

THE
ABC SAMPLE COMPANY
401(k) PROFIT SHARING PLAN AND TRUST
SUMMARY PLAN DESCRIPTION

This booklet summarizes the provisions of the ABC Sample Company 401(k) Profit Sharing Plan, your rights thereunder, and the benefits you may receive. It is not meant to be the final word on or to overrule the plan document in any way. In case of discrepancy between the plan document and this summary, the plan document controls.

I. GENERAL INFORMATION ABOUT THE PLAN

Name of Plan: ABC Sample Company 401(k) Profit Sharing Plan and Trust.

Plan Number: 001

Effective Date: March 1, 2002

Type of Plan: This is a 401(k) profit sharing plan sponsored by the Employer. Under a 401(k) profit sharing plan, your benefit depends on the amount of deferrals you elect to make, employer contributions, and investment earnings (or losses) on such contributions. The Employer has no obligation to make contributions, other than your deferrals.

Employer: ABC Sample Company
25 W. 81 ST
New York, NY 10024

212-555-1212

Employer ID: 12-1234567

Plan Year Anniversary: March 1st

Fiscal Year-End: February 28th

Plan Administrator: The Employer (see above for address).

The Plan Administrator handles day-to-day plan operations as explained in this booklet and is available to answer questions you may have with regard to the Plan.

Trustee: John Q. Sample and/or Jane Q. Sample

Plan assets are held in such investments as the Trustee elects. Examples are mutual funds, insurance contracts, stocks, bonds, etc. The Trustee may make changes in available choices, investment managers, etc., if in its judgment such changes are in the best interest of the participants.

Agent for Service of Process: The Employer at the above address. Service of legal process may also be had upon any named trustee or the Plan Administrator.

Collective Bargaining: This Plan is not maintained pursuant to a collective bargaining agreement.

II. TERMINOLOGY & DEFINITIONS

Service:

Service starts on the date you were first employed by the company. You are credited with an hour of service for each hour of employment and for certain other periods during which you do not work but for which you are paid, such as vacation, sick leave, etc.

A year of service is a plan year in which you complete 1,000 hours of service. Years of service are used to determine your eligibility to participate and your vesting status. For vesting purposes, years of service do not include years of service completed before the Plan's effective date.

You will also be credited with hours of service (other than for benefit accrual or contribution purposes) for services with companies that are affiliated or under common control with your employer.

You will be credited with a year of eligibility service when you complete 1,000 hours of service during your first year of employment and, thereafter, during any plan year beginning after your first day of employment;

Break in Service:

You will incur a break in service for any plan year in which you fail to complete more than 500 hours of service. Exceptions exist for maternity or paternity leave, jury duty, and military service. Breaks in service may delay vesting of your benefit rights (and plan reentry, should you terminate employment and subsequently be reemployed).

If you are reemployed after incurring a break in service and you have a vested benefit that was not paid out, you may be required to complete a year of eligibility service to reinstate the years of service you accrued previously. Reentry requirements for the Plan are outlined in the following section.

If your partially-vested benefit was distributed to you at termination, then your years of prior service will only be reinstated if you pay back the distribution before the 5th anniversary of your reemployment date and before you incur 5 breaks in service. Of course, you won't need to pay anything back if you were not vested.

Years of service are automatically reinstated if you were fully vested at the time of termination.

III. ELIGIBILITY & PARTICIPATION

Eligibility:

You will be eligible to participate in the Plan provided you:

- Are not covered by a collective bargaining agreement with the Employer;
- Became an employee as a result of merger with or acquisition by the Employer more than one year before the end of the current plan year;
- Not a nonresident alien receiving no earned income from the Employer from sources within the United States;

Entry Date:

Your entry date is the date on which you commence participation (i.e., make contributions or receive employer contributions into your account). The entry date will depend on the type of contribution that is being made.

IV. ELECTIVE DEFERRALS BY EMPLOYEES**General:**

Though different kinds of contributions can be made into a 401(k) plan, what makes a plan a 401(k) plan is that employees can make contributions from their earnings which Internal Revenue Code §401(k) calls *elective deferrals*. These contributions are a *before-tax* deferral of your earnings (i.e., they are tax-deductible when made, and neither the amounts deferred nor earnings on them are taxable until distributed).

Even though the money is taken from your paycheck, an elective deferral is also treated under tax law as if it were (and indeed it is called) an "employer contribution" for a variety of accounting and IRS compliance purposes for qualified plans.

Eligibility:

You will be eligible to make elective deferrals once you have:

- Attained age 21;
- Accrued one year of eligibility service with the Employer;

Deferral Elections and Entry date:

When you meet the eligibility requirements to start making *pre-tax* deferrals, you will receive a payroll deduction election form to fix the amount. Your election becomes effective immediately on meeting participation requirements for elective deferrals. The deferrals will be taken out of your paycheck through payroll deduction and deposited to your retirement account by your employer.

To change or stop the deferral amount, you must fill out a new deduction election form. Your new election will become effective immediately.

Plan Reentry Date:

For purposes of elective deferrals, if you were previously a participant in this Plan and terminated employment, upon rehire, you will reenter the Plan upon completing a year of service.

Amounts of Deferral:

There are no plan imposed minimum deferrals. There are no imposed maximum deferrals other than those imposed by the Tax Code, as outlined in the following section.

Limitations on Deferrals:

In any calendar year, you cannot defer more than the dollar limit imposed by the Tax Code (\$11,000 for the year 2002, then increasing by \$1,000 for each year thereafter, until it reaches \$15,000 in 2006, then periodically adjusted for cost of living). The dollar limit applies in aggregate to all elective deferrals you make to any and all plans in which you participate, even if such plan is not a 401(k) plan or is not sponsored by the Employer.

There is one exception: employees who attained age 50 before the end of the plan year can exceed the limit by \$1,000 for the year 2002. The limit can be exceeded by an extra \$1,000 each year thereafter, until it reaches \$5,000 in 2006. After 2006, there will be periodic adjustments for cost of living.

Excess deferrals must be refunded to you as soon as possible to avoid penalties and double taxation. The Plan Administrator must receive your refund request *in writing* before April 15 of the calendar year following the calendar year in which the contribution went into your account so that a timely refund can be made.

Deferrals by highly compensated employees (generally, the Employer's owners and officers) are also limited, based on the average of deferrals made by the Employer's non-highly compensated employees. If this limit is exceeded, the excess deferrals by highly compensated employees may be returned or allocated to other participants.

The Employer may add special contributions to your account called qualified matching contributions and qualified none elective contributions. These kinds of contributions typically are made to meet certain tests spelled out in the Internal Revenue Code to keep the plan qualified for tax-exemption and are treated just as if they were deferrals made by you, i.e. fully vested when made and nontaxable until distributed to you.

V. EMPLOYER MATCHING CONTRIBUTIONS

Definition:

Matching contributions are contributions made by (and at the discretion of) the Employer and are based upon the amount of your elective deferrals, that is, just as deferrals are a percentage of your earnings, matching contributions are a percentage of your deferrals, possibly subject to limitations.

Eligibility:

If the Employer makes any matching contributions, all participants who make elective deferrals during the plan year will share in them.

You will be eligible to receive matching contributions once you have:

- Met the requirements for making elective deferrals.

Matching contributions will not be allocated unless you:

- Were eligible at any time during the plan year;

Entry Date for Matching Contributions:

Your entry date for matching contributions is the same as your entry date for elective deferrals.

Plan Reentry Date:

For purposes of matching contributions, if you were previously a participant in this Plan and terminated employment, upon rehire, you will reenter the Plan upon completing a year of service.

Amount of Matching Contributions:

The Employer will decide the level of matching at the time matching contributions are made and can in its discretion impose additional limitations on such contributions. For instance, the Employer could match with 50 cents of its own money every dollar you contribute by deferral but then limit the matching to 3% of your earnings.

The amount of matching will be equal to a percentage of your deferrals .

Illustration: Joan's earnings are \$30,000. She defers 5% of her earnings, or \$1,500. The employer decides to match 50 cents on the dollar, but not more than 3% of income; i.e., it matches Joan's contribution with another \$750. Had Joan deferred 10 % of her earnings, or \$3,000, the matching would normally be \$1,500, but because of the employer's 3% of income limit, the matching is limited to \$900 (3% of \$30,000) instead.

VI. DISCRETIONARY EMPLOYER CONTRIBUTIONS

Definition:

In addition to matching contributions, the Employer may make additional contributions which are completely discretionary. The decision whether to make discretionary contributions for any given plan year and, if so, how much, will depend upon the Employer's business and financial circumstances. Employer contributions will include benefits forfeited by participants who were not fully vested at the time of termination

The maximum compensation that can be used in determining discretionary contributions is \$200,000 for plan years beginning in the year 2002. This maximum will be adjusted for cost-of-living for later years.

Eligibility:

You will be eligible to receive discretionary contributions if you:

- Have met the requirements for making elective deferrals.

Entry Date for Discretionary Employer Contributions:

Your entry date for discretionary employer contributions is the same as your entry date for elective deferrals.

Plan Reentry Date:

For purposes of discretionary contributions, if you were previously a participant in this Plan and terminated employment, upon rehire, you will reenter the Plan upon completing a year of service.

Allocation of Discretionary Employer Contributions:

Employer contributions are allocated proportionally to each eligible participant's compensation, i.e., all eligible participants will receive the same contribution as a percentage of earnings.

VII. LIMITATIONS ON CONTRIBUTIONS

The Internal Revenue Code imposes an overall limitation, adjusted periodically for cost of living, on all types of contributions (including your elective deferrals) that can be made to your account. For the plan year 2001, that limit is \$35,000. But in addition to that specific limitation, any contributions made to your account, including your deferrals (themselves already limited to a maximum of \$10,500), cannot exceed 25% of your income for the applicable plan year. So the overall contribution limitation imposed by the tax code is actually the *lesser* of \$35,000 or 25% of your income.

VIII. INVESTMENTS

Investments are the responsibility of the Trustee. Participants do not have the right to direct the investments of their individual accounts derived from such contributions. An account in your name will be set up when you become a participant and will be credited with your share in such contributions to (or adjusted for earnings and losses on) the Plan's investments. You have control over how to invest the assets in your self-directed account from such contributions within a wide range of investment alternatives. A plan with self-directed investments is also called ERISA §404(c) plan, meaning that it will comply with ERISA §404(c) and Department of Labor regulations. Accordingly, the Plan Administrator will give you descriptions of the available investment alternatives with information about their risk and return characteristics. Moreover, upon request, you will also receive the following information:

- A description of the annual operating expenses of each investment alternative and the aggregate amount of these expenses expressed as a percentage of average net assets;
- Copies of any prospectuses, financial statements, and reports that are made available to the Plan;
- A list of the assets in the portfolio of each alternative and, for assets that are fixed investment contracts, the issuers' names, durations of such contracts, and rates of return;
- Information on the value of shares of the alternative investment options, including their past and current investment performance determined (net of expenses) on a reasonable and consistent basis; and
- Instructions for changing from one alternative investment to another.

Note that the plan's fiduciaries have no liability for the investment losses in accounts that are self-directed under §404(c) of ERISA.

IX. ACCRUED BENEFIT & VESTING

Accrued Benefit:

Your accrued benefit is the total of your account balances in the Plan.

Vesting:

Vesting means that an asset is non forfeitable and permanently set aside for your benefit. Vesting means that you cannot legally be deprived of the asset. In the context of this Plan, benefits arising from your own contributions, such as elective deferrals from your paycheck and rollovers from other qualified plans (and all earnings on either of them) are said to be fully vested because you owned them before they entered this Plan.

As described in the above sections, the Employer may make plan contributions to your benefit out of its own pocket, but it also dictates in the Plan just how fast your vesting in such contributions will take place, by means of the vesting schedule described below. This is important to you because, if you terminate employment before meeting the vesting schedule *and* before reaching your retirement date, you will receive only that *percentage* of your accrued benefit that is "vested" according to the vesting schedule. So your vested percentage depends on the number of years of service you have accrued before termination (other than retirement).

The percentage of benefits that are not vested are generally forfeited at termination and are added to discretionary contribution, and added to matching employer contributions to the Plan.

Years of service for vesting purposes include all your years of service, except for:

- Years of service completed before you attained age 18.
- Years of service with the Employer during any period the Employer did not maintain this Plan or a predecessor plan.

Vesting at Reemployment:

If you were previously a partially vested participant under this Plan who received as distribution at termination the vested portion of your accrued benefit, upon reemployment you can be reinstated in your accrued benefit by repaying the distribution you received at termination before you have incurred 5 consecutive breaks in service. The amount you previously forfeited will not be adjusted for gains and losses incurred by the Plan's investment fund.

Vesting Schedule:

All your elective deferrals, rollovers, and other employee contributions (and earnings thereon) are always fully vested. However, all other types of contributions, which come solely from the Employer, vest in you according to the following schedules:

Accrued benefits from matching contributions become vested in accordance with the following schedule:

<u>Years of Service</u>	<u>Percent Vested</u>
Less than one	0 %
One but less than two	0 %
Two but less than three	20 %
Three but less than four	40 %
Four but less than five	60 %
Five but less than six	80 %
Six but less than seven	100 %
Seven or more	100 %

Accrued benefits from employer discretionary contributions become vested in accordance with the following schedule:

<u>Years of Service</u>	<u>Percent Vested</u>
Less than one	0 %
One but less than two	0 %
Two but less than three	20 %
Three but less than four	40 %
Four but less than five	60 %
Five but less than six	80 %
Six but less than seven	100 %
Seven or more	100 %

Additionally, full vesting of your interest in the Plan will occur *before* you meet the terms of the above vesting schedule(s) if, in the meantime, you reach retirement age or your employer terminates the Plan.

Illustration: For instance, if you terminate employment with a \$10,000 accrued benefit and you are 60% vested, then your vested accrued benefit is equal to \$6,000 and the remaining \$4,000 is forfeited.

X. PAYMENT OF BENEFITS

Normal Retirement:

Your normal retirement date is the later of the day you reach age 65 or the 5th anniversary of your entry date..

Unless you elect otherwise, the distribution of your benefits will begin within the 60-day period following the plan year in which you reach your normal retirement date. If you delay retirement beyond your normal retirement date, you will continue to receive contributions as long as you are actively employed and meet the eligibility requirements. You can delay distributions, but not beyond April 1 following the calendar year in which you attain age 70½.

Death Benefit:

If you die, your beneficiary will receive your accrued benefit.

If you want to designate as beneficiary anyone other than your spouse, you must obtain your spouse's written consent on forms to be provided by the Plan Administrator. If you are married, the Plan restricts your beneficiary to your spouse.

This Plan does not allow you to purchase life insurance.

Disability:

Disability is defined as an inability to work at any type of job because of physical or mental illness (whether caused by accident or illness), diagnosed by a medical practitioner and expected to result in death or indefinitely long duration.

Termination of Employment:

When you terminate employment for any reason other than the above, you will receive that portion of your account that is vested.

If you become disabled, you will receive your accrued benefit as if you terminated employment with full vesting as of the day you became disabled.

In-Service Distributions:

This Plan allows distributions to participants from their vested accounts resulting from employer contributions during their service with the Employer.

Hardship Distributions:

This Plan allows hardship distributions to participants from their elective deferral accounts. Hardship is defined as an immediate and heavy financial need and you lack other available resources. Hardship distributions are subject to the spousal consent requirements.

A distribution will be considered as necessary to satisfy an immediate and heavy financial need of the participant only if you have obtained all distributions, other than hardship distributions, and all nontaxable loans under all plans maintained by the Employer, and the distribution is not in excess of the amount of your immediate and heavy financial need, including amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution.

Only the following are considered immediate and heavy financial needs:

1. Certain medical expenses incurred for necessary medical care for you, your spouse, children, or dependents.
2. The purchase (excluding mortgage payments) of a principal residence for the participant; or the need to prevent the eviction from, or a foreclosure on the mortgage of, your principal residence.
3. Payment of tuition and related educational fees for the next 12 months of post-secondary education for the participant or the participant's spouse, children or dependents.

The plan stipulates that your contributions will be suspended for the 6 months following the receipt of the hardship distribution.

A hardship distribution is **not** eligible for rollover into another qualified plan or IRA.

XI. FORM OF BENEFIT

All benefits under this Plan will be paid out in a lump sum.

Optional Forms of Benefit:

Subject to a written election (and written spousal consent if you are married), the plan permits you to elect a lump sum distribution during the 90-day period preceding your retirement date.

Notice requirements:

Between 30 and 90 days prior to your annuity starting date, the Plan Administrator will inform you of all the details of the foregoing by written notice which will also include a comparison of the relative values of the various optional forms of benefit permitted under the Plan.

However, the annuity starting date period can be shortened to less than 30 days after notice is given if, among other conditions, you elect to receive your accrued benefit in a form other than a qualified joint and survivor annuity.

XII. TAXATION OF BENEFITS

Taxability at Time of Contribution:

Contributions made by your employer, whether matching, none elective or discretionary; your elective deferrals; and gains attributable to these types of contributions are not taxable to you in the year made. However, plan contributions you are required to make in order to participate in this Plan are part of your normal income on which you must pay income taxes.

Taxability at Time of Distribution:

Taxation of your benefits at the time of distribution depends on the tax laws. Tax laws change, but typically the law as it stands at the time of receipt of benefits will apply.

Generally, when you receive a distribution, you will have to pay income taxes at ordinary income tax rates. A 10% excise tax may be imposed on distributions received before you reach age 59½.

You may be eligible to roll over any or all of the benefits paid to you into an Individual Retirement Account (IRA) and escape taxation until you withdraw the money at a later date.

The Plan Administrator will provide you with information on distribution options and the tax implications of each option at the time you become eligible to receive benefits or terminate employment. In any event, it is recommended that you consult your tax advisor in making your decision.

XIII. LOANS & ROLLOVERS

Participant Loans:

This Plan allows participants to take out loans. Such loans are available to participants on a nondiscriminatory basis. The amount of the loans cannot exceed the lesser of one-half the value of your vested accrued benefit or \$50,000. Loans are subject to a strict repayment schedule and a number of special requirements.

Rollovers:

The Plan does not permit participants to roll over benefits from a qualified plan sponsored by a different employer, tax-sheltered annuities, and certain IRAs.

XIV: OTHER IMPORTANT PLAN PROVISIONS

Top Heavy Provisions:

A plan is called top heavy when 60% or more of the value of the accrued benefits belong to *key employees* (generally, the Employer's owners and/or officers.). A number of special rules apply for plan years during which a plan is top heavy. The more important ones are:

- Each non-key employee will receive a minimum contribution of 3.0% of compensation if one or more key employees receive a contribution equal to or more than 3.0% of compensation.
- The Employer may choose a different plan to provide you the minimum benefit.
- Accrued benefits resulting from employer matching and employer discretionary contributions will vest at least as rapidly as the following schedule:

All accrued benefits become vested in accordance with the following schedule:

<u>Years of Service</u>	<u>Percent Vested</u>
Less than one	0%
One but less than two	0%
Two but less than three	20%
Three but less than four	40%
Four but less than five	60%
Five but less than six	80%
Six or more	100%

Loss or Delay of Benefits:

Certain circumstances could result in reduction or denial of your benefits or contributions (other than from your own deferrals). The more important ones are:

- You no longer belong to a group of eligible employees.
- You did not accrue the number of hours of service the Plan requires for vesting or contribution purposes.
- You had one or more breaks in service.
- The plan's favorable tax status is disqualified.
- You participate, or did participate, in another plan sponsored by the Employer.
- Loss of benefits under the break-in-service rules. (See above.)
- Limits imposed by the Internal Revenue Code.
- Losses incurred by the Plan's investment fund.
- Violation of the terms of an insurance policy.
- Payments that must be made to an alternative payee under a Qualified Domestic Relations Order.
- You terminate employment before you are partially or fully vested, or if you voluntarily withdraw from participating in the Plan.
- Payment may be delayed if you fail to execute forms properly, to make required participant elections (if any), or to perform any acts that may be required of you by the Plan to provide for your benefit.
- If the Plan requires you to make contributions and you fail to do so.

Anti-Alienation Clause:

You cannot give away your interest in the Plan or use it as collateral for a borrowing from a third party lender, nor can your benefit be attached or garnished. There are some exceptions, such as compliance with court orders to pay alimony or child support, settlements that are part of a divorce decree, payments of outstanding participant loans upon termination of employment, as well as certain settlements with the Department of Labor or the PBGC or certain judgments for crimes or violations involving the Plan.

Amendment or Termination of the Plan:

The Employer has the right to amend or terminate this Plan at any time it deems necessary. If the Employer amends the Plan, it shall in no way use or divert plan assets for any purpose other than the exclusive benefit of participants or their beneficiaries, which may include payment of expenses properly chargeable to the Plan. Nor shall an amendment reduce the vested percentage of any participant or beneficiary or provide for a reversion of any plan assets to the Employer.

If the Plan is terminated altogether, accrued benefits of active participants will become fully vested and will be paid out as soon as practicable in the manner described above, after meeting the expenses legitimately incurred by the Plan.

Plan Insurance

Pension Benefit Guaranty Corporation insurance coverage is not available for profit sharing plans.

Claim for Benefits:

It is anticipated that this Plan will be administered in such a manner that your benefits will be paid when due without filing a claim.

However, if you believe a benefit due you has not been paid, you may file a written claim with the Plan Administrator. If your benefit request is denied, the Employer shall give you written notice of the denial, as well as specific reasons for the denial, within 90 days after your claim is received by the Plan Administrator. You then have 90 days to appeal the decision to the Employer in writing. The Employer then has 60 days in which to review the earlier decision, make a final decision and communicate it to you in writing.

Your Legal Rights as Participant:

As a participant in the Plan you are entitled to certain rights and protections under the Employment Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants shall be entitled to:

- Examine, without charge, at the Plan Administrator's office all plan documents, including insurance contracts and copies of all documents filed by the Plan with the U.S. Department of Labor, such as detailed annual reports and plan descriptions.
- Obtain copies of all plan documents and other plan information upon written request to the Plan Administrator. The Plan Administrator may make a reasonable charge for such copies.
- Receive a copy of a summary of the Plan's annual financial report (called "Summary Annual Report"), which the Plan Administrator is required by law to furnish each participant.
- Obtain a written statement, free of charge, telling you whether you have a right to receive a pension at normal retirement age and, if so, what your benefits would be at normal retirement age if you stopped

working under the Plan as of the date of such statement. (If you do not have a right to a pension, the statement will 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.

In addition to creating rights for plan participants, ERISA imposes duties upon the persons who are responsible for the operation of an employee benefit plan. The persons who operate your plan have a duty to do so prudently and in your interest and that of other plan participants and beneficiaries.

No one, including the Employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension or exercising your rights under ERISA. If your claim for a pension benefit is denied in whole or in part, you must be given a written explanation of the reason for the denial. You have the right to have the Plan Administrator review and reconsider your claim. 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 suit in federal court. In such case, the court may require the Plan Administrator to provide the materials and pay you up to \$100 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator.

If you have a claim for benefits, which is denied or ignored, in whole or in part, you may file suit in state or federal court. If it should happen that plan fiduciaries misuse the Plan's assets, or if you are discriminated against for asserting your rights, you may file suit in federal court. The court will decide who should 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 this Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest area office of the U.S. Labor-Management Services Administration, Department of Labor.

The general provisions of this summary plan description are designed to provide you with information on how the Plan works.

This Plan was adopted to provide employees income after their retirement. The Plan's provisions are governed by a legally binding plan document and trust written in accordance with requirements of the Internal Revenue Code. Although we have designed the Plan in a way that we believe complies with applicable pension law, some changes may be required for formal and continued approval by the Treasury Department. In such case, the changes will be made and communicated to you.