



64 NORTH COUNTY LINE ROAD  
SOUDERTON, PA 18964  
215.703.0844 • FAX:  
215.723.1265  
EMAIL: info@tpagroup.com

## Action Required

**Date:** Tuesday, February 23, 2010

**To:** Bob Miller

**Company:** ABC Company, Inc.

**From:**

**RE: PLAN YEAR END INFORMATION REQUEST - /2010**

The Plan Year End of your Company's retirement plan is /2010. In order for Paragon to provide our annual administration and compliance services, please provide the census and plan information listed below. PLEASE NOTE: We will NOT be able to perform any discrimination testing unless BOTH the signed Annual Plan Review and the census information are provided.

*I realize that providing this information can be cumbersome. Fortunately, this data usually is required once per year; however, it is necessary to accurately administer your plan. I strongly encourage you to contact me with any questions.*

### **ANNUAL PLAN REVIEW QUESTIONNAIRE**

Please complete and sign the Annual Plan Review Questionnaire.

- The first six pages **of the questionnaire** must be returned and signed where indicated; *All questions in the Form 5500 section require a response in order to complete your 5500.*
- The Contribution Info Addendum is optional unless your plan required this information in the past
- The Life Insurance Addendum must be completed if your retirement plan has life insurance policies
- **The Ownership Addendum must be completed/reviewed if common ownership exists within other entities**

*Note: This information will allow us to assist in monitoring your Plan's current operations. We do realize that each plan is different therefore "not applicable" may be considered an appropriate response to some questions. Failure to respond to questions on any page may result in a delay in the processing of your Plan's work.*

### **CENSUS INFORMATION REQUEST- SENT VIA SECURE WEBSITE**

**If you have made arrangements for your payroll service or accountant to provide this data directly to us, please forward the census request to them.** There are generally 2 formats to choose from when submitting census data. Please submit your census data in one of the following formats:

**Excel** - Please clearly label each column of your spreadsheet and return to us electronically.

**OR**

**Hardcopy** - This is generally reserved for clients with 20 or fewer employees and is acceptable if used in the recent past. We reserve the right, however, to charge on a time and material basis for the additional labor required.

Data provided should cover the entire plan year ending /2010 unless otherwise noted. If you have any questions at all as you complete the census information listed **on the next page**, please call us.



# Annual Plan Review Questionnaire

Plan Year Ending: /10

---

ABC Company, Inc. 401(k) Profit Sharing Plan

---

## 1. PLAN SPONSOR INFORMATION

Please verify the information below and make any necessary changes or additions:

**Employer Name:** ABC Company, Inc.

**Street Address:** 123 Sample Road

**City:** Anytown **State:** PA **Zip:** 15885

**Phone #:**

**Fax #:**

**Employer EIN:**

**Entity Fiscal Year End:**

**Contact Name:** Bob Miller

**Email Address:**

**Account Executive:**

**We will send your year end reports on CD unless you specifically elect to receive hardcopy below:**

\_\_\_\_\_ **I would like to receive my year end reports via hard copy.**

## 2. ENTITY / OWNERSHIP INFORMATION

a. Our records indicate that the Plan Sponsor is a(n) .

Has this changed?

Yes No

If yes, what is your new entity type? \_\_\_\_\_

Has this information changed for any other Employer participating in your Plan?

Yes No

Not applicable

**If yes, please explain on the enclosed Ownership Questionnaire Addendum.**

b. List ownership as of the last day of Plan year. (You may attach additional pages.)

Shareholder/Company-Owner

Percent of Voting Stock

Percent of All Stock

c. Family members who are also employees

Relationship

Date of Birth

\* Required to properly determine the Highly Compensated Group and the Key Employees.

**Plan Trustees**

Your document states that your current trustee(s) are:

Bob Miller

***If you would like to make any changes to the Plan trustees, please have the Trustee(s) notify us in writing to begin the process.***

d. List Corporate Officers:(as many as apply)

e. Does your Plan benefit any collectively bargained employees ? Yes No

f. Did any leased employee perform services for the employer at anytime during the Plan Year? If yes, how many. Yes No

g. According to our records, your Company maintains another retirement plan?

*If g. is Yes, please provide below a list of all plans with their plan names, plan numbers and type of plan (such as Defined Benefit, Money Purchase, Profit Sharing, 401(k), Stock Bonus, ESOP). We have included the plan names of those retirement plans that we are aware of.*

\_\_\_\_\_

h. Has any participant been on military leave during the year? If yes, please contact us. Yes No  
In some cases, additional Profit Sharing or other adjustments may be required.

i. If you employ a significant number of non-English speaking employees; an additional notice in that language, may be required to be provided to them offering assistance in understanding the Summary Plan Description ("SPD"). (*Paragon, as additional consulting, may be able to offer assistance with this notice.*)

- If the plan has less than 100 participants and you employ 25% or more of a specific non-English language workforce, an additional notice would be required.
- If the plan has more than 100 participants and you employ 10% or more of a specific non-English language workforce, an additional notice would be required.

### **3. CONTROLLED GROUP / AFFILIATED SERVICE GROUP DETERMINATION**

- *Regardless of its size, a business needs to know whether it is part of a **controlled group**. Businesses that are members of a controlled group are treated as a single Employer for retirement plan purposes; these relationships affect the administration of your retirement plan.*
- It is important for you to notify Paragon of the exact ownership of your company, any changes to that ownership, whether there are any other businesses that share common ownership *to any extent* with your business, and any other business transactions (e.g. mergers, stock or asset acquisitions or sales, etc.) affecting your company.
- **Please note that even 50% ownership in another company could affect the allowable amount of contributions to this retirement plan and any additional retirement plans the owners may be a part of.**

a. **Do any of the owners listed in 2b. have ownership in any other entities?** Yes      No

Please note that this information is very important as it will allow us to determine if the company is part of a **Controlled Group**. Additional information on this topic can be found on the **CONTROLLED GROUP/AFFILIATED SERVICE GROUP OUTLINE**.

*(If Yes, please complete the Ownership Questionnaire Addendum.)*

A review of the information on file reflects that your controlled group status is No

b. Was your plan a member of an affiliated service group during the year? Yes      No

Additional information on this topic can be found on the **CONTROLLED GROUP/AFFILIATED SERVICE GROUP OUTLINE**.

*(If Yes, please provide Paragon with details of the affiliation.)*

A review of the information on file reflects that your affiliated service group status is

c. Are any of these related businesses participating in your Plan? Yes      No

*(If Yes, please review the list of participating employers on the Ownership Questionnaire Addendum and modify, if applicable)*

d. During the Plan Year has any business related as part of the controlled group or affiliated service group been involved in a merger, stock or asset transaction to any extent? Yes      No

*If Yes, have you contacted your Account Executive to discuss this transaction and its affect on your retirement plan? If not, please do so immediately.*

**Note: Contact Paragon immediately if you have any questions about the above determinations.**

### **4. FIDELITY BOND COVERAGE INFORMATION**

Name of Insurance Company: \_\_\_\_\_

Amount of Coverage: \_\_\_\_\_

Extended Coverage Purchased\* \_\_\_\_\_

*\*Some insurers offer coverage that increases automatically along with the assets of your plan. Please advise us if you have this type of coverage and we will note it in our records. Each individual who handles funds must be bonded for at least 10% of the amount of plan assets he or she handles and never for less than \$1,000 or more than \$500,000 with respect to a single plan.*

## 5. FORM 5500 INFORMATION

**Note:** The following questions are taken directly from Form 5500 and related schedules and must be completed. If you have any questions about their interpretation, please call your Account Executive. *If the answer to questions 1a to 8 is "Yes", then you must show an amount.*

1. (Not on 5500) Do you submit employee deferrals on a per payroll basis?	Yes	No	<u>AMOUNT</u>
1a. Did you fail to transmit any participant contributions to the plan within the regulated time period? *See below for specifics.	Yes	No	\$ _____
2. Were any plan loans or fixed income obligations due the plan in default as of the close of the plan year or classified as uncollectible?	Yes	No	\$ _____
3. Were any leases to which the plan was a party in default or classified during the year as uncollectible?	Yes	No	\$ _____
4. Did the plan engage in any nonexempt transaction with any party-in-interest? (e.g. sale, exchange or lease of any property between the plan and an owner, officer, plan sponsor or relative of one of the former. If you have any questions regarding this, please call me.)	Yes	No	\$ _____
5. Was there any loss to the plan, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	Yes	No	\$ _____
6. Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	Yes	No	\$ _____
7. Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	Yes	No	\$ _____
8. Did the Plan at any time hold 20% or more of its assets in any single security, debt, mortgage, parcel of real estate, or partnership/joint venture interest?	Yes	No	\$ _____
9. Did the Plan have a termination in the appointment of any service provider this year? If yes, which person(s)?	Yes	No	_____
Reason terminated			Reason terminated
<input type="checkbox"/> - accountant _____		<input type="checkbox"/> - enrolled actuary _____	
<input type="checkbox"/> - 3rd party administrator _____		<input type="checkbox"/> - insurance carrier _____	
<input type="checkbox"/> - trustee _____		<input type="checkbox"/> - investment manager _____	
<input type="checkbox"/> - custodian _____			

\*The DOL has strict regulations regarding the time frame in which elective deferral contributions must be transferred by an Employer to a qualified plan. Both the IRS, upon Plan audit, and DOL insist that **deferrals and loan payments must be segregated from the general assets as soon administratively possible. The IRS and DOL normally consider this to be within three (3) to seven (7) business days of being withheld from employee paychecks.** Deposits to the Plan must be made consistently and as early as possible each and every time that elective deferral contributions are withheld from paychecks. **If participants are paid on a bi-weekly basis, 401(k) deferrals and loan payments should be processed on a bi-weekly basis.** Monthly deposits are not acceptable and are not considered timely if your payroll cycle is more frequent than monthly.

## 6. CONTRIBUTION INFORMATION

*If you desire additional quality assurance, please complete the attached Contribution Information Addendum.*

- a. To assist in our compliance testing and reconciliation of your Plan assets, please provide the following dates:
- *Check Date of your Last Payroll for the /2010 Plan Year* \_\_\_\_\_
  - *Date that your Last Payroll for the /2010 Plan Year was submitted to your Recordkeeper* \_\_\_\_\_
- b. **If** your Company funded an **Employer Matching** Contribution for this Plan year, please check the appropriate box and complete the Match formula funded below:
- Traditional Match** funded as follows: \$\_\_\_\_\_ per \$1.00 of deferral up to \_\_\_\_\_% of compensation - **OR**-
- Safe harbor match** (*requires notification, 100% vesting, no last day or hours requirement*) funded as follows: \$1.00 per \$1.00 of deferral up to the first 3%, then \$.50 on the next 2% of compensation - **OR** -
- Other discretionary match** to be funded as follows: \$\_\_\_\_\_ per \$1.00 of deferral up to \_\_\_\_\_% of compensation or (fill in)\_\_\_\_\_
- c. Do you intend to fund an **Annual Employer Matching** Contribution for this Plan Year?      Yes      No  
If you intend to fund an Annual Employer Matching Contribution, please indicate the amount or formula along with the expected funding date:  
\_\_\_\_\_ (*please indicate if Actual or Estimate*)      Date: \_\_\_\_ / \_\_\_\_ / \_\_\_\_
- d. Do you intend to fund a **Safe Harbor or Discretionary Profit Sharing** Contribution for this Plan Year?      Yes      No
- e. Your plan document indicates that the Profit Sharing allocation method is: **Pro Rata**
- f. If your Profit Sharing allocation method is New Comparability, should we try to maximize the employer contribution to the owner to the IRS limit for the plan year.      Yes      No  
If you intend to fund Profit Sharing, please indicate the amount or percentage along with the expected funding date:  
\_\_\_\_\_ (*please indicate if Actual or Estimate*)      Date: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

### **Employer Contribution Allocations**

If we are calculating an Employer Contribution (Annual or True Up Match, Profit Sharing or Money Purchase) on behalf of this Plan Year, please notify us as soon as possible. We would like to discuss this amount with you before it is finalized to ensure that neither the Plan nor individual Participants exceed any legal limits. Your Plan document will also spell out whether or not first year participants receive allocations on their full year compensation or from date of entry only.

## 7. LIFE INSURANCE

Does your Plan hold life insurance as an investment in the Trust?      Yes      No  
If yes, please complete the attached *Life Insurance Addendum*.

## 8. OUTSIDE ASSETS

Does your Plan contain any separately held brokerage accounts?      Yes      No  
If yes, please provide full year's statement for *each account*.

**9. EXPENSE DISBURSEMENTS**

List all **administrative expenses** paid from assets of the Plan, if applicable: (e.g. accountant/auditor charges)

<u>Expense Type</u>	<u>Date Paid</u>	<u>Amount</u>
_____	_____	_____
_____	_____	_____

**10. PLAN DOCUMENT INFORMATION**

- a. For Paragon prepared amendments or plan restatements regarding your plan, please verify that you have forwarded a copy of the signature page to us. *If not, please do so now.*
- b. Did your Plan adopt an Amendment or Plan restatement not written by Paragon? Yes      No  
*If yes, please forward a copy immediately so we can administer your Plan properly.*

**11. PLAN LOANS**

According to our records, your Plan offers loans to Plan participants. False  
 If true, did any Participant fail to make loan repayments for a period longer than 3 Yes      No  
 months?

If true, please provide a list of the participants and their last payment date.

---



---

**I hereby certify that the information contained herein is correct and complete.**

\_\_\_\_\_  
**Plan Administrator**

\_\_\_\_\_  
**Date**

## Contribution Information Addendum

***(To be completed only if you want additional quality assurance)***

Contribution information may be available to us from your record keeper (if applicable) in many instances. If these totals can be supplied separately from the recordkeeper's system, we will be in a position to perform additional quality assurance on this data. If this data is not supplied, we will assume all data from the recordkeeper is 100% complete and accurate.

1. List total contribution(s) funded during this year for the prior Plan Year (if any):

**Example: 2008 Contribution deposited to the plan in 2009**

<u>Type</u>	<u>Date</u>	<u>Amount</u>	
Deferrals (pretax and/or Roth)	_____	_____	
Match	_____	_____	
Basic (Profit Sharing, MP, QNEC, etc.)	_____	_____	
Safe Harbor	_____	_____	
			Total _____

2. List total contribution(s) made during the plan year for this Plan Year:

**Example: 2009 Contribution deposited to the plan in 2009**

<u>Type</u>	<u>Amount</u>	
Deferrals (pretax and/or Roth)	_____	
Match	_____	
Basic (Profit Sharing, MP, QNEC, etc.)	_____	
Safe Harbor	_____	
Rollover	_____	
		Total _____

3. List total contribution(s) made for this year after the Plan Year ended [accrual, receivables] (if any):

**Example: 2009 Contribution deposited to the plan in 2010**

<u>Type</u>	<u>Date</u>	<u>Amount</u>	
Deferrals (pretax and/or Roth)	_____	_____	
Match	_____	_____	
Basic (Profit Sharing, MP, QNEC, etc.)	_____	_____	
Safe Harbor	_____	_____	
			Total _____

*Note:* For calendar year Plans, deferrals from #2 and #3 should match W-2 totals. The check date determines which Plan Year the 401(k) deferrals will be associated with.

Your payroll provider should be able to confirm Matching for the year, unless Paragon calculates your match.

## Life Insurance Addendum

**(To be completed only if the answer to 7. of Annual Plan Review Questionnaire is yes)**

1. List all premium payments made out of the Plan to insurance carriers on the behalf of Participants as well as the source of those premiums (Plan must hold life insurance as an investment in this plan):

<u>Participant Name/SSN</u>	<u>Date Paid</u>	<u>Amount of Premium</u>	<u>Name of Carrier</u>

2. If the Plan owns life insurance policies list the current cash value of each policy as of the Valuation Date:

<u>Participant Name/SSN</u>	<u>Name of Carrier and Policy Number</u>	<u>Death Benefit</u>	<u>Cash Value</u>

3. List any Participant who received the cash surrender value of his/her policy from the Plan during the Plan Year:

<u>Participant Name/SSN</u>	<u>Date Paid</u>	<u>Amount of Premium</u>	<u>Name of Carrier</u>

4. Does the insurance carrier produce applicable 1099-R's for taxable income calculated under IRS Table 2001 (reports the value of current death benefit coverage) or receipt of cash surrender value during the Plan year? *(Please note that this has been referred to as PS58 costs in the past.)*
- Yes      No

## Ownership Questionnaire Addendum

For Controlled Groups and Multiple Employer Plans *(Refer to attached outline for more info)*  
 Please provide information for all entities in your controlled group, even those not participating in this plan.

**NOTE:** Your internal format with this information will be accepted

			Company Name:	Company Name:	Company Name:
			# Employees:	# Employees:	# Employees:
<b>Stockowner Name</b>	<b>Is owner an employee?</b>	<b>Family Relationship</b>	<b>% of Stock Owned</b>	<b>% of Stock Owned</b>	<b>% of Stock Owned</b>
<b>Totals</b>			<b>100%</b>	<b>100%</b>	<b>100%</b>
There are some very complex rules that may require the expertise of an attorney in the following situations: <ul style="list-style-type: none"> <li>- Husband &amp; wife each owning their own companies</li> <li>- Combination of partnership &amp; sole proprietorships</li> <li>- Affiliated Service Groups that include medical and consulting practices</li> </ul>					
<b>Address</b>					
<b>Address</b>					
<b>Fiscal Year End</b>					
<b>Entity Type</b>					
<b>Tax EIN</b>					
<b>Sponsor plan and plan type</b>					

# CONTROLLED GROUP / AFFILIATED SERVICE GROUP OUTLINE

*Nothing contained herein is intended to be used as or be construed as tax advice. This summary is provided as a helpful reference, but is not a thorough interpretation of the Internal Revenue Code or Regulations. You should consult your legal or tax advisor to determine your final response. Failure to correctly determine your status may affect IRS qualification of your Plan. Please note that this determination may impact the information reported for your Qualified Plan and your Tax Return.*

## CONTROLLED GROUP DETERMINATION

Why is this important? **All Employees of a commonly controlled group of businesses are treated as a single Employer for Plan purposes.** A controlled group of corporations or a commonly controlled group of businesses may have a *parent-subsidiary relationship* or a *brother-sister relationship*.

### Parent-Subsidiary Relationship What is it?

- One or more corporations connected through stock ownership to a common parent organization;
- The Parent must own at least 80% of the voting stock or 80% of the value of stock of at least one of the other members of the group;
- If more than one corporation is involved, at least 80% of the voting stock or 80% of the value of stock of each business (other than the Parent) must be owned by another member of the group.

**Example #1:** X Corporation owns 80% of the shares of Y Corporation. X Corporation is the Parent of Y Corporation. Therefore, a controlled group exists with X and Y.

**Example #2:** Y Corporation also owns 80% of the shares of Z Corporation. Therefore, X Corporation is the common Parent of both Y and Z Corporations. A controlled group exists with X, Y and Z.

### Brother-Sister Relationship

Two or more organizations in which the same 5 or fewer individuals, estates or trusts own, directly or indirectly:

- at least 80% of the voting stock or the value of the stock (called “controlling interest”)  
AND
- more than 50% of the voting stock or value of the stock (called “effective control”) considering only identical stock ownership.

**Example #1:** The stock ownership of A, B, and C Corporations is owned by the following unrelated persons, Harry, Jane and Tom:

	<u>A Corp.</u>	<u>B Corp.</u>	<u>C Corp.</u>	
<b>Harry</b>	65%	40%		55%
<b>Jane</b>	35%	60%		0%
<b>Tom</b>	0%	0%		45%

### Analysis

- For purposes of controlling interest, the same 5 or fewer people (2 in this case- Harry and Jane) own at least 80% (100% in this case) of two of the corporations; AND
- For purposes of the effective control test, Harry owns 40% and Jane owns 35%, which when added together is 75% (greater than 50% required).
- Therefore, A and B are part of a controlled group.
- C Corp. is not part of the controlled group with A and B because Harry is the only individual with a common interest in C Corp and the other entities and his ownership does not pass the 80% controlling interest test.

**Note:** *There are special rules regarding ownership attribution to and from family members, different types of stock, and partnership interests, among other things that are not explained in this summary. Please consult your legal or tax advisor for more details.*

## **AFFILIATED SERVICE GROUP ("ASG") DETERMINATION**

An Affiliated Service Group is a group which includes a service organization and a recipient organization. A service organization has more than 50% of its income produced as a result of management services provided to another entity (a recipient organization). The services provided are those which would otherwise be performed by an employee.

An ASG consists of:

- a First Service Organization ("FSO"); and
- one or more A-organizations ("A-Orgs"); and /or
- B-organizations ("B-Orgs").

The FSO must be a service organization. In addition, for purposes of determining whether or not an A-Org service group exists, the FSO must be a professional service organization (accountants, doctors, attorneys).

Service organizations are organizations for which capital is not a material income producing factor.

An A-org is a service organization which:

- is also a shareholder or partner in the FSO, AND
- based on all relevant facts and circumstances is deemed to regularly perform services for the FSO or regularly associated with the FSO in performing services for third parties.

For A-org purposes, any ownership interest in the FSO is sufficient to meet the ownership requirement.

A B-org is deemed to exist if:

- a significant portion of the business of an organization is the performance of services for the FSO or for an A-Org in conjunction with an FSO;
- the services are of a type historically performed by employees in the service field of the FSO or the A-Orgs; and
- 10 percent or more of the interest in the organization is owned directly or indirectly by Highly Compensated Employees of the FSO or A-Orgs.

A significant amount of business is determined as a percentage of receipts and requires careful review by tax counsel.