# NATIONAL INSTITUTE FOR PUBLIC POLICY

# 401(k) PLAN AND TRUST AGREEMENT

# SUMMARY PLAN DESCRIPTION

**~ January 2003 ~**

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NAITIONAL INSTITUTE FOR PUBLIC POLICY

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UPDATED SUMMARY PLAN DESCRIPTION

## INTRODUCTION

The National Institute for Public Policy 401(k) Plan and Trust Agreement ("the Plan") has been established to offer all eligible Employees the opportunity to have retirement security in addition to that provided by the Federal Social Security Program and to share in the Corporation's financial success.

This booklet discusses some of the more significant aspects of the Plan and answers the most frequently asked questions. This is an updated summary because the Plan was amended and restated for compliance with the Uruguay Round Agreements Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, the Internal Revenue Service Restructuring and Reform Act of 1998, the Community Renewal Tax Relief Act of 2000, and the Economic Growth and Tax Relief Reconciliation Act of 2001. All amendments and changes made to the initial Plan have been included.

The booklet is known as the "Summary Plan Description" and is intended to comply with the requirements of the Employee Retirement Income Security Act of 1974 (ERISA), with the requirements of Subchapter XXV of Title 29, Code of Federal Regulations, and with the Informational and Disclosure Requirements of the Internal Revenue Service and the Labor Department.

This is a summary only and should not be relied upon for purposes of ascertaining legal rights. Also, it does not alter the Plan or the corresponding Trust Agreement in that the actual provisions of the Plan and Trust (including amendments) will control in all instances. The Plan, Trust Agreement, and all amendments, along with other documents and records pertaining to the Plan and Trust, may be reviewed by the Participants, their Beneficiaries, and their legal representatives during regular business hours in the Corporation offices or a complete copy of the Plan document will be provided upon request. There may be a small charge to cover the copying costs of the document. Any questions which are not adequately answered by this booklet should be directed to the Plan Administrator whose name, address, office location and telephone number are all included within.

January 2003

## A. ADMINISTRATIVE INFORMATION

1. WHAT IS THE NAME AND "IDENTIFYING NUMBER" OF THE PLAN?

The name of the Plan is the National Institute for Public Policy 401(k) Plan and Trust Agreement. The identifying number is 002.

2. WHAT TYPE OF PLAN IS THE NATIONAL INSTITUTE FOR PUBLIC POLICY 401(k) PLAN?

The National Institute for Public Policy 401(k) Plan is a 401(k) plan, which is a type of defined contribution plan. The Plan is also considered an ERISA Section 404(c) plan because Participants may be given the option to self-direct their Elective Deferrals (see Question No. 1 under Section C below) and certain other contributions in their accounts that are 100% vested (see Section I below).

3. WHO IS THE PLAN SPONSOR AND WHAT IS ITS "IDENTIFYING NUMBER?"

National Institute for Public Policy ("the Corporation") is the Plan sponsor and its principal address and phone number are 3031 Javier Road, Suite 300, Fairfax, Virginia, 22030, (703) 698-0563. The Plan sponsor's identifying number, assigned by the Internal Revenue Service, is 54-1192424.

4. WHO IS THE PLAN ADMINISTRATOR?

The day-to-day administration is handled by the Corporation which acts as the Plan Administrator. The Plan Administrator interprets the Plan and handles all Plan operations including questions pertaining to eligibility for participation and payment of benefits, communication with Participants and beneficiaries and associated record keeping.

5. WHO IS THE TRUSTEE AND WHAT ARE THE ASSOCIATED DUTIES?

The Trustee is Keith B. Payne (referred to as Trustee) whose responsibilities include management of the assets of the Trust Fund and payment of benefits to eligible Participants and beneficiaries. The address of the Trustee is the same as that of the Plan Administrator.

6. WHO IS THE AGENT DESIGNATED FOR LEGAL SERVICE ON BEHALF OF THE PLAN?

The person designated as agent for service of legal process is Keith B. Payne, whose address is the same as that of the Plan Administrator. Service of legal process can also be made on the Plan Trustee.

7. WHAT IS THE PLAN YEAR?

The Plan Year of the Corporation is December 1st to November 30th and is the same as the Corporation taxable year.

## B. ELIGIBILITY FOR PARTICIPATION

1. WHEN WILL I BE ELIGIBLE TO PARTICIPATE IN THE PLAN?

You will begin participating in the Plan on the first day of the calendar month (known as Entry Date), after you have completed 90 days of service and reached age 21, provided you are working for the Corporation on the Entry Date as of which you are eligible to participate.

2. IF I LEAVE THE CORPORATION AND RETURN AT A LATER DATE, WILL I NEED TO SATISFY THE ELIGIBILITY REQUIREMENTS AGAIN?

No, you will not need to satisfy the eligibility requirements again if you were participating in the Plan when you terminated employment. Once re-employed, you will become a Participant in the Plan as soon as it is administratively feasible.

3. ARE THERE ANY OTHER MATTERS I SHOULD BE AWARE OF WITH RESPECT TO ELIGIBILITY IN THE PLAN?

The advantage to a Participant of deferring a portion of his or her salary and contributing that portion to this Plan is that the Participant can contribute “pre-tax” or “before tax” dollars and thus have more money to save and invest for retirement. A matching contribution may be made on salary deferrals. The Corporation will determine if any matching contributions will be made on a Plan Year-by-Plan Year basis. Federal income tax law encourages Participants to save for their retirement so any interest earned on your contributions and any of the Corporation’s matching contributions while these amounts are held in the Plan will not be subject to Federal income tax. The advantage of this “tax-free compounding” of interest over a period of years can be quite substantial.

You may need to furnish the Plan Administrator with certain information in order to complete your enrollment in the Plan. The Plan Administrator will determine what is required and your cooperation is essential. Once you are a Participant, it is expected that you will remain so throughout your employment with the Corporation.

## C. PLAN CONTRIBUTIONS AND ALLOCATIONS

1. HOW IS THE CORPORATION'S CONTRIBUTION DETERMINED?

A contribution will be made to the Plan each Plan Year and will consist of one or more of the following:

(a) Elective Deferrals. This is the amount by which a Participant voluntarily elects to reduce his or her annual compensation and defer such amount to the Plan. Participants are always fully vested in their Elective Deferrals. Any such contributions cannot be withdrawn by a Participant prior to separation of service, death or disability, except in the event of a hardship distribution as defined under the terms of the Plan document. A Participant can also borrow funds from the Plan.

(b) Discretionary Matching Contribution. The Corporation may elect to contribute a discretionary matching contribution to the accounts of those Participants who have made Elective Deferrals (referred to as a "matching contribution"). The Board of Directors of the Corporation will determine on an annual basis what, if any, amount will be contributed to the Plan as a matching contribution. The Board of Directors of the Corporation is not obligated to make a matching contribution every year and may or may not do so; however, if a matching contribution is made, the Board of Directors of the Corporation reserves the right to modify or eliminate the amount of any matching contribution on a prospective basis and will provide 30 days advance notice prior to any modification.

(c) Discretionary Employer Contribution. The Corporation may also make a discretionary contribution on behalf of all Participants (referred to as a "discretionary Employer contribution"), including those Participants who do not make any Elective Deferrals. The Board of Directors of the Corporation will determine on an annual basis what, if any, amount will be contributed to the Plan as the discretionary Employer contribution. The Corporation is not obligated to make a discretionary Employer contribution every year and may not do so. Participants are required to complete 1,000 hours of service during the Plan Year and be employed on the last day of the Plan Year in order to receive an allocation of any discretionary Employer contribution. These contributions are subject to the vesting schedule described in Question No.1 in Section D.

(d) Additional Qualified Contributions. Additional "qualified" discretionary and/or matching contributions may also be contributed by the Board of Directors of the Corporation in such amounts as may be determined from time to time by the Board of Directors of the Corporation. To be a "qualified" contribution, a Participant must be 100% vested in these contributions. Generally, qualified contributions may be made by the Corporation should a situation arise where excess Elective Deferrals have been made by certain individuals and the qualified contributions are made to avoid or correct the problem.

2. HOW MUCH CAN A PARTICIPANT DEFER?

A Participant may elect to defer any amount from 1% to 15% of annual compensation, so long as it does not exceed the maximum dollar amount allowed by law.

For Participants who are *under* 50 years of age during the calendar year, the maximum dollar amount that a Participant can defer in 2003 is $12,000 ("base contribution amount"). The base contribution amount will increase by an additional $1000 in each of the following years: 2004, 2005 and 2006. Beginning in 2007, the maximum base contribution dollar amount will be indexed to $15,000 for any cost-of-living increases.

Participants who are *age 50 or older* at any time in the calendar year can also make "catch-up contributions" in addition to the above "base contribution amount," beginning in 2002. The maximum amount of the "catch-up contribution" in 2003 is $2000, and will increase by $1000 in each of the following years: 2004, 2005 and 2006. Beginning in 2007, the catch-up contribution amount will be indexed to $5000 for any cost-of-living increases. Thus, in 2003, it will be possible for a Participant who is 50 or older to defer up to a total of $14,000.

Contributions by highly compensated Participants may have additional restrictions which limit the amount of their salary deferrals.

The percentage a Participant elects to defer to the Plan shall be withheld from each paycheck and contributed by the Corporation to the Trust Fund. Normally, you will be able to change your deferral amount at least quarterly by giving notice on before the first day of December, March, June or September.

3. ARE PARTICIPANTS REQUIRED TO MAKE ELECTIVE DEFERRALS?

No, Participants are not required to make Elective Deferrals, however, Participants who do not make Elective Deferrals will not receive any matching contributions.

4. WHAT IS THE MAXIMUM AMOUNT THAT WILL BE CONTRIBUTED TO THE PLAN?

The Corporation intends that its total contribution to this Plan (excluding Elective Deferrals by Participants) will not exceed 25% of the total compensation paid to all Participants during the Plan Year. IRS limits on individuals are described in number 5 below.

5. WHAT IS THE MAXIMUM AMOUNT THAT CAN BE CONTRIBUTED TO MY ACCOUNT?

The maximum amount of Elective Deferrals, Employer contributions and any forfeitures that can be allocated to a Participant's account for any Plan Year is the lesser of 100% of the Participant's compensation or $40,000. The $40,000 amount is indexed to cost-of-living increases in $1000 increments.

6. WHAT COMPENSATION IS USED TO DETERMINE MY PLAN BENEFITS?

For purposes of determining contributions to the Plan, compensation is defined as total compensation paid that is subject to income tax, not to exceed $200,000 (indexed for cost-of-living adjustments). Compensation will be recognized for the entire first Plan Year in which you enter the Plan.

7. HOW IS THE CORPORATION'S CONTRIBUTION DIVIDED AMONG THE PARTICIPANTS?

(a) Elective Deferrals. Each Participant will have allocated to his or her account the amount of the Participant's Elective Deferrals, if any.

(b) Discretionary Matching Contribution. If any matching contributions are made, they will be divided among the accounts of the Participants who made Elective Deferrals based on the ratio of the deferring Participant's compensation to the total compensation of all Participants making Elective Deferrals to the Plan.

(c) Discretionary Employer Contribution. Participants who have completed at least 1,000 hours of service during the Plan Year and who are employed on the last day of the Plan Year may also receive an allocation of any Discretionary Employer Contribution. Any Employer Discretionary Contribution will be divided among Participants who have completed at least 1,000 hours of service during the Plan Year and who are employed on the last day of the Plan Year based on the ratio of the individual's compensation to the total compensation of all Participants. As an example, if the total compensation is $500,000 and your income is $20,000, then your account would be credited with 4% of the contribution.

(d) Additional Qualified Contributions. Any Additional Qualified Contributions will be allocated to Participants' accounts on a prorata basis. Participants are not required to satisfy any service conditions in order to receive an allocation of any Additional Qualified Contributions.

8. HOW DOES THE CONCEPT OF "TOP-HEAVY" AFFECT THE CORPORATION'S CONTRIBUTION?

"Top-heavy" means that 60% or more of the account balances belong to Participants who are key employees. Key employees are (i) officers earning in excess of $130,000 (indexed); (ii) all

5% owners; and (iii) 1% owners with compensation in excess of $150,000. If the Corporation makes a contribution for a key employee and the Plan is top-heavy, then the amount of the contribution to the Plan for each non-key Participant must equal the lesser of 3% of each non-key Participant's annual compensation or the largest percentage of compensation provided for any key employee.

The minimum contribution requirements may not be satisfied in this Plan if the Corporation makes the minimum contribution to its 401(k) Plan or provides the minimum accrued benefit on behalf of non-key Participants in the 401(k) Plan.

A non-key Participant does not have to complete a year of service in order to receive an allocation of the contribution in top-heavy Plan Years provided he or she is working for the Corporation on the last day of the Plan Year.

9. IS THERE ANY POSSIBILITY THAT ELECTIVE CONTRIBUTIONS WILL BE RETURNED TO PARTICIPANTS?

Yes, if the contributions are found to be discriminatory and in violation of Internal Revenue Service Regulations.

10. CAN PARTICIPANTS MAKE "AFTER-TAX" VOLUNTARY CONTRIBUTIONS?

No, Participants cannot make "after-tax" voluntary contributions.

11. MAY I "ROLL OVER" PAYMENTS FROM OTHER QUALIFIED RETIREMENT PLANS OR IRAs?

At the discretion of the Plan Administrator, you may be permitted to deposit into the Plan distributions you have received from other qualified plans and IRAs. Such a deposit is called a "rollover" and may result in tax savings to you. You may ask your prior plan administrator or trustee to directly transfer (a "direct rollover") to this Plan all or a portion of any amount which you are entitled to receive as a distribution from a prior qualified plan. There may be some restrictions on your ability to directly transfer funds from a former employer's plan with annuity provisions into this Plan or from an IRA which consists of "after-tax" contributions. Alternatively, if you received a distribution from a prior plan, you may elect to deposit any amount eligible for rollover within 60 days of your receipt of the distribution. You should consult qualified legal counsel to determine if a rollover is permitted and in your best interest.

Your rollover will be placed in a separate account called a Participant's transfer/rollover account. You will always be 100% vested in any "rollovers" and "direct rollovers." Rollover contributions will be affected by any investment gains or losses. The rules pertaining to the distribution of any rollover contributions are the same as those that apply to all other amounts in the Participant's account.

## D. VESTING

1. HOW DOES "VESTING" AFFECT MY ACCOUNT BALANCE?

The vested portion of your account balance refers to that portion of your account which is nonforfeitable and will be paid to you when you terminate employment, retire, die or become disabled. The portion of your account which is comprised of your Elective Deferrals will always be 100% vested. The vested portion of your account attributable to matching and discretionary Employer contributions will be determined according to the following schedule:

| Years of Service Completed | Vested Percentage |
|---|---|
| Less than 1 year | 0% vested |
| 1 year | 25% vested |
| 2 years | 50% vested |
| 3 years | 75% vested |
| 4 years or more | 100% vested |

2. HOW DOES THE CONCEPT OF "TOP-HEAVY" AFFECT MY VESTED ACCOUNT BALANCE?

The vesting schedule described in no. 1 above will also apply in top-heavy Plan Years.

3. HOW DO I BECOME VESTED?

You will receive one year of vested credit for every Plan Year in which you complete 1,000 hours of service. You will not receive vested credit for a Plan Year if you work less than 1,000 hours even if you are employed by the Corporation and have previously satisfied the eligibility requirements.

4. HOW ARE "YEARS OF SERVICE" CREDITED FOR VESTING PURPOSES?

If you complete 1,000 hours of service or more during a Plan Year, you will be credited with one "Year of Service" for vesting purposes. To determine your total Years of Service, all Years of Service with the Corporation count except for Years of Service prior to the effective date of the Plan (December 1, 1997), and Years of Service if you have had a Break-in-Service. If you have had a Break-in-Service, then Years of Service before the Break will not count if the number of Years you were gone exceeds the greater of (i) five consecutive one-year Breaks-in-Service or (ii) the number of Years you were employed before the Break.

5. WHEN WILL I BE 100% VESTED?

You will always be 100% vested in your Elective Deferrals and any “qualified” contributions as described above. For all other types of contributions, you will be 100% vested in the event of any of the following:

(a) Completion of four or more Years of Service Service;

(b) Disability;

(c) Normal Retirement Age (the later of age 65 or the fifth anniversary of Plan participation); or

(d) Death.

6. WHAT HAPPENS TO THE NON-VESTED PORTION OF MY ACCOUNT IF I TERMINATE EMPLOYMENT WITH THE CORPORATION?

If you terminate employment prior to being 100% vested, then any portion of your account in which you are <u>not</u> fully vested is forfeited in total or partially depending on what your vested percentage is in the Plan Year in which you incur a break-in-service.

The forfeited amount of any discretionary Employer contributions is re-allocated among the accounts of the remaining Plan Participants in the same way as the discretionary Employer contributions are divided. See Question No. 7 of Section C. See also Section H for a detailed discussion on termination of employment.

The forfeited amount of a Participant’s matching contributions will be either re-allocated among the accounts of those Participants who received matching contributions in the Plan Year the forfeiture occurs on the same basis as the matching contribution is allocated (see No. 7 in Section C) or applied towards or help fund any discretionary matching contributions by the Corporation in future Plan Years.

If you terminate employment and incur a forfeiture of your account and later return to employment, you may be able to have your benefits restored. Please see the Plan Administrator if this is applicable to your situation.

A break-in-service refers to a Plan Year in which a Participant works less than 500 hours of service. Note that a break-in-service may occur even though employment may not terminate, depending on the number of hours you work. Hours of service which <u>are</u> counted as working hours in determining whether a break-in-service has occurred will include credit for all hours worked, paid vacation, paid sick leave, maternity/paternity leave, military or jury duty.

## E. <u>BENEFITS UPON RETIREMENT</u>

1. WHAT IS CONSIDERED THE "NORMAL RETIREMENT AGE" UNDER THE PLAN?

The day on which occurs the later of reaching age 65 or the fifth anniversary of Plan participation.

2. IS A PARTICIPANT REQUIRED TO RETIRE AT THE NORMAL RETIREMENT AGE?

No, a Participant may continue employment and be eligible for future contributions as long as the 1,000 hour and year-end employment requirement are met for those contributions to which these requirements apply.

3. WHAT IS THE AMOUNT OF THE NORMAL RETIREMENT BENEFIT AND HOW IS IT DETERMINED?

When you reach Normal Retirement Age, you will be 100% vested in your account. The actual dollar amount of any retirement benefits you will receive (and any other vested benefits you may be entitled to upon termination of employment prior to Normal Retirement Age) will be equal to the funds in your account on the date your benefits are distributed.

The actual dollar amount of the benefit will depend on how much is contributed over the years adjusted for any investment earnings or losses on these contributions. The exact amount that you will receive will not be known until it is calculated on the date of distribution. In the interim, you will receive periodic reports which provide you with information on your account balance.

4. WHEN WILL NORMAL RETIREMENT BENEFITS BEGIN?

Within 60 days after the end of the Plan Year in which you reach Normal Retirement Age, unless you choose to defer retirement and remain actively employed with the Corporation. If you decide to work beyond Normal Retirement Age, then benefits will be distributed as soon as administratively feasible after the actual date you stop working for the Corporation.

5. HOW WILL RETIREMENT BENEFITS BE PAID?

If you are married on the date benefits are to commence (referred to as "the annuity starting date") and you and your spouse have not elected otherwise, then your benefits will be paid as a joint and survivor annuity. The Plan Administrator will purchase an annuity from an insurance company with your account balance which will provide monthly payments to you for life with at least one-half of such monthly payments continuing to your spouse for his or her life upon your death. The actual dollar amount of the monthly payments will depend on the monies you have in your account when you retire. This method of payment is automatic if you are married, however, you and your spouse can elect another method of payment in the 90-day period prior to the annuity starting date. The Plan Administrator will furnish you with the appropriate form(s) if you wish to elect another method of payment. The other methods of payment are described below.

If you are married and wish to choose another method of payment, your spouse's written consent is required.

If you are not married at the annuity starting date, or if you have not been married for the one-year period ending on the annuity starting date, then your benefits will be paid as a "single life annuity." This method is similar to that described above except that upon your death after retirement, the monthly payments will cease entirely. No remaining amounts will be paid to a beneficiary. You may also choose another method of payment as described below in the 90-day period before the annuity starting date. The Plan Administrator will provide you with the appropriate form(s) for choosing another method of payment.

Other methods of payment are lump sum; installments; period certain annuity with guaranteed payments for 5, 10, or 15 years, as determined by the Participant; or single life annuity.

6. IS THERE ANY EXCEPTION TO THESE RULES?

If your account balance is $5,000 or less, the Trustee has the option to pay out your account in a lump sum regardless of any other designation you may have made.

## F. BENEFITS UPON DISABILITY

1. HOW IS DISABILITY DEFINED UNDER THE PLAN?

Disability is defined as absence from the active service of the Corporation because of a permanent impairment so severe that it is impossible for the employee to perform his or her customary job with the Corporation. Such disability must be certified by a physician and will be considered effective as of the date the Trustee determines.

2. WHAT IS THE AMOUNT OF THE DISABILITY BENEFIT?

100% of the Participant's account balance.

3. WHEN WILL DISABILITY BENEFITS BEGIN AND HOW WILL THEY BE PAID?

Disability benefits will begin as soon as feasible following the Valuation Date (last day of the Plan Year) after which the effective date of the disability is determined.

Disability benefits will be paid in the same manner as Normal Retirement benefits described above.

## G. BENEFITS UPON DEATH AND DESIGNATION OF BENEFICIARY

1. WHAT HAPPENS TO MY ACCOUNT BALANCE IN THE EVENT OF MY DEATH WHILE STILL WORKING?

100% of your account will be paid to your beneficiary.

2. WHO CAN BE DESIGNATED AS A BENEFICIARY?

If you are married and under age 35, your spouse is automatically sole beneficiary of 100% of any benefits payable upon your death. You may designate an alternative beneficiary(ies) once you reach age 35, however, your spouse must consent to your choice(s) in writing. If you do not elect otherwise after reaching age 35, your spouse will be your sole beneficiary.

If you are unmarried, you can designate any beneficiary(ies) you want.

It is strongly recommended for estate planning purposes that you consult your personal tax advisor or attorney to determine the most suitable beneficiary designations.

If you designate a trust as your beneficiary, additional documentation may be required.

3. WHO RECEIVES MY BENEFITS PAID IF MY CHOSEN BENEFICIARY IS DECEASED AT MY DEATH OR IF I HAVE NOT CHOSEN A BENEFICIARY?

Death benefits will be paid in the following order: spouse, if living; or if deceased, equally to your children; or if there are no surviving children, to your surviving parent(s), or if no parents are surviving, then to your estate. Or you may choose a secondary beneficiary on your beneficiary form.

4. WHY IS IT IMPORTANT TO DESIGNATE A BENEFICIARY?

You will insure that death benefits are paid in accordance with your wishes and that of your beneficiary(ies).

5. WHEN WILL DEATH BENEFITS BE PAID?

Death benefits will be paid as soon as feasible following the Valuation Date (last day of the Plan Year) after death.

6. HOW WILL BENEFITS BE PAID TO MY BENEFICIARY?

If at the date of your death you are actively employed and are under age 35, then benefits will automatically be paid in the form of a "qualified preretirement survivor annuity" to your spouse. This type of annuity, purchased with your account balance from an insurance company, provides that monthly payments will be paid to your spouse for his or her life expectancy. A married Participant and his or her spouse <u>cannot</u> elect another form of death benefit until the Participant reaches age 35, at which time the Participant can elect another form of payment from the options described in Section E(5), provided, that the Participant's spouse consents in writing. Even after reaching age 35, if the Participant does not elect another form of payment, then death benefits will be paid to the spouse as a qualified preretirement annuity.

If you are employed at your death and you are not married, or you have not been married for the one-year period ending on the date of your death, then benefits will be paid to your beneficiary in the form selected by you prior to death. If you did not designate how benefits should be paid, then your benefits will be paid in the form of a lump sum.

The Plan Administrator will provide you with the appropriate form(s) for selecting an alternative method of payment. You should request these forms from the Plan Administrator in the event you are either: (1) married and at least age 35; (2) unmarried; (3) wish to change an earlier election.

7. WHAT HAPPENS TO MY ACCOUNT IF AT MY DEATH, I WAS ALREADY RECEIVING BENEFITS FROM THE PLAN?

The remainder of your account will be distributed in accordance with the method already in effect.

## H. <u>BENEFITS AT TERMINATION OF EMPLOYMENT</u>

1. HOW IS THE AMOUNT IN MY ACCOUNT DETERMINED IF I TERMINATE EMPLOYMENT?

You are always 100% vested in the portion of your account attributable to your Elective Deferrals and any additional "qualified" contributions described in Question No.1 of Section C above. The portion of your account attributable to matching contributions and discretionary Employer contributions that you will be entitled to receive will be based on the applicable vesting schedule described in Section D.

2. WHEN WILL I RECEIVE CONTRIBUTIONS MADE TO MY ACCOUNT?

Except for Participants who own more than 5% of the Corporation as noted below, you will receive your vested benefit no later than 60 days after the last day of the Plan Year in which the later of the following events occurs:

(a) a break-in-service is incurred (i.e., less than 501 hours completed in a Plan Year and employment terminated); or

(b) Normal Retirement Age is reached.

3. ARE THERE ANY TAX PENALTIES IF I RECEIVE A DISTRIBUTION FROM THE PLAN PRIOR TO NORMAL RETIREMENT?

Benefits paid to a Participant prior to reaching age 59½ are subject to a 10% penalty tax. There are certain exceptions to the imposition of this penalty which may be applicable to you. You should check with your tax advisor to see if any of the exceptions apply. Generally, these exceptions include:

(a) distributions because of death or disability;

(b) benefits are paid as substantially equal periodic payments at least annually over the Participant's life expectancy or the joint lives of the Participant and his or her beneficiary;

(c) distribution is made to an alternate payee under a qualified domestic relations order (see paragraph (b) of Question No.1 in Section K concerning qualified domestic relations orders);

(d) the distribution is rolled over into another employer's qualified retirement plan or an individual retirement account (IRA) within 60 days from the date the distribution is received; or

(e) distribution is made after a Participant reaches age 55 and terminates employment.

Any distributions from the Plan will also be subject to ordinary income tax unless you elect to roll over any distribution directly into another employer's qualified plan or into an individual retirement account (IRA). You will receive information on the tax treatment of your distribution at the time the distribution is made.

4. HOW WILL MY ACCOUNT BALANCE BE PAID?

In the same manner as described in the event of reaching Normal Retirement Age.

## I. INVESTMENT AND MANAGEMENT OF THE TRUST FUND

1. WHO IS RESPONSIBLE FOR THE INVESTMENT AND MANAGEMENT OF THE TRUST FUND?

Participants can direct the investment of their Elective Deferrals and matching contributions that are 100% vested. Investment directions will be permitted at least four times each Plan Year among investment funds offered by the Trustee. You will be notified as to the procedure to make your investment choices.

The Participant will be responsible for the investment performance of any funds invested directly by the Participant. If a Participant does not wish to direct the investment of his or her account, and for funds which are not 100% vested, the Trustee will be responsible for the investment and management of the Trust Fund. The Trustee is required by law to make prudent and diversified investments.

2. WHAT RULES MUST I FOLLOW IF I HAVE A SELF-DIRECTED ACCOUNT?

Besides completing the required forms and agreeing not to hold the Trustee responsible for your investment decisions, you must abide by the following:

(a) You may not tell the Trustee to do anything that is illegal or would endanger the qualified status of the Plan. If you and the Trustee cannot agree as to the legality of an action, the Trustee must seek qualified advice at your expense. You must disclose any information the Trustee may need to decide if your instructions are legal or would pose any threat to the plan's status.

(b) All expenses caused by your investment direction, such as investment advice, commissions, and any special taxes imposed by the Internal Revenue Code on certain investments will be paid out of your self-directed accounts.

3. WHAT INVESTMENTS ARE AVAILABLE TO ME?

The Trustee will select a combination of investment vehicles that will be available to you. The Trustee will specify the investment options in a written notice that will be made available to all Participants. The available options will include, but will not be limited to, a group of interchangeable mutual funds and a money market account (or similar account) in a federally insured bank or in a mutual fund.

4. MUST I SET UP SELF-DIRECTED ACCOUNTS?

No. Any accounts which are not self-directed will remain under the investment control of the Trustee.

5. WHAT IS AN ERISA SECTION 404(c) ELECTION?

The Plan is intended to qualify as a Participant-directed Plan under Section 404(c) of ERISA. This means that you are responsible for your investment decisions under the Plan. The Plan fiduciaries, including the Board of Directors of the Corporation, are not responsible for any losses incurred as a result of your investment decisions.

6. HOW OFTEN WILL PARTICIPANTS BE ADVISED ON THE GROWTH OR LOSS OF THEIR INDIVIDUAL ACCOUNT BALANCES IN THE TRUST FUND?

Participants will receive reports on their account balances at least once a year.

7. ARE LOANS TO PARTICIPANTS PERMITTED?

Loans may be permitted in the sole discretion of the Plan Administrator. Loans are subject to strict rules as to the rate of interest, terms of repayment, length of the loan and purpose of the loan. These rules are set out in the Plan and in the Plan loan policy document adopted by the Corporation.

8. COULD ASSETS BE REDUCED FOR THE TRUST FUND?

The Trustee will make every attempt to preserve the assets of the Trust Fund in which he invests and to secure a favorable investment return on the investments he makes. There are no guarantees on the rate of return. Some investments may involve risk and could result in a loss of the principal amount in the Participant's individual account as well as the Trust Fund as a whole.

The Plan and Trust have been created and are operated based on the assumption that they are tax-qualified Plan under the Internal Revenue Code, Employer contributions are deductible for tax purposes and that no amounts are contributed or allocated by error. Should this prove untrue, there may be an adverse effect on benefits.

9. ARE THERE ANY COSTS WHICH MAY REDUCE THE TRUST FUND?

Potential benefits may be reduced by any unrelated business taxes assessed against or payable by the Trust Fund and administrative costs incurred by the Plan Administrator or Trustee which are not paid by the Corporation.

10. ARE THERE ANY OTHER WAYS NOT OTHERWISE DESCRIBED THAT BENEFITS COULD BE REDUCED FOR A PARTICIPANT?

(a) Failure to repay a loan.

(b) Distribution of benefits to an alternate payee as a result of the entry of a qualified domestic relations order ("QDRO"). See paragraph (b) Assignment/Attachment of

Benefits under Section K., Miscellaneous Information, of this Summary Plan Description for further information on QDROs.

## J. CLAIMS PROCEDURES

### 1. WHAT ARE THE CLAIMS PROCEDURES OF ERISA?

When an event occurs which entitles a Participant to a distribution of benefits under the Plan, the Trustee automatically will notify the Participant regarding the distribution of benefits. If a Participant disagrees with the Trustee's determination of the amount of the Participant's benefits under the Plan or with any other decision the Trustee may make regarding the Participant's interest in the Plan, the Plan provides appeal procedures which a Participant should follow. In brief, if the Trustee of the Plan determines it should deny benefits to a Participant or beneficiary making a claim for benefits, the Trustee will give that Participant or beneficiary adequate notice in writing stating the specific reasons for the denial and referring the Participant or beneficiary to the pertinent provisions of the Plan supporting the Trustee's decision. If the Participant or beneficiary disagrees with the Trustee, the Participant or beneficiary, or a duly authorized representative, must appeal the adverse determination in writing to the Trustee within 60 days after receipt of the notice of denial of benefits. If a Participant or beneficiary fails to appeal a denial within the 60-day period, the Trustee's determination will be final and binding upon the Participant or beneficiary.

If a Participant or beneficiary appeals to the Trustee, he or she must submit the issues and comments he or she feels are pertinent to permit the Trustee to re-examine all the facts in making the final determination with respect to the denial. The Trustee will, in most cases, make a decision within 60 days of a request on appeal unless special circumstances would make the rendering of a decision within the 60-day period unfeasible. In any event, the Trustee must render a decision within 120 days after its receipt of a request for review.

In addition to the appeal procedures provided by the Plan, the Pension Reform Act affords a Participant or beneficiary the right to bring a civil action to obtain any equitable group relief to which the Participant feels he or she is entitled.

### 2. WHAT IS THE STATEMENT OF ERISA RIGHTS?

As a Participant in this Plan, you are entitled to certain rights and protections under ERISA. ERISA provides that all Plan Participants will be entitled to:

(a) Examine, without charge, at the Plan Administrator's office all Plan documents, including insurance contracts, copies of all documents filed by the Plan with the U.S. Department of Labor, such as detailed annual reports and Plan descriptions.

(b) Obtain upon written request copies of all Plan documents governing the operation of the Plan, including any insurance contracts and collective bargaining agreements, if applicable, and copies of the latest annual report (Form 5500 series) and Summary Plan Description. The Plan Administrator may make a reasonable charge for the copies.

(c) Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each Participant with a copy of this summary annual report each year.

(d) Obtain a statement telling you whether you have a right to receive a pension at normal retirement age (as defined earlier) and if so, what your benefits would be at normal retirement age if you stopped working under the Plan now. If you did not have a right to a pension, the statement would tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing and is not required to be given more than once a year. The Plan must provide the statement free of charge.

(e) In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called "Fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including your employer, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA. If your claim for a pension benefit is denied in whole or in part you must receive a written explanation of the reason for the denial. You have the right to have your claim reviewed and reconsidered. Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the Plan Administrator and do not receive them within 30 days, you may file a suit in a Federal Court. In such a case, the Court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Administrator.

If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a State or Federal Court. If it should happen that Plan Fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U. S. Department of Labor, or you may file suit in a Federal Court. The Court will decide who will pay court costs and legal fees. If you are successful the Court may order the person you have sued to pay these costs and fees. If you lose, the Court may order you to pay these costs and fees; for example, if it finds your claim is frivolous.

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or your rights under ERISA, you should contact the Plan Administrator or the nearest Area Office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C., 20210.

## K. MISCELLANEOUS INFORMATION

1. IS THERE ANY OTHER INFORMATION I SHOULD BE AWARE OF OR AM ENTITLED TO AS A PLAN PARTICIPANT?

Yes, please note the following:

(a) Federal Pension Benefit Insurance.

Under the Employee Retirement Income Security Act of 1974, a corporation exists in the United States Department of Labor to insure the benefits payable under certain types of defined benefit plans. The corporation is known as the Pension Benefit Guaranty Corporation, and the address of that corporation is P.0. Box 7119, Washington, D.C. 20044. Under present law, the Pension Benefit Guaranty Corporation does not insure the adequacy of benefits under this type of retirement plan in any way. Accordingly, benefits under this Plan are not insured by the Pension Benefit Guaranty Corporation.

(b) Assignment of Benefits.

Generally, you cannot assign, or pledge, encumber, put up for security, or otherwise alienate benefits payable under this Plan prior to your receipt of those benefits, except in the case of the entry of a qualified domestic relations order which may recognize an alternate payee's right to all or a portion of your vested benefits.

A qualified domestic relations order (known as a "QDRO") is a special order issued by the court in a divorce, child support or similar proceeding, and which may entitle a Participant's spouse, former spouse or someone other than you or your Beneficiary to the distribution of some or all of your vested benefits accumulated in the Plan, based on the court order. Participants and beneficiaries can obtain, without charge, a copy of the Plan's QDRO procedures from the Plan Administrator.

(c) Term and Conditions of Employment.

Neither the establishment of the Plan, nor the participation by any employee will be deemed to constitute a contract of employment. Every employee, whether or not he or she is a Participant, will remain subject to discharge, just as though the Plan had never been adopted.

(d) Plan Changes and Termination.

The right to amend, suspend and/or terminate the Plan and its corresponding Trust are reserved by the Corporation. If the Plan is terminated, or if the corporate contributions are permanently suspended, all Participants will become fully vested in the full amount standing to their credit under the Plan. The Trustee will determine whether the vested amounts will be paid outright to Participants and beneficiaries or to continue the Trust Fund for the purpose of distribution.

(e) Reversion of Employer Contribution.

All contributions made by the Employer are for the exclusive benefit of the Participants and their beneficiaries and such contributions will not be used for any other purpose, however, contributions may be refunded to the Employer in the following situations:

(1) If a Federal income tax deduction is disallowed for any Employer Contribution.

(2) If any part of a contribution which has been made is based on a mistake of fact, such as incorrect information on the eligibility or compensation of a Participant.

(f) Individual Retirement Accounts.

An employee who participates in this Plan can also maintain an individual retirement account (IRA) and make contributions to his or her own IRA. Whether a Participant will receive a tax deduction for any IRA contribution depends on whether such Participant satisfies the conditions imposed under the applicable tax statutes and regulations.

(g) Federal and State Income Taxation of Benefits Paid.

Existing Federal and State income tax laws do not require you to report currently as income amounts the Employer contributes to the Plan and which are allocated to your account. However, when the Trustee ultimately distributes your account balance to you, such as upon your retirement, you may have to report as income the Plan distribution you receive but do not "rollover" to your own IRA or to another qualified plan within 60 days after you receive the distribution. There may be a withholding of income taxes on any distribution to you even if you eventually complete a timely "rollover."

As an alternative, you may elect a <u>direct</u> transfer of all or a portion of your distribution to an IRA or to another qualified plan. A direct transfer will defer any income taxation and there will be no income tax withholding when the direct transfer is made. You will receive information from the Plan Administrator on certain options you may have when you receive a distribution from the Plan; however, you should consult your own tax adviser with respect to the proper method of reporting any distribution you receive from the Plan.

(h) Unclaimed Account Procedure.

It is your responsibility to keep the Plan Administrator and/or Trustee apprised of your current address and that of your beneficiary. If the Plan Administrator and/or Trustee is unable to locate you and notify you or your beneficiary of entitlement to benefits within five years from the date on which such benefits are due and payable, then your account balance will be available for reallocation among the accounts of the remaining Plan Participants.

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