

Principal Trust Company

A member of



Mailing Address:
P.O. Box 8963
Wilmington, DE 19899-8963
800-209-9010 Fax: 302-999-9554

February 2006

Employer Name
Address
City State Zip Code

Dear plan sponsor:

There are many tax advantages to sponsoring a retirement plan. In exchange for these tax advantages, you must meet certain compliance requirements each year. One aspect of our service package is to assist you with the compliance tests that must be performed pursuant to these requirements.

Your Compliance Administration Package (compliance package) for plan year 2005 is attached. Please complete it to provide us with the information we need to perform the compliance services for your plan. We designed the questionnaire to make completing it as easy for you as possible.

If your plan(s) has never held more than \$100,000 in assets, you are not required to file Form 5500-EZ. If you are not required to file this form, you do not need to complete **Section B** on the questionnaire. However, you still must complete Section A, so we can perform your Internal Revenue Code §402(g) limit and §415 limit compliance tests. *(Note: If you have another defined contribution plan, you must aggregate the values of both plans' assets to determine if they exceed the \$100,000 threshold. If the aggregate value of your plans' assets exceeds \$100,000, you must file a Form 5500-EZ for each plan.)*

Please return the completed compliance package to us by **March 15, 2006**, so that we can perform the necessary compliance tests and prepare Form 5500-EZ, if required. There are various Internal Revenue Service (IRS) and Department of Labor (DOL) deadlines governing the timing of these compliance tests, the corrections for failed tests, and the preparation of Form 5500-EZ. Failure to meet any of those deadlines could result in severe monetary penalties against the plan from the IRS and/or the DOL.

If you have not yet determined your current plan year's contribution, please do so at your earliest convenience, make the contribution, and return your completed compliance package to us by the **March 15, 2006**, deadline. If we do not receive your completed compliance package by that date, we will note in our records that you have hired another party to complete all necessary IRS compliance tests and all required DOL filings – e.g., Form 5500-EZ, etc. – for your plan.

Thank you for allowing us to serve your retirement plan needs. Please call our Client Contact Center at 800-209-9010, with any questions.

Sincerely,

PRINCIPAL TRUST COMPANY

Contribution limits for 2006 have been increased. Please see the back of this letter for more details.

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***Individual 401(k) Plans
Contribution Limits for 2006***

Owner-only businesses, including partnerships, now have an even greater opportunity to invest in their retirement by maximizing the contributions made to an individual 401(k) plan. For 2006, several limits that determine the maximum contribution that can be made for a participant in an individual 401(k) plan have been increased.

Limit	2005 Dollar Limit	2006 Dollar Limit
Defined Contribution 415 Limit	\$ 42,000	\$ 44,000
Elective Deferral Limit	\$ 14,000	\$ 15,000
Catch-Up Deferral Limit	\$ 4,000	\$ 5,000
Compensation Limit	\$ 210,000	\$ 220,000
Social Security Taxable Wage Base	\$ 90,000	\$ 94,200
Defined Contribution 415 Percent of Pay Limit	100%	100%
§404 Employer Deduction Limit for Profit Sharing Plans as a Percentage of Pay	25%	25%

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**Compliance
 Administration Package
 Individual 401(k) Plans**

Plan Sponsor:	Phone Number:	
Completed By:	E-Mail Address:	
Three Digit Plan Number:	Plan Number:	
Six Digit Business Code:	Plan Year End:	
Business Type:	Plan Type: 401 K	
Current Mailing Address: (Check here if this is a new address <input type="checkbox"/>)	Date:	
City:	State:	ZIP Code:

Section A – Compensation Collection

Section 415 (415) of the Internal Revenue Code (IRC) limits the amount of contributions that can be credited to any participant’s account. For 2005, the limit is 100% of compensation, up to \$42,000. We perform a 415 contribution limits test to verify that your plan stays within these guidelines. If your plan requires a 415 correction, the refund should be made as soon as possible. Refunds of the amounts in excess of the 415 limits are taxable in the year distributed. Please note, that catch-up contributions (if applicable) are not included in 415 limits testing.

In addition, section 402(g) (402(g)) of the IRC limits the amount of elective deferrals that a participant can make to 100% of compensation, up to \$14,000 for 2005. We also perform a test to make sure your plan stays within this guideline. If your plan requires a 402(g) correction, the refund must be made before **April 15, 2006**. The excess deferral is taxed in the year to which it relates. The interest on the amount (if any) is taxable in the year it is distributed. Please note, that catch-up contributions (if applicable) are not included in these limits.

Compensation for a self-employed individual is defined as earned income. If your spouse is a participant in your plan and is not considered self-employed, you must report your spouse’s compensation as selected in Section S2 of your Adoption Agreement. **Please note that the compensation you provide must include any elective contributions.** Some examples of elective contributions include salary reduction contributions to:

- 401(k) plans
- Section 125 plans
- 403(b)(7) tax-sheltered annuity plans
- Simplified employee pension plans
- Code section 457 plans
- Qualified transportation fringe benefits

Participant Name	Relationship to Owner	Gross Compensation	Amount of Deferrals	Total Profit Sharing Contribution*	Catch-up Amount (If any)	Termination Date (If applicable)

*Please include any contributions made after the end of year that relate to this plan year. Your profit sharing contribution does not include any elective deferral or catch-up deferral amounts.

Reminder: The Principal Trust Company individual 401(k) plan does not support accounts for common-law employees. If you have common-law employees or plan to add common-law employees, please call our Client Contact Center at 800-209-9010 about a product that is right for you.

If you are not required to file Form 5500-EZ for your plan, skip directly to Section C.

If your plan(s) has never held more than \$100,000 in assets, you are not required to file Form 5500-EZ. If you have another defined contribution plan, you must aggregate the values of all plans when determining if the \$100,000 threshold has been exceeded.

Section B – Contributions and Transactions

Please answer *all* questions or we cannot prepare your Form 5500-EZ

1.	Did the plan sponsor maintain any other pension, profit sharing, 401(k), SEP/IRA, 403(b), Section 125, or SIMPLE plan during the plan year?	<input type="checkbox"/> Yes <input type="checkbox"/> No	If so, please list the type of plan(s):
2.	If you have more than one plan, are the total assets of all plans more than \$100,000?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
3.	Were there any non-cash contributions made to the plan whose value was set without an appraisal by an independent third party?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
4.	Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncorrectable? Disregard participant loans secured by the participant's account balance. If yes, please attach an explanation.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
5.	Was this plan merged or consolidated into another plan(s) or were assets or liabilities transferred to another plan(s) since the end of the prior plan year?	<input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, list:
			Plan Name:
			Plan No.:
			EIN:
6.	Does the plan hold any assets, including employer securities, limited partnerships, stocks, bonds, debentures, notes, certificates, or interests in a publicly traded partnership that have a fair market value that is not readily determinable on an established market?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
7.	Were any contributions made after the end of year that relate to this plan year?	<input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, list:
			Amount:
			Date:
8.	Were there any nontaxable plan distributions to participants or beneficiaries?	<input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, list amount:
9.	Were there any transfers to other plans?	<input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, list amount:
10.	Were there any transfers or rollovers into the account?	<input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, list amount:
11.	Please list any plan expenses other than distributions to participants. Attach another sheet, if needed.		
12.	Please list total plan assets at:	Beginning of year:	End of year:

13.	Please list total plan liabilities at: Some examples of plan liabilities include: <ul style="list-style-type: none"> Benefit payments that have been approved but not yet paid Accounts payable obligations owed by the plan that were incurred by the plan but not yet paid Any other amount owed by the plan. 	Beginning of year:	End of year:
14.	Are there any participant loans?	<input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, how many?
15.	If the plan held any of the listed assets at any time during the plan year, fill in the current value of any assets remaining at the end of the plan year. Otherwise, skip to the next question.	Asset	Value
		Partnership joint venture interests	
		Employer real property	
		Real Estate (other than employer real property)	
		Employer securities	
		Other loans	
16.	Did the plan engage in any non-exempt transaction with any party-in-interest? If yes, please check the transaction type and enter the amount involved.	Transaction	Amount
		Sale, exchange, or lease of property	
		Payment by the plan for services	
		Acquisition or holding of employer securities	
17.	Please list your six-digit business code. This code is used to file your taxes or incorporate based on the IRS listing of business codes.	Loan or extension of credit	
18.	Please list your three-digit plan number.		

Please attach a year-end copy of brokerage statements for each plan Participant. We cannot prepare your Form 5500-EZ unless you provide these statements.

Section C - Certification

I certify that all of the information contained herein is complete and accurate to the best of my knowledge. I understand that this information will be the basis for preparation of the annual report and/or compliance testing for the plan. I further understand that, if information is inaccurate, incorrect, or missing and results in erroneous reporting or disclosures, I will accept full responsibility and I will indemnify Principal Trust Company against, and hold it harmless from, all liabilities and costs (including, without limitation, attorney fees and legal costs) it may incur from having to prepare corrected forms, including, but not limited to, Form 5500-EZ.

Plan Sponsor's Signature:

Date:

Preparer's Signature: (if different from Plan Sponsor)

Reminder: If this is not the first year that your plan has been in existence and another firm prepared your Form 5500 series last year, please send us a copy of that form.

Please return your completed Compliance Administration Package to:

**Principal Trust Company
P.O. Box 8963
Wilmington, DE 19886-8963**

**Or by Fax:
302-999-9554**

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