**SAR SEP (SIMPLIFIED EMPLOYEE PENSION)**

**SUMMARY**

**Introduction**

The following is a summary of the important provisions of your SEP. Under the SEP, your Employer (the "Company") may make contributions on your behalf to an Individual Retirement Account ("IRA") established for you. These contributions will be held and invested for you by the Custodian under the terms of the IRA until you withdraw or transfer them to another institution of your choice. You will be taxed on the amounts contributed to the SEP when you receive a distribution from the IRA.

The SEP was established and is administered by the Company under government rules and regulations. The SEP contains rules covering your eligibility to participate, how Company contributions are determined and how contributions to your IRA are made. These rules are explained in this Summary Plan Description. The important provisions of your IRA are explained in the Disclosure Statement and Custodial Agreement booklet, provided separately. While this Summary Plan Description describes the principal provisions of the SEP, it does not include every limitation or detail. Every attempt has been made to provide concise and accurate information. If, however, there is a discrepancy between this Summary Plan Description and the SEP Plan Document, the SEP Plan Document shall govern. You are entitled to have a complete copy of the SEP Plan Document. You can get this document from the Plan Administrator, whose name appears in the section titled Administration.

The Plan Administrator will answer any questions you may have about this program. The Plan Administrator may charge a reasonable fee for providing you with a copy of the SEP Plan Document. You are also entitled to have a complete copy of the Disclosure Statement and Custodial Agreement, which you may get from the Plan Administrator.

**Effective Date**

The Effective Date or starting date of the SEP is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**Eligibility Requirements**

The SEP will cover Employees who have been employed for at least \_\_\_\_\_\_ of the immediately preceding five Plan Years and who are at least age \_\_\_\_\_\_. You will receive credit for a year of employment if you work even one day during a Plan Year. Employees covered by a collective bargaining agreement under which retirement benefits have been the subject of good faith bargaining [ ] will [ ] will not be eligible to participate in the SEP. Employees who are classified as non-resident aliens with no U.S. source income from the Company [ ] will [ ] will not be eligible to participate in the SEP. The SEP [ ] will [ ] will not exclude Employees who earn less than the minimum Compensation limit allowed by law during the Plan Year. Contact the Plan Administrator for the current Compensation limit.

**Company Contributions**

The Company may make contributions to the SEP for any year it chooses to do so. The maximum contribution allowed for any year is 25% of your Compensation up to a maximum of $40,000 (as adjusted by the Internal Revenue Service). Remember, contributions are discretionary and the SEP contribution can be discontinued at any time.

**Determining Your Share of the Company's Contribution**

The Company will allocate contributions to your IRA according to the following formula:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Proportionate Compensation Formula: Any contribution the Company makes will be made to your IRA in the ratio that your Compensation bears to the total Compensation of all eligible Employees.

Integrated Contribution Formula: Under an integrated allocation formula, each Participant earning in excess of the SEP's Integration Level for the year will receive an additional allocation on his or her Compensation in excess of the Integration Level. Contact the Plan Administrator for the current Integration Level.

Compensation means your total earnings from the Company during the year for which a contribution is made, up to the maximum amount allowable by law. Contact the Plan Administrator for the current Compensation limit.

The Internal Revenue Code has certain rules intended to ensure that tax-qualified plans like the SEP are non-discriminatory. A plan that primarily favors "Key Employees"--certain owners and officers of the Company–is considered to be a "top-heavy" plan. When a plan becomes top-heavy, special minimum benefit rules automatically become applicable. In the event the Plan becomes top-heavy, you will be notified.

**Individual Retirement Accounts**

Upon becoming a Participant in this SEP, you will receive an Application to establish your IRA. You will need to complete the application and return it to your Plan Administrator so that he or she can submit it to the Plan Administrator. All Company contributions made for you will be deposited to your IRA. Once deposited, the contribution is yours and will be held for you under the terms of your IRA. The terms of your IRA, including investment options, penalties, restrictions, payment options and your right to transfer to another Custodian, are explained in the Disclosure Statement and Custodial Agreement booklet. If you decide to transfer your IRA to another financial institution, remember that all IRA plans are not alike and may have different terms concerning transfers, withdrawals and penalties.

**Federal Income Taxes**

Your Company contributions are generally not subject to federal income tax until you take them out of your IRA. If the Company's contribution exceeds the limit described earlier, you must withdraw the excess, including any earnings thereon, by the time you file your income tax return for the year for which the excess contribution was made. Such excess is also includible in your gross income for that tax year. Failure to withdraw an excess contribution on a timely basis will result in tax penalties.

**Statements and Notices**

You will be provided with a statement each quarter showing the contributions made to your IRA during the calendar year.

**Administration**

The SEP will be administered by the following parties:

(a) Company:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Company name

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Company contact name

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Street

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

City State ZIP

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Phone number

The Company also serves as Plan Administrator of the SEP. These responsibilities include allocation of contributions, advising you of contributions made on your behalf, and resolving questions regarding the interpretation of the SEP Plan Document. Any questions you have should be directed to the Plan Administrator.

(b) Custodian:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Company name

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Company contact name

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Street

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

City State ZIP

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Phone number

**Amendment and Termination**

The Company may amend the SEP at any time provided that no amendment will divert any contribution to a purpose other than the exclusive benefit of you and the other Participants of the SEP. The Company will give you a copy of any amendment to the SEP and an explanation of its effect within 30 days of the effective date of such amendment.

The Company may also terminate the SEP, in which case no further contributions will be made for you by the Company. Your IRA will continue to be administered for you by the Custodian.

This summary is for use by Employers using Simplified Employee Pension (SEP) Plan Number 001 who have requested integration in Step 4 of the Adoption Agreement. This worksheet serves as an addendum to your Summary Plan Description.

**Addendum to Summary Plan Description**

This Plan is an integrated Simplified Employee Pension Plan, which means the Plan takes into account contributions the Company makes for Employees under the Federal Social Security Act. For each Plan Year that the Company contributes to the Plan, the Company will allocate this contribution to the accounts maintained for the Participants.

**The Company completes this allocation using a four-step formula.**

Step one - Under the first step, the Company will allocate to each Participant \_\_% of his or her Compensation\* paid during the Plan Year. If the Company's contribution is not sufficient to provide this \_\_\_% allocation, the Company will reduce the allocation to each Participant so all Participants receive the same reduced allocation percentage under the first step.

Step two - The second step applies if any Company contributions for the Plan remain unallocated after the first step. Under the second step, the Company will allocate to each Participant \_\_\_% of his or her Excess Compensation. "Excess Compensation" is a Participant's Compensation in excess of the Integration Level designated in the Company's Plan.

The designated Integration Level is (check one): [ ] the Taxable Wage Base; or [ ] \_\_\_\_\_\_ % of the Taxable Wage Base (not to exceed 100%). If the Company's contribution is not sufficient to provide this \_\_% allocation, the Company will reduce the allocation to each Participant so all Participants with Excess Compensation receive the same reduced allocation percentage under the second step.

Step three - The third step applies if any Company contributions for the Plan Year remain unallocated after the second step. Under the third step, the Company will allocate to each Participant \_\_\_\_\_\_ % of his or her total Compensation paid during the Plan Year and, at the same time, will allocate to each Participant \_\_\_\_\_\_ % of his or her Excess Compensation. If the Company's contribution is not sufficient to provide these allocation percentages, the Company will reduce the allocation so the percentage based on total Compensation is the same as the percentage based on Excess Compensation.

Step four - The fourth step applies if any Company contributions for the Plan Year remain unallocated after the third step. Under the fourth step, the Company will allocate the balance based on each Participant's share of the total Compensation paid during the Plan Year to all Participants in the Plan.

\* Compensation means your total earnings from the Company during the year for which a contribution is made, up to the maximum amount allowable by law. Contact the Plan Administrator for the current Compensation limit.