

SECTION 125 DISCRIMINATION TEST

TEST 1 - ELIGIBILITY

The Flexible Benefits Plan shall benefit all employees as classified by the Employer and shall not be discriminatory in favor of highly compensated employees or their dependents.

TEST 2 – CONTRIBUTIONS AND BENEFITS

Qualified benefits and total benefits may not discriminate in favor of highly compensated.

TEST 3 - 25% KEY EMPLOYEE CONCENTRATION TEST

The total benefits provided to Key Employees can not exceed 25% of the total benefits of all employees under the Plan.

DEFINITIONS

KEY EMPLOYEES

A "Key Employee" is any employee who, during the plan year, was any of the following:

- (1) an officer of the employer with annual compensation greater than \$160,000 (as indexed for cost-of-living adjustments);
- (2) a 5% owner of the employer; or
- (3) a 1% owner of the employer with annual compensation in excess of \$110,000 (not indexed); and
- (4) a spouse (if employed by the employer) of a sole proprietor or a partner who is not self employed or a partner.

OFFICERS

An officer of the employer should include all elected "officers" as well as appointed officers who actually have authority to manage the business. Purely administrative officers who have an officer's title but no management authority (VP of finance with authority limited to signing checks, etc.) may not have to be included. No more than 50 employees shall be counted as officers (or, if less than 50 officers, the greater of three employees or 10% of the employees)

COMPENSATION

The employee's actual compensation for the relevant period based on the employee's Form W-2 for the calendar year that ends with or within the plan year. An officer-employee hired after the beginning of the plan year may not exceed the applicable threshold for the first year of employment if his compensation from the date of hire to the end of the plan year does not exceed the threshold stated above.

INSTRUCTIONS: Please place the Key Employees' names in the name column. Check the appropriate Type of Entity, fill in the benefit cost information, sign and date the form and return it as soon as possible.

KEY EMPLOYEES

Name

TYPE OF ENTITY:

C-Corp S-Corp Non Profit Other

*(Please Note: More-than 2% Owners of S-Corporations and their spouses, children, grandchildren and parents and Partners in a Partnerships or LLC are **not** eligible to participate in the Flexible Benefits Plan, which includes pre-taxing premium contributions and contributions to spending accounts).*

EMPLOYEE AND EMPLOYER PAID PORTION OF BENEFIT COSTS

All Employee pre-tax contributions (employee paid portion of benefit costs) and Employer contributions must be included in the Section 125 test. Please provide the appropriate information below:

EMPLOYEE PRE-TAX PREMIUM CONTRIBUTIONS FOR ALL KEY EMPLOYEES MONTHLY BENEFIT COSTS

\$ _____

EMPLOYER CONTRIBUTIONS FOR ALL KEY EMPLOYEES MONTHLY BENEFIT COSTS

\$ _____

EMPLOYEE PRE-TAX PREMIUM CONTRIBUTIONS FOR ALL NON-KEY EMPLOYEES MONTHLY BENEFIT COSTS

\$ _____

EMPLOYER CONTRIBUTIONS FOR ALL NON-KEY EMPLOYEES MONTHLY BENEFIT COSTS

\$ _____

EMPLOYER

2011 Plan Year

AUTHORIZED SIGNATURE

DATE