Types of Contributions to a 401(k) Plan

1. **Employee "salary deferral" pre-income-tax contributions:** "Highly Compensated Employees" might be limited in the amount they can contribute. These contributions must be deposited to the Plan immediately after being withdrawn from pay.

2. **Employer discretionary "matching" contributions:** The Company can choose its own matching formula. A matching contribution can be announced BEFORE the start of a Plan Year, or DURING a Plan Year, or even AFTER a Plan Year ends. The money must be deposited by the time for filing of The Company's federal tax returns, including extensions. The money need not be contributed during the Plan Year but can be contributed during the Plan Year, at The Company's discretion. Matching contributions ONLY go to participants who have made salary deferral contributions. Regular employer discretionary matching contributions can be subject to a "vesting schedule" up to six years.

3. **Employer discretionary "profit sharing" contributions:** The Company does not need to have profits to make these contributions, which are more precisely described as "employer non-elective contributions". The contributions will go to eligible plan participants whether or not they made salary deferral contributions. Subject to discrimination testing, The Company can require that participants complete at least 1,000 hours of service and be credited with service to the end of the Plan Year in order to share in these contributions. The money must be deposited by the time for filing of The Company's federal tax returns, including extensions. Allocation of these contributions can be tilted in favor of highly-compensated or key employees. Employer "profit sharing" contributions can be subject to a "vesting schedule" up to seven years.

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4. **Employer "safe harbor matching" contributions:** In order to insure that highly-compensated employees can contribute maximum salary deferrals regardless of the level of contributions by non-highly-compensated employees, The Company may elect to announce a "safe harbor match" for a particular Plan Year. The matching formula must be at least as good as this: Dollar-for-dollar on the first 3% of pay and 50 cents on the dollar for the next 2% of pay. If a participant contributed at least 5% of pay, the "safe harbor match" would max out at 4% of pay. A "safe harbor matching" contribution is 100% vested.

5. **Employer "across-the-board 3%-of-pay safe harbor" contributions:** As an alternative to the "safe harbor matching" contribution described above, The Company can avoid discrimination testing by making a 3% of pay contribution for all eligible participants. Such a contribution would be 100% vested.

6. **Rollover contributions:** If The Company wishes, participants can rollover balances from prior qualified plans, IRAs (only money that had been tax-deducted), SEP-IRAs, SAR-SEPs, and even SIMPLE plans (if the participant had been eligible for the SIMPLE for at least 2 years).