawing from your IRA, you may take the distributions in regular payments, random withdrawals or in a single sum payment. Generally all amounts distributed to you from your IRA are included in your gross income in the taxable year in which they are received. However, if you have made nondeductible contributions to your IRA, the nontaxable portion of the distribution, if any, will be a percentage based upon the ratio of your unrecovered nondeductible contributions to the aggregate of all IRA balances, including SEP, SIMPLE and rollover contributions, as of the end of the year in which you take the distribution, plus distributions from the account during the year. All taxable distributions from your IRA are taxed at ordinary income tax rates for federal income tax purposes and are not eligible for either capital gains treatment or 5/10 year averaging.

Premature Distributions - If you are under age 59 1/2 and receive a distribution from your IRA account, a 10% additional income tax will apply to the taxable portion of the distribution unless the distribution is received due to death; disability; a series of substantially equal periodic payments at least annually over your life expectancy or the joint life expectancy of you and your designated beneficiary; medical expenses that exceed 7.5% of your adjusted gross income; health insurance premiums paid by certain unemployed individuals; a qualifying rollover distribution; or the timely withdrawal of the principal amount of an excess or nondeductible contribution.

If you request a distribution in the form of a series of substantially equal payments, and you modify the payments before 5 years have elapsed and before attaining age 59 1/2, the 10% additional income tax will apply retroactively to the year payments began through the year of such modification.

Premature Distributions After 12/31/97: If you are under age 59 1/2 and receive a distribution from your IRA account, a 10% additional income tax will apply to the taxable portion of the distribution unless the distribution is received due to death; disability; a series of substantially equal periodic payments at least annually over your life expectancy or the joint life expectancy of you and your designated beneficiary; medical expenses in excess of 7.5% of your adjusted gross income; health insurance premiums paid by certain unemployed individuals; qualified acquisition costs of a first time homebuyer; qualified higher education expenses; a qualifying rollover distribution; or the timely withdrawal of the principal amount of an excess or nondeductible contribution.

Age 70 1/2 Required Minimum Distributions - You are required to begin receiving minimum distributions from your IRA by your required beginning date (the April 1 of the year following the year you attain age 70 1/2). The year you attain age 70 1/2 is referred to as your "first distribution calendar year". Your minimum distribution is based upon the value of your account at the end of the prior year (less any required distributions you received between January 1 and April 1st of the year following your first distribution calendar year) by the joint life expectancy of you and your designated beneficiary. If you do not have a designated beneficiary then the minimum distribution will be based upon your single life expectancy.

As you can see, who you designate as beneficiary under your IRA will affect the period over which distributions may be made. If you have more than one primary beneficiary, generally the beneficiary with the shortest life expectancy will be the measuring life expectancy used for determining the period over which distributions will be made. If no beneficiary is named or you name a beneficiary which is not an individual (i.e., your estate), distributions will be based upon your single life expectancy.

By the April 1 following your first distribution calendar year, you must make certain elections on a form provided by the Custodian. If no election is made, you will be deemed to have elected to take your distributions over a period not to exceed your single life expectancy.

The required distributions for the second distribution calendar year and for each subsequent distribution calendar year must be made by December 31 of such year.

Unless otherwise elected by the Custodian (or by you, if the Custodian permits) in determining the amount to be distributed for the second distribution calendar year and subsequent distribution calendar years, your life expectancy (and your designated beneficiary's life expectancy) shall not be recalculated.

If the Custodian elects (or you elect, if the Custodian permits) to recalculate your life expectancy or your spouse's life expectancy, you will generally have a longer period of time over which payments will be made and therefore the minimum distribution will be less.

CAUTION: If you or your spouse should die, the decedent's life expectancy is reduced to zero which will reduce the period of distribution to the survivor's single life expectancy. If recalculation is not elected, the death of either spouse will not have an effect on the payment period.

In any distribution calendar year you may take more than the required minimum. However, if you take less than the required minimum with respect to any distribution calendar year, you are subject to a federal excise tax penalty of 50% of the difference between the amount required to be distributed and the amount actually distributed.

Minimum Distribution Incidental Benefit (MDIB) Rule - Basically, this rule specifies that benefits provided under a retirement plan must be for the primary benefit of a participant rather than for his/her beneficiaries. If your spouse is your sole beneficiary, these special MDIB rules do not apply. The amount required to be distributed under the MDIB rule may in some cases be more than the amount required under the normal age 70 1/2 required minimum distribution rules.

If someone other than or in addition to your spouse is a named beneficiary, the minimum distribution required is the greater of the amount determined under the regular 70 1/2 rules and the amount determined under the MDIB rules.

The minimum amount to be distributed under the MDIB rules is the amount determined by taking the balance in your IRA account and dividing it by a factor taken from an IRS table specified in IRS regulations. The table provides life expectancies for you and a beneficiary who is assumed to be 10 years younger.

Death Distributions - If you die after your required beginning date, the balance in your IRA will be distributed in a manner which is at least as rapid as the method of distribution being used on the date of your death.

If you die before your required beginning date, the balance in your IRA must generally be distributed within 5 years from the date of your death. However your beneficiary(ies) may elect to receive the balance in your account over the single life expectancy of your designated beneficiary if distributions begin no later than the end of the year containing the one year anniversary of your death. In addition, if your only beneficiary is your surviving spouse, distributions need not commence until December 31st of the year you would have attained age 70 1/2.

PROHIBITED TRANSACTIONS

If you or your beneficiary engage in a prohibited transaction (as defined under Section 4975 of the Internal Revenue Code) with your IRA, it will lose its tax exemption and you must include the value of your account in your gross income for that taxable year. If you pledge any portion of your IRA as collateral for a loan, the amount so pledged will be treated as a distribution and will be included in your gross income for that year.

PENALTIES

If you are under age 59 1/2 and receive a premature distribution from your IRA, an additional 10% income tax will apply on the taxable amount of the distribution. If you make an excess contribution to your IRA and it is not corrected on a timely basis, an excise tax of 6% is imposed on the excess amount. This tax will apply each year to any part or all of the excess which remains in your account. If you are age 70 1/2 or over, or if you should die, and the appropriate required minimum distributions are not made from your IRA, an additional tax of 50% is imposed upon the difference between what should have been distributed and what was actually distributed.

For tax years ending before 1/1/97, you will be taxed an additional 15% on any amount you receive and include in income during a calendar year from qualified plans, TSAs and IRAs which exceeds the greater of $150,000 (unindexed) or $112,500 (indexed for cost of living). This 15% excess distribution tax is repealed for distributions occurring after 12/31/96. In the event of an IRA participant's death before 1/1/97, the participant's estate may be subject to a 15% tax on the "excess accumulation" in all of the individual's qualified plans, TSAs and IRAs. The 15% excess accumulation tax is repealed for decedents dying after 12/31/96.

You must file IRS Form 5329 with the Internal Revenue Service for any year an additional tax is due. You must file IRS Form 8606 for any year you make a nondeductible IRA contribution. The penalty for not filing Form 8606, when required, is $50.

INCOME TAX WITHHOLDING

All withdrawals from your IRA (except a direct transfer) are subject to federal income tax withholding. You may, however, elect not to have withholding apply to your IRA distribution in most cases. If withholding does apply to your distribution, it is at the rate of 10% of the amount of the distribution.

TRANSFERS

A direct transfer of all or a portion of your funds is permitted from this IRA to another IRA or visa versa. Transfers do not constitute a distribution since you are never in receipt of the funds. The monies are transferred directly to the new trustee or custodian.

If you should transfer all or a portion of your IRA to your former spouse's IRA under a divorce decree (or under a written instrument incident to divorce) or separation instrument, you will not be deemed to have made a taxable distribution, but merely a transfer. The portion so transferred will be treated at the time of the transfer as the IRA of your spouse or former spouse.

If your spouse is the beneficiary of your IRA, in the event of your death, your spouse may "assume" your IRA. The assumed IRA is then treated as your surviving spouse's IRA.

FEDERAL ESTATE AND GIFT TAXES

Generally there is no specific exclusion for IRAs under the estate tax rules. Therefore, in the event of your death, your IRA balance will be includible in your gross estate for federal estate tax purposes. However, if your surviving spouse is the beneficiary of your IRA, the amount in your IRA may qualify for the marital deduction available under Section 2056 of the Internal Revenue Code. A transfer of property for federal gift tax purposes does not include an amount which a beneficiary receives from a IRA plan.

IRS APPROVAL AS TO FORM

This IRA Custodial Agreement has been approved by the Internal Revenue Service as to form. This is not an endorsement of the plan in operation or of the investments offered.

ADDITIONAL INFORMATION

You may obtain further information on IRAs from your District Office of the Internal Revenue Service. In particular you may wish to obtain IRS Publication 590 (Individual Retirement Arrangements).

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Person to Contact:
B. Gamerman
Telephone Number:
(202) 622-8400
Refer Reply to:
E:EP:R:7
Date:
December 9, 1992

SWS Securities, Inc.
Suite 4300, Renaissance Tower
1201 Elm Street
Dallas, TX 75270

EIN Number: 75-1382137

Ladies and Gentlemen:

In a letter dated July 9, 1992, and subsequent letters, you requested a written notice of approval that SWS Securities, Inc., may serve as a custodian of plans qualified under section 401 of the Internal Revenue Code and of accounts described in section 403(b)(7), and as a passive nonbank trustee or custodian for individual retirement arrangements (IRAs) established under section 408.

Section 401(f) of the Code provides that a custodial account shall be treated as a qualified trust under this section if such custodial account would, except for the fact it is not a trust, constitute a qualified trust under this section and the custodian is a bank (as defined in section 408(n)) or other person who demonstrates to the satisfaction of the Secretary that the manner in which such other person will hold the assets will be consistent with the requirements of section 401. Section 401(f) also provides that in the case of a custodial account treated as a qualified trust by reason of the preceding sentence, the person holding the assets of such account shall be treated as the trustee thereof.

Section 403(b)(7)(A) of the Code requires, in part, that for amounts paid by an employer to a custodial account to be treated as amounts contributed to an annuity contract for his employee, the custodial account must satisfy the requirements of section 401(f)(2). This section also requires, in order for the amounts paid by an employer to be treated as amounts contributed to an annuity contract for his employee, that the amounts are to be invested in regulated investment company stock to be held in that custodial account, and under the custodial account no such amounts may be paid or made available to any distributee before the employee dies, attains age 59 1/2, separates from service, becomes disabled (within the meaning of section 72(m)(7)), or in the case of contributions made pursuant to a salary reduction agreement (within the meaning of section 3121(a)(1)(D)), encounters financial hardship.

Section 408(a)(2) of the Code requires that a trustee of an IRA be a bank (as defined in section 408(n)) or such other person who demonstrates to the satisfaction of the Secretary that the manner in which such other person will administer the IRA will be consistent with the requirements of section 408.

Section 408(h) of the Code provides that a custodial account shall be treated as a trust under this section if the assets of such account are held by a bank (as defined in subsection (n)) or such other person who demonstrates to the satisfaction of the Secretary that the manner in which such other person will administer the account will be consistent with the requirements of this section, and if the custodial account would, except for the fact that it is not a trust, constitute an IRA described in subsection (a). Section 408(h) also provides that, in the case of a custodial account treated as a trust by reason of the preceding sentence, the custodian of such account shall be treated as the trustee thereof.

The Income Tax Regulations at section 1.401-12(n) provide the criteria for determining the ability of such other person, for purposes of sections 401(f), 403(b)(7), 408(a)(2), and 408(h) of the Code, to act as a trustee or custodian. Section 1.401-12 (n) of the regulations provides that such person must file a written application with the Commissioner demonstrating, as set forth in that section, its ability to act as a trustee or custodian.

Based on all the information submitted to this office and all the representations made in the application we have concluded that SWS Securities, Inc., meets the requirements of section 1.401-12(n) of the regulations and, therefore, is approved to serve as a custodian of plans qualified under section 401 of the Code and of accounts described in section 403(b)(7), and as a passive nonbank trustee or custodian for IRAs established under section 408.

This letter authorizes SWS Securities, Inc., to serve only as a nonbank trustee or custodian in a fashion similar to a passive nonbank trustee, within the meaning of section 1.401-12(n)(7) of the regulations, that is, it is authorized only to acquire and hold particular investments specified by the owner, it may not serve as trustee or custodian if under the written agreement it has discretion to direct investments of the trust or custodial funds.

This letter while authorizing SWS Securities, Inc., to act as a passive trustee or custodian does not authorize it to pool accounts in a common investment fund (other than a mutual fund) within the meaning of section 1.401-12(n)(6)(viii)(C) of the regulations. SWS Securities, Inc., may not act as a passive trustee or custodian unless it undertakes to act only under trust instruments or custodial agreements that contain a provision to the effect that the owner is to substitute another trustee or custodian upon notification by the Commissioner that such substitution is required because the applicant has failed to comply with the requirements of section 1.401-12(n) of the regulations or is not keeping such records, or making such returns or rendering such statements as are required by forms or regulations.

SWS Securities, Inc., is required to notify the Commissioner of Internal Revenue, Attn: E:EP:R, Internal Revenue Service, Washington, D.C. 20224, in writing, of any change which affects the continuing accuracy of any representations made in its application. Further, the continued approval of its application to act as a custodian of plans qualified under section 401 of the Code and of accounts described in section 403(b)(7), and as a passive nonbank trustee or custodian for IRAs established under section 408, is contingent upon the continued satisfaction of the criteria set forth in section 1.401-12(n) of the regulations.

This approval letter is not transferable to any other entity. An entity that is a member of a controlled group of corporations, within the meaning of section 1563(a) of the Code, may not rely on an approval letter issued to another member of the same controlled group. Furthermore, any entity that goes through a merger, consolidation or other type of reorganization may no longer rely on the approval letter issued to such entity prior to the merger, consolidation or other type of reorganization. Such entity will have to apply for a new determination letter in accordance with section 1.401-12 (n) of the regulations.

This letter constitutes a determination that SWS Securities, Inc., may act as a custodian of plans qualified under section 401 of the Code and of accounts described in section 403(b)(7), and as a passive nonbank trustee or custodian for IRAs established under section 408, and does not bear upon its capacity to act as a trustee or custodian under any other applicable law.

Sincerely yours,

William B. Hulteng
Chief, Employee Plans
Rulings Branch

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Prototype SEP 001
FFN: 5042949AQ00-001 Case: 9780006 EIN: 75-1382137
Letter Serial No: D420455a

SWS Securities, Inc.
1201 Elm Street
Dallas, TX 75270

Person to Contact: Ms. Arrington
Telephone Number: (202) 622-8173
Refer Reply to: CP:E:EP:Q:P3
Date: 02/12/97

Dear Applicant:

In our opinion, the form of your Simplified Employee Pension (SEP) arrangement is acceptable under section 408(k) of the Internal Revenue Code. This SEP arrangement is approved for use only in conjunction with an Individual Retirement Arrangement (IRA) which meets the requirements of Code section 408 and has received a favorable opinion letter, or a model IRA (Forms 5305 and 5305-A).

Employers who adopt this approved plan will be considered to have a retirement savings program that satisfies the requirements of Code section 408 provided that it is used in conjunction with an approved IRA. Please provide a copy of this letter to each adopting employer.

Code section 408(1) and related regulations require that employers who adopt this SEP arrangement furnish employees in writing certain information about this SEP arrangement and annual reports of savings program transactions.

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

If you have any questions concerning IRS processing of this case, call us at the above telephone number. Please refer to the Letter Serial Number and File Folder Number shown in the heading of this letter. Please provide those adopting this plan with your phone number, and advise them to contact your office if they have any questions about the operation of this plan.

You should keep this letter as a permanent record. Please notify us if you terminate the form of this plan.

Sincerely yours,

Chief, Employee Plans Technical Branch

Retirement Plans are offered through:
Southwest Securities, Inc.
Member NASD, NYSE, SIPC
1201 Elm Street
Suite 3500
Dallas, TX 75270