

November 7, 2006

Reference: 2006 Year End Documents and Related Helpful Information

Dear Client:

Benefit Consultants Group strives to provide you with the highest level of customer care. Therefore we are providing you with this letter to bring you up-to-date with the various government, tax and compliance regulations that may be relevant to your plan. Some of the areas that will be addressed include:

- Year-End compliance work
- New Safe Harbor notice regulations
- Year-end profit sharing contributions
- Updated 2007 IRS limits; and
- Minimum distribution upon reaching age 70½.

Your Year End Packet Contains The Following Information:

Shortly after we process your last employee deferrals for 2006, *if applicable*, we will be sending you a BCG Year End Packet. Upon receipt, please review all data and follow the enclosed instructions. The accuracy of the compliance work depends on the accuracy of the data received (from client). PLEASE REMEMBER, RETURN OF THE MATERIAL IN THE *BCG YEAR END PACKET* WILL BE TIME SENSITIVE!

- Any 401(k) refunds must be made by March 15th, 2007 or the Employer/Plan Sponsor will have to pay an IRS mandated 10% EXCISE TAX on any refunds. We cannot guarantee that refunds will be done before March 15th on any material that has not been returned to us on or by February 15, 2007.
- If your data is still not returned by March 31, 2007 (or 120 days after plan year ends for off calendar plans), we will not be able to complete your annual report (Form 5500 & attachments) in time for filing; therefore a \$100.00 extension fee will be charged.

Safe Harbor Notices

If you have *elected* or *will elect* to maintain a Safe Harbor status for the upcoming plan year, you should update the original Safe Harbor Notice that we previously provided you changing all dates to reflect the 2007 year. Then attach a copy of the Summary Plan Description you have on file for the plan. Provide the Notice and attached Summary Plan Description to each eligible employee.

You must attach the Summary Plan Description to the updated Notice to *satisfy your requirements regarding the Safe Harbor Notice*. This Notice must be distributed not more than 90 nor less than 30 days before the beginning of the new year (December 1, 2006).

Year-End Employer Profit Sharing Contributions

If you intend to submit a year-end profit sharing contribution, please let us know on the annual questionnaire (included in the *BCG Year End Packet*) that will be sent to you in early January 2007 (or shortly after plan year ends for Off-Calendar plans).

Updated IRS limits on Benefits and Compensation 2007

The limits for 2007 are as follows:

- 401(k)/403(b) Plans Maximum elective deferral amount for 2007 is \$15,500.00
- For participants over 50 years of age, the catch-up contribution limit is \$5,000.00
- 457 maximum contribution limit for 2007 is \$15,500 and is independent of the 401(k)/403(b) limit
- Individual allocation limit is now the lesser of 100% of compensation or \$45,000
- The maximum employer deduction in 401(k) PS Plans is 25% of covered compensation. Elective Deferrals in 401(k) plans *are not* counted as employer contributions
- Compensation limit is \$225,000.00

Age 70½ Minimum Distributions

- The law provides that an employee or business owner who participates in a company-sponsored retirement plan and who owns 5% or more of the company (including interests owned by family members and other related parties), must begin distributions from the plan no later than April 1 following the calendar year during which he or she attains age 70½.
- This rule applies whether or not the "5% owner" is still employed by the company at that time. The amount required to be distributed each year depends on the participant's account balance or accrued benefit under the plan, and whether or not the employee's spouse is designated as a beneficiary of his or her plan benefit (if anyone). Employees who are not 5% owners do not have to begin taking plan distributions until they actually retire.
- A copy of a Plan Distribution Request Form (*see Helpful Hints section below*) and Instructions should be distributed to all participants who are described above. These participants should review their situation with their tax advisor. The Plan Distribution Request should be returned as directed by the instructions. The reason for the distribution will be "70½." **Failure to make a required distribution will result in the imposition of a 50% excise on the plan participant and may disqualify the plan.**
- The Plan Distribution Request should be returned to us **no later than December 1, 2006 (February 1, 2007, for participants who turned 70½ in 2006 and wish to defer their first distribution no later than April 1, 2007**, to assure that the required distribution is made timely.
- If your plan participants described in this letter have already submitted a request for a minimum distribution for the year 2006, please disregard this section.

Representatives of *Benefit Consultants Group* are also available to assist participants in formulating a distribution Plan that satisfies the minimum distribution rules and reflects the participant's financial and estate planning goals; however, an additional charge will be imposed for this service.

Helpful Hints!

For easy access, most administrative forms are available on line at www.bcgbenefits.com. Below are examples of the types of forms available at our web site:

- Employee Enrollment Form
- Loan Application
- Plan Distribution Request Form
- Hardship Withdrawal Form

Finally, please be advised that, beginning in 2007, all profit sharing and other non-elective contributions must *vest* at least as rapidly as determined at one of the following schedules:

- 0% until 3 years of service and then 100%; or
- 20% after 2 years of service increasing 20% with each year of service to 100% at six years of service

We will send you additional information at a later date regarding any plan amendment required by this change in law.

BCG would like to thank you for choosing our company to service all of your Retirement Plan needs. We hope that this communication has been informative. However, if you have any questions concerning the content addressed in this letter, please contact us at 1 800-524-4015, Option 5.

Best Regards,

Retirement Plan Specialist Team