



Southwest Securities, Inc. and/or Broker/Dealers for which it clears

Southwest Securities, Inc. Member NYSE/NASD/SIPC

Profit Sharing Plan and Trust Adoption Agreement

(WITH PAIRING PROVISIONS)

The undersigned Employer adopts Southwest Securities, Inc. Prototype Standardized Profit Sharing Plan and Trust and elects the following provisions:

CAUTION: The failure to properly fill out this Adoption Agreement may result in disqualification of the Plan.

EMPLOYER INFORMATION

(An amendment to the Adoption Agreement is not needed solely to reflect a change in the information in this Employer Information Section.)

1. EMPLOYER'S NAME, ADDRESS AND TELEPHONE NUMBER

Name: _____

Address: _____
Street

City State Zip

Telephone: _____

2. EMPLOYER'S TAXPAYER IDENTIFICATION NUMBER: _____

3. TYPE OF ENTITY

- a. Corporation (including Tax-exempt or Non-profit Corporation)
- b. Professional Service Corporation
- c. S Corporation
- d. Limited Liability Company that is taxed as:
 - 1. a partnership or sole proprietorship
 - 2. a Corporation
 - 3. an S Corporation
- e. Sole Proprietorship
- f. Partnership (including Limited Liability)
- g. Other: _____

AND, the Employer is a member of (select all that apply):

- h. a controlled group?
- i. an affiliated service group?

4. EMPLOYER FISCAL YEAR means the 12 consecutive month period:

Beginning on _____ (e.g., January 1st)

month day

and ending on _____

month day

PLAN INFORMATION

(An amendment to the Adoption Agreement is not needed solely to reflect a change in the information in Questions 9. through 11.)

5. Plan Name:

6. EFFECTIVE DATE

- a. This is a new Plan effective as of _____ (hereinafter called the "Effective Date").
- b. This is an amendment and restatement of a previously established qualified plan of the Employer which was originally effective _____ (hereinafter called the "Effective Date"). The effective date of this amendment and restatement is _____.
- c. FOR GUST RESTATEMENTS: This is an amendment and restatement of a previously established qualified plan of the Employer to bring the Plan into compliance with GUST (GATT, USERRA, SBJPA and TRA '97). The original Plan effective date was _____ (hereinafter called the "Effective Date"). Except as specifically provided in the Plan, the effective date of this amendment and restatement is _____.
(May enter a restatement date that is the first day of the current Plan Year. The Plan contains appropriate retroactive effective dates with respect to provisions for the appropriate laws.)

7. PLAN YEAR means the 12 consecutive month period:

Beginning on _____ (e.g., January 1st)

month day

and ending on _____

month year

EXCEPT that there will be a Short Plan Year:

- a. N/A
- b. beginning on _____ (e.g., July 1, 2000)
month day, year
and ending on _____
month day, year

8. VALUATION DATE means:

- a. Every day that the Trustee, any transfer agent appointed by the Trustee or the Employer, and any stock exchange used by such agent are open for business (daily valuation).
- b. The last day of each Plan Year.
- c. The last day of each Plan Year half (semi-annual).
- d. The last day of each Plan Year quarter.
- e. Other (specify day or dates): _____ (must be at least once each Plan Year)

9. PLAN NUMBER assigned by the Employer (select one)

- a. 001 b. 002 c. 003 d. Other _____

10. TRUSTEE(S):

a. Individual Trustee(s) who serve as discretionary Trustee(s) over assets not subject to control by a corporate Trustee.

Name(s)	Title(s)
_____	_____
_____	_____
_____	_____

Address and Telephone number

- 1. Use Employer address and telephone number.
- 2. Use address and telephone number below:

Address: _____
Street

City State Zip

Telephone: _____

b. Corporate Trustee

Name: _____

Address: _____

Street

City State Zip

Telephone: _____

AND, the corporate Trustee shall serve as:

- 1. a directed (non-discretionary) Trustee over all Plan assets except for the following: _____.
- 2. a discretionary Trustee over all Plan assets except for the following: _____.

And, shall a separate trust agreement be used with this Plan?

- c. Yes
- d. No

NOTE: If Yes is selected, an executed copy of the trust agreement between the Trustee and the Employer must be attached to this Plan. The Plan and trust agreement will be read and construed together. The responsibilities, rights and powers of the Trustee shall be those specified in the trust agreement.

11. PLAN ADMINISTRATOR'S NAME, ADDRESS AND TELEPHONE NUMBER:

(If none is named, the Employer will become the Administrator.)

- a. Employer (Use Employer address and telephone number).
- b. Use name, address and telephone number below:

Name: _____

Address: _____

Street

City State Zip

Telephone: _____

12. CONSTRUCTION OF PLAN

This plan shall be governed by the laws of the state or commonwealth where the Employer's (or, in the case of a corporate Trustee, such Trustee's) principal place of business is located unless another state or commonwealth is specified:

ELIGIBILITY REQUIREMENTS

13. ELIGIBLE EMPLOYEES (Plan Section 1.18) means all Employees (including Leased Employees) EXCEPT:

- a. N/A. No exclusions.
b. The following are excluded, except that if the b.3. is selected, such Employees will be included (select all that apply):
1. Union Employees (as defined in Plan Section 1.18)
2. Non-resident aliens (as defined in Plan Section 1.18)
3. Employees who became Employees as the result of a "Code Section 410(b)(6)(C) transaction" (as defined in Plan Section 1.18)

14. THE FOLLOWING AFFILIATED EMPLOYER (Plan Section 1.6) will adopt this Plan as a Participating Employer (if there is more than one, or if Affiliated Employers adopt this Plan after the date the Adoption Agreement is executed, attach a list to this Adoption Agreement of such Affiliated Employers including their names, addresses, taxpayer identification numbers and types of entities):

NOTE: Regardless of the election below, Employees of an Affiliated Employer are generally treated as Employees of the Employer. However, if the transition rule for certain acquisitions and dispositions applies (Code Section 410(b)(6)(C)), then Employees of the Affiliated Employer will not be considered Employees of the Employer until the expiration of the transition period unless the Affiliated Employer actually adopts the Plan prior to such date.

- a. N/A
b. Name of First Affiliated Employer:
Address:
Street
City State Zip
Telephone:
Taxpayer Identification Number:

AND, the Affiliated Employer is:

- c. Corporation (including Tax-exempt, Non-profit or Professional Service Corporation)
d. S Corporation
e. Limited Liability Company that is taxed as:
1. a partnership or sole proprietorship
2. a Corporation
3. an S Corporation
f. Sole Proprietorship
g. Partnership (including Limited Liability)
h. Other:

15. CONDITIONS OF ELIGIBILITY (Plan Section 3.1)

Any Eligible Employee will be eligible to participate in the Plan upon satisfaction of the following (select either a. OR b. and c., and if applicable, d.):

- a. No age or service required
b. Completion of the following service requirement which is based on Years of Service (or Periods of Service if the Elapsed Time Method is elected):
1. No service requirement
2. 1/2 Year of Service or Period of Service
3. 1 Year of Service or Period of Service
4. (not to exceed 1,000) Hours of Service within (not to exceed 12) months from the Eligible Employee's employment commencement date. If an Employee does not complete the stated Hours of Service during the specified time period, the Employee is subject to the Year of Service requirement in b.3. above
5. 1 1/2 Years of Service or Periods of Service
6. 2 Years of Service or Periods of Service
7. Other (may not exceed two (2) Years of Service or Periods of Service)

NOTE: If more than one (1) Year of Service is elected 100% immediate vesting is required.

NOTE: If the Year(s) of Service selected is or includes a fractional year, an Employee will not be required to complete any specified number of Hours of Service to receive credit for such fractional year. If expressed in months of service, an Employee will not be required to complete any specified number of Hours of Service in a particular month, unless elected in b.4.

- c. Attainment of age:
1. No Age Requirement.
2. 20 1/2
3. 21
4. Other (may not exceed 21)
d. The service and/or age requirements specified above shall be waived with respect to any Eligible Employee who was employed on

and such Eligible Employee shall enter the Plan as of such date.

The requirements to be waived are (select one or both):

- 1. service requirement (will let part-time Eligible Employees in Plan)
2. age requirement

16. EFFECTIVE DATE OF PARTICIPATION (Plan Section 3.2)

An Eligible Employee who has satisfied the eligibility requirements will become a Participant of the Plan as of:

- a. the first day of the month coinciding with or next following the date on which such requirements are satisfied.
b. the first day of the Plan Year quarter coinciding with or next following the date on which such requirements are satisfied.
c. the first day of the Plan Year in which such requirements are satisfied.
d. the first day of the Plan Year in which such requirements are satisfied, if such requirements are satisfied in the first 6 months of the Plan Year, or as of the first day of the next succeeding Plan Year if such requirements are satisfied in the last 6 months of the Plan Year.
e. the earlier of the first day of the seventh month or the first day of the Plan Year coinciding with or next following the date on which such requirements are satisfied
f. the first day of the Plan Year next following the date on which such requirements are satisfied. (Eligibility must be 1/2 (or 1 1/2 if 100% immediate Vesting is selected) Year of Service (or Period of Service) or less and age must be 20 1/2 or less.)
g. Other: provided that an Eligible Employee who has satisfied the maximum age (21) and service requirements (one (1) Year or Period of Service (or more than one (1) year if full and immediate vesting)) and who is otherwise entitled to participate, shall commence participation no later than the earlier of (a) 6 months after such requirements are satisfied, or (b) the first day of the first Plan Year after such requirements are satisfied, unless the Employee separates from service before such participation date.

SERVICE

17. RECOGNITION OF SERVICE WITH PREDECESSOR EMPLOYER (Plan Sections 1.57 and 1.85)

- a. No service with a predecessor Employer shall be recognized.
b. Service with will be recognized except as follows (select 1. or all that apply of 2. through 4.):
1. N/A, no limitations.
2. service will only be recognized for vesting purposes.
3. service will only be recognized for eligibility purposes.
4. service prior to will not be recognized.

NOTE: If the predecessor Employer maintained this qualified Plan, then Years of Service (and/or Periods of Service) with such predecessor Employer shall be recognized pursuant to Plan Sections 1.57 and 1.85 and b.1. will apply.

18. SERVICE CREDITING METHOD (Plan Sections 1.57 and 1.85)

NOTE: If no elections are made in this Section, then Hours of Service Method will be used and the provisions set forth in the definition of Year of Service in Plan Section 1.85 will apply.

ELAPSED TIME METHOD shall be used for the following purposes (select all that apply):

- a. N/A. Plan only uses the Hours of Service Method.
b. all purposes. (If selected, skip to Question 19.)
c. eligibility to participate.
d. vesting.
e. sharing in allocations or contributions.

HOURS OF SERVICE METHOD shall be used for the following purposes (select all that apply):

- f. N/A. Plan only uses Elapsed Time Method.
g. eligibility to participate in the Plan. The eligibility computation period after the initial eligibility computation period shall...
1. shift to the Plan Year after the initial computation period.
2. be based on the date an Employee first performs an Hour of Service (initial computation period) and subsequent computation periods shall be based on each anniversary date thereof.
h. vesting. The vesting computation period shall be...
1. the Plan Year.
2. the date an Employee first performs an Hour of Service and each anniversary thereof.
i. sharing in allocations or contributions (the computation period shall be the Plan Year).

AND, IF THE HOURS OF SERVICE METHOD IS BEING USED, the Hours of Service will be determined on the basis of the method selected below. Only one method may be selected. The method selected below will be applied to (select j. or k.):

- j. all Employees.
k. salaried Employees only (for hourly Employees, actual Hours of Service will be used).

ON THE BASIS OF:

- l. actual hours for which an Employee is paid or entitled to payment.
- m. days worked. An Employee will be credited with ten (10) Hours of Service if under the Plan such Employee would be credited with at least one (1) Hour of Service during the day.
- n. weeks worked. An Employee will be credited with forty-five (45) Hours of Service if under the Plan such Employee would be credited with at least one (1) Hour of Service during the week.
- o. semi-monthly payroll periods worked. An Employee will be credited with ninety-five (95) Hours of Service if under the Plan such Employee would be credited with at least one (1) Hour of Service during the semi-monthly payroll period.
- p. months worked. An Employee will be credited with one hundred ninety (190) Hours of Service if under the Plan such Employee would be credited with at least one (1) Hour of Service during the month.

AND, a Year of Service means the applicable computation period during which an Employee has completed at least:

- q. _____ (may not be more than 1,000) Hours of Service
(If left blank, the Plan will use 1,000 Hours of Service)

VESTING

19. VESTING OF PARTICIPANT'S INTEREST (Plan Section 6.4(b))

The vesting schedule, based on Participant's Years of Service (or Periods of Service if the Elapsed Time Method is elected), shall be as follows:

- a. 100% upon entering Plan. (Required if eligibility requirement is greater than one (1) Year of Service or Period of Service.)

- b. 3 Year Cliff:

0-2 years	0%
3 years	100%
- c. 5 Year Cliff:

0-4 years	0%
5 years	100%

- d. 6 Year Graded:

0-1 year	0%
2 years	20%
3 years	40%
4 years	60%
5 years	80%
6 years	100%
- e. 4 Year Graded:

1 year	25%
2 years	50%
3 years	75%
4 years	100%

- f. 5 Year Graded:

1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 years	100%
- g. 7 Year Graded:

0-2 years	0%
3 years	20%
4 years	40%
5 years	60%
6 years	80%
7 years	100%

- h. Other – Must be at least as liberal as either c. or g. above.

Service	Percentage
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

20. FOR AMENDED PLANS (Plan Section 6.4(f))

If the vesting schedule has been amended to a less favorable schedule, enter the pre-amended schedule below:

- a. Vesting schedule has not been amended, amended schedule is more favorable in all years or prior schedule was immediate 100% vesting.
- b. Pre-amended schedule:

Service	Percentage
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

21. TOP HEAVY VESTING (Plan Section 6.4(c))

If this Plan becomes a Top Heavy Plan, the following vesting schedule, based on number of Years of Service (or Periods of Service if the Elapsed Time Method is elected), shall apply and shall be treated as a Plan amendment pursuant to this Plan. Once effective, this schedule shall also apply to any contributions made before the Plan became a Top Heavy Plan and shall continue to apply if the Plan

ceases to be a Top Heavy Plan unless an amendment is made to change the vesting schedule.

- a. N/A (the regular vesting schedule already satisfies one of the minimum top heavy schedules).

- b. 6 Year Graded:

0-1 year	0%
2 years	20%
3 years	40%
4 years	60%
5 years	80%
6 years	100%
- c. 3 Year Cliff:

0-2 years	0%
3 years	100%

- h. Other – Must be at least as liberal as either b. or c. above.

Service	Percentage
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

NOTE: This section does not apply to the account balances of any Participant who does not have an Hour of Service after the Plan has initially become top heavy. Such Participant's Account balance attributable to Employer contributions and Forfeitures will be determined without regard to this section.

22. EXCLUDED VESTING SERVICE

- a. No exclusions.
- b. Service prior to the Effective Date of the Plan or a predecessor plan.
- c. Service prior to the time an Employee has attained age 18.

23. VESTING FOR DEATH AND TOTAL PERMANENT DISABILITY

Regardless of the vesting schedule, Participants shall become fully Vested upon (select a. or all that apply of b. and c.)

- a. N/A. Apply vesting schedule, or all contributions to the Plan are fully Vested.
- b. Death.
- c. Total and Permanent Disability.

24. NORMAL RETIREMENT AGE ("NRA") (Plan Section 1.45) means the:

- a. date of a Participant's _____ birthday (not to exceed 65th).
- b. later of a Participant's _____ birthday (not to exceed 65th) or the _____ (not to exceed 5th) anniversary of the first day of the Plan Year in which participation in the Plan commenced.

25. NORMAL RETIREMENT DATE (Plan Section 1.46) means the:

- a. Participant's "NRA"
- OR (select one)
- b. first day of the month coinciding with or next following the Participant's "NRA"
 - c. first day of the month nearest the Participant's "NRA."
 - d. Anniversary Date coinciding with or next following the Participant's "NRA."
 - e. Anniversary Date nearest the Participant's "NRA."

26. EARLY RETIREMENT DATE (Plan Section 1.15) means the:

- a. No Early Retirement provision provided.
- b. date on which a Participant...
- c. first day of the month coinciding with or next following the date on which a Participant...
- d. Anniversary Date coinciding with or next following the date on which a Participant...

AND, if b., c. or d. is selected...

- 1. attains age _____.
- 2. attains age _____ and completes at least _____ Years of Service (or Periods of Service) for vesting purposes.

AND, if b., c. or d. is selected, shall a Participant become fully Vested upon attainment of the Early Retirement Date?

- e. Yes
- f. No

COMPENSATION

27. COMPENSATION (Plan Section 1.11) with respect to any Participant means:

- a. Wages, tips and other Compensation on Form W-2.
- b. Section 3401(a) wages (wages for withholding purposes).
- c. 415 safe-harbor compensation.

COMPENSATION shall be based on the following determination period:

- d. the Plan Year
- e. the Fiscal Year coinciding with or ending within the Plan Year.
- f. the calendar year coinciding with or ending within the Plan Year.

NOTE: The Limitation Year for Code Section 415 purposes shall be the same as the determination period for Compensation unless an alternative period is specified: _____ (must be a consecutive twelve month period).

ADJUSTMENTS TO COMPENSATION

- g. N/A. No adjustments.
- h. Compensation shall be adjusted by: (select all that apply)
- 1. including compensation which is not currently includible in the Participant's gross income by reason of the application Code Sections 125 (cafeteria plan), 132(f)(4)(qualified transportation fringe), 402(e)(3)(401(k)plan), 402(h)(1)(B)(simplified employee pension plan), 414(h)(employer pickup contributions under a governmental plan), 403(b)(tax sheltered annuity) or 457(b)(eligible deferred compensation plan)
 - 2. excluding reimbursements or other expense allowances, fringe benefits (cash or non-cash), moving expenses, deferred compensation (other than deferrals specified in 1. above) and welfare benefits
 - 3. excluding Compensation paid during the determination period while not a Participant in the component of the Plan for which the definition is being used.

CONTRIBUTIONS AND ALLOCATIONS

28. FORMULA FOR DETERMINING EMPLOYER'S PROFIT SHARING CONTRIBUTION (Plan Section 4.1)

- a. Discretionary, to be determined by the Employer, not limited to current or accumulated Net Profits.
- b. Discretionary, to be determined by the Employer, out of current or accumulated Net Profits.

CONTRIBUTION ALLOCATIONS (Plan Section 4.3)

The Employer's discretionary profit sharing contribution for a Plan Year will be allocated as follows:

- c. **NON-INTEGRATED ALLOCATION:**
- 1. In the same ratio as each Participant's Compensation bears to the total of such Compensation of all Participants.
 - 2. In the same dollar amount to all Participants (per capita).
 - 3. In the same dollar amount per Hour of Service completed by each Participant.
- d. **INTEGRATED ALLOCATION:**

In accordance with Plan Section 4.3(b)(2) based on a Participant's Compensation in excess of:

- 1. The Taxable Wage Base.
- 2. _____% (not to exceed 100%) of the Taxable Wage Base. (See Note below)
- 3. 80% of the Taxable Wage Base plus \$1.00.
- 4. \$_____ (not greater than the Taxable Wage Base). (See Note below)

NOTE: The integration percentage of 5.7% shall be reduced to:

- 1. 4.3% if 2. or 4. above is more than 20% and less than or equal to 80% of the Taxable Wage Base.
- 2. 5.4% if 3. is elected or if 2. or 4. above is more than 80% of the Taxable Wage Base.

29. REQUIREMENTS TO SHARE IN ALLOCATIONS OF EMPLOYER DISCRETIONARY CONTRIBUTION AND FORFEITURES REQUIREMENTS FOR PARTICIPANTS WHO ARE ACTIVELY EMPLOYED AT THE END OF THE PLAN YEAR: Participants who are actively employed at the end of the Plan Year will share in allocations regardless of the service completed during such Plan Year.

REQUIREMENTS FOR PARTICIPANTS WHO ARE NOT ACTIVELY EMPLOYED AT THE END OF THE PLAN YEAR (except as otherwise provided in c. through e. below).

- a. A Participant must complete more than _____ Hours of Service (not more than 500) (or _____ months of service (not more than three (3) if the Elapsed Time Method is elected).
- b. Participants will share in such allocations, regardless of service.

PARTICIPANTS WHO ARE NOT ACTIVELY EMPLOYED AT THE END OF THE PLAN YEAR due to the following will be eligible to share in the allocations regardless of the above conditions (select all that apply):

- c. Death
- d. Total and Permanent Disability.
- e. Early or Normal Retirement.

30. FORFEITURES (Plan Sections 1.27 and 4.3(e))

Except as provided in Plan Section 1.27, Forfeiture will occur (if no election is made, a. will apply):

- a. as of the earlier of (1) the last day of the Plan Year in which the Former Participant incurs five (5) consecutive 1-Year Breaks in Service, or (2) the distribution of the entire Vested portion of the Participant's Account.
- b. as of the last day of the Plan Year in which the Former Participant incurs five (5) consecutive 1-Year Breaks in Service.

Will Forfeitures first be used to pay any administrative expenses?

- c. Yes.
- d. No.

AND, Forfeitures will be.....

- e. added to any Employer discretionary contribution.
- f. allocated to all Participants eligible to share in the allocations in the same proportion that each Participant's Compensation for the Plan Year bears to the Compensation of all Participants for such year.
- g. used to reduce Employer contributions.

31. ALLOCATIONS OF EARNINGS (Plan Section 4.3(c))

Allocations of earnings with respect to amounts, which are not subject to Participant, directed investments and which are contributed to the Plan after the previous Valuation Date will be determined...

- a. N/A. All assets in the Plan are subject to Participant investment direction.
- b. by using a weighted average based on the amount of time that has passed between the date a contribution or distribution was made and the date of the prior Valuation Date.
- c. by treating one-half of all such contributions as being a part of the Participant's non-segregated account balance as of the previous Valuation Date.
- d. by using the method specified in Plan Section 4.3(c)(balance forward method).
- e. other:

(must be a definite predetermined formula that is not based on Compensation and that satisfies the nondiscrimination requirements of Regulation 1.401(a)(4)-4 and is applied uniformly to all Participants).

32. LIMITATIONS ON ALLOCATIONS (Plan Section 4.4)

If any Participant is covered under another qualified defined contribution plan maintained by the Employer, other than a Master or Prototype Plan, or if the Employer maintains a welfare benefit fund, as defined in Code Section 419(e), or an individual medical account, as defined in Code Section 415(1)(2), under which amounts are treated as Annual Additions with respect to any Participant in this Plan:

- a. N/A. The Employer does not maintain another qualified defined contribution plan other than a paired plan.
- b. The provisions of Plan Section 4.4(b) will apply as if the other plan were a Master or Prototype Plan.
- c. Specify the method under which the plans will limit total Annual Additions to the Maximum Permissible Amount, and will properly reduce any Excess Amounts, in a manner that precludes Employer discretion:

NOTE: If b. or c. is selected, an Employer may not rely on the opinion letter issued by the Internal Revenue Service that this Plan is qualified under Code Section 401.

DISTRIBUTIONS

33. FORM OF DISTRIBUTIONS (Plan Sections 6.5, 6.6, and 6.12)

Distributions under the Plan may be made in (select all that apply)...

- a. Lump sums
- b. substantially equal installments.
- c. partial withdrawals provided the minimum withdrawal is \$_____.

AND, pursuant to Plan Section 6.12,

- d. no annuities are allowed (plan Section 6.12(b) will apply and the joint and survivor rules of Code Sections 401(a)(11) and 417 will not apply to the Plan).

AND, if this is an amendment that is eliminating annuities, then an annuity form of payment is not available with respect to distributions that have an Annuity Starting Date beginning on or after:

1. N/A.
2. _____ (may not be a retroactive date), except that regardless of the date entered, the amendment will not be effective prior to the time set forth in Plan Section 8.1(e).

- e. annuities are allowed as the normal form of distribution (Plan Section 6.12 will not apply and the joint and survivor rules of Code Sections 401(a)(11) and 417 will automatically apply). If elected, the Pre-Retirement Survivor Annuity (minimum Spouse's death benefit) will be equal to:

1. 100% of Participant's interest in the Plan.
2. 50% of Participant's interest in the Plan.
3. _____% (may not be less than 50%) of a Participant's interest in the Plan.
- AND,** the normal form of the Qualified Joint and Survivor Annuity will be a joint and 50% survivor annuity unless otherwise elected below:
4. N/A.
5. Joint and 100% survivor annuity.
6. Joint and 75% survivor annuity
7. Joint and 66 2/3% survivor annuity.

NOTE: If only a portion of the Plan assets may be distributed in an annuity form of payment, then select d. AND e. and the assets subject to the joint and survivor annuity provisions will be those assets attributable to (specify): _____ (e.g., the money purchase plan that was merged into this Plan).

AND, distributions may be made in...

- f. cash only (except for insurance or annuity contracts).
- g. cash or property.

34. CONDITIONS FOR DISTRIBUTIONS UPON TERMINATION OF EMPLOYMENT

Distributions upon termination of employment pursuant to Plan Section 6.4(a) of the Plan will not be made unless the following conditions have been satisfied:

- a. No distributions may be made until a Participant has reached Early or Normal Retirement Date.
- b. Distributions may be made as soon as administratively feasible at the Participant's election.
- c. The Participant has incurred _____ 1-Year Break(s) in Service (or Period(s) of Severance if the Elapsed Time Method is elected).
- d. Distributions may be made at the Participant's election as soon as administratively feasible after the Plan Year coincident with or next following termination of employment.
- e. Distributions may be made at the Participant's election as soon as administratively feasible after the Plan Year quarter coincident with or next following termination of employment.
- f. Distributions may be made at the Participant's election as soon as administratively feasible after the Valuation Date coincident with or next following termination of employment.
- g. Distributions may be made at the Participant's election as soon as administratively feasible _____ months following termination of employment.
- h. Other: _____
(must be objective conditions which are ascertainable and are not subject to Employer discretion except as otherwise permitted in Regulation 1.411(d)-4 and may not exceed the limits of Code Section 401(a)(14) as set forth in Plan Section 6.7).

35. INVOLUNTARY DISTRIBUTIONS

Will involuntary distributions of amounts less than \$5,000 be made in accordance with the provisions of Sections 6.4, 6.5 and 6.6?

- a. Yes
- b. No

36. MINIMUM DISTRIBUTION TRANSITIONAL RULES (Plan Section 6.5(e))

NOTE: This Section does not apply to (1) a new Plan or (2) an amendment or restatement of an existing Plan that never contained the provisions of Code Section 401(a)(9) as in effect prior to the amendments made by the Small Business Job Protection Act of 1996 (SBJPA).

The "required beginning date" for a Participant who is not a "five percent (5%) owner" is:

- a. N/A. (This is a new Plan or this Plan has never included the pre-SBJPA provisions.)
- b. April 1st of the calendar year following the year in which the Participant attains age 70 ½. (The pre-SBJPA rules will continue to apply.)
- c. April 1st of the calendar year following the later of the year in which the Participant attains age 70 ½ or retires (the post-SBJPA rules), with the following exceptions (select one or both and if no election is made, both will apply effective as of January 1, 1996):
 - 1. A Participant who was already receiving required minimum distributions under the pre-SBJPA rules as of _____ (not earlier than January 1, 1996) may elect to stop receiving distributions and have them recommence in accordance with the post-SBJPA rules. Upon the recommencement of distributions, if the Plan permits annuities as a form of distribution then the following will apply:
 - a. N/A. Annuity distributions are not permitted.
 - b. Upon the recommencement of distributions, the original Annuity Starting Date will be retained.
 - c. Upon the recommencement of distributions, a new Annuity Starting Date is created.
 - 2. A Participant who had not begun receiving required minimum distributions as of _____ (not earlier than January 1, 1996) may elect to defer commencement of distributions until retirement. The option to defer the commencement of distributions (i.e., to elect to receive in-service distributions upon attainment of age 70 ½) will apply to all such Participants unless the option below is elected:
 - a. N/A.
 - b. The in-service distribution option is eliminated with respect to Participants who attain age 70 ½ in or after the calendar year that begins after the later of (1) December 31, 1998, or (2) the adoption date of the amendment and restatement to bring the Plan into compliance with SBJPA. (This option may only be elected if the amendment to eliminate the in-service distribution is adopted no later than the last day of the remedial amendment period that applies to the Plan for changes under SBJPA.)

37. DISTRIBUTIONS UPON DEATH (Plan Section 6.6(h))

Distributions upon the death of a Participant prior to receiving any benefits shall...

- a. be made pursuant to the election of the Participant or beneficiary.
- b. begin within 1 year of death for a designated beneficiary and be payable over the life (or over a period not exceeding the life expectancy) of such beneficiary, except that if the beneficiary is the Participant's spouse, begin prior to December 31st of the year in which the Participant would have attained age 70 ½.
- c. be made within 5 (or if lesser _____) years of death for all beneficiaries.
- d. be made within 5 (or if lesser _____) years of death for all beneficiaries, except that if the beneficiary is the Participant's spouse, begin prior to December 31st of the year in which the Participant would have attained age

70 ½ and be payable over the life (or over a period not exceeding the life expectancy) of such surviving spouse.

38. IN-SERVICE DISTRIBUTIONS (Plan Section 6.10)

- a. In-service distributions may not be made (except as otherwise elected for Hardship Distributions).
- b. In-service distributions may be made to a Participant who has not separated from service provided any of the following conditions have been satisfied (select all that apply):
 - 1. the Participant has attained age _____.
 - 2. the Participant has reached Normal Retirement Age.
 - 3. the Participant has been a Participant in the Plan for at least _____ years (may not be less than five (5)).
 - 4. the amounts being distributed have accumulated in the Plan for at least two (2) years.
- c. All accounts.
- d. Participant's Rollover Account.
- e. Participant's Transfer Account.
- f. Participant's Voluntary Contribution Account.
- g. Participant's Account.

AND, are distributions restricted to those accounts selected above in which a Participant is fully vested?

- h. Yes, distributions may only be made from accounts which are fully Vested.
- i. No. (If elected, the fraction at Plan Section 6.5(i) will apply in determining vesting of the portion of the account balance not withdrawn.)

AND, the minimum distribution shall be...

- j. N/A. There is no minimum.
- k. \$ _____ (may not exceed \$1,000).

39. HARDSHIP DISTRIBUTIONS (Plan Sections 6.11 and/or 12.9)

- a. No hardship distributions are permitted.
- b. Hardship distributions are permitted from the following accounts (select all that apply):
 - 1. All accounts.
 - 2. Participant's Rollover Account.
 - 3. Participant's Transfer Account.
 - 4. Participant's Voluntary Contribution Account.
 - 5. Participant's Account.

AND, shall hardships be restricted to the safe harbor expenses set forth in Plan Section 12.9?

- c. Yes.
- d. No.

AND, are distributions restricted to those accounts selected above in which a Participant is fully Vested?

- e. Yes, distributions may only be made from accounts which are fully Vested.
- f. No. (If elected, the fraction at Plan Section 6.5(i) shall apply in determining vesting of the portion of the account balance not withdrawn.)

AND, the minimum hardship distribution shall be...

- g. N/A. There is no minimum.
- h. \$ _____ (may not exceed \$1,000).

TOP HEAVY REQUIREMENTS

40. TOP HEAVY DUPLICATIONS (Plan Section 4.3(i)): When a Non-Key Employee is a Participant in this Plan and a Defined Benefit Plan maintained by the Employer, indicate which method shall be utilized to avoid duplication of top heavy minimum benefits (If b., c., d. or e. is elected, f. must be completed)

- a. N/A. The Employer does not maintain a Defined Benefit Plan other than a paired plan (Go to next Question.)
- b. The full top heavy minimum will be provided in each plan (if selected, Plan Section 4.3(i) shall not apply).
- c. 5% defined contribution minimum.
- d. 2% defined benefit minimum.
- e. Specify the method under which the Plans will provide top heavy minimum benefits for Non-Key Employees that will preclude Employer discretion and avoid inadvertent omissions: _____

NOTE: If c. or d. is selected and both plans do not cover the same Employees, or if e. is selected, then an Employer may not rely on the opinion letter issued by the Internal Revenue Service that this Plan is qualified under Code Section 401.

AND, the "Present Value of Accrued Benefit" (Plan Section 9.2) for Top Heavy purposes shall be based on...

- f. Interest Rate: _____
Mortality Table: _____

41. TOP HEAVY DUPLICATIONS (Plan Section 4.3(i)): When a Non-Key Employee is a Participant in this Plan and another defined contribution plan maintained by the Employer, indicate which method shall be utilized to avoid duplication of top heavy minimum benefits:

- a. N/A. The Employer does not maintain another qualified defined contribution plan other than a paired plan.

- b. The full top heavy minimum will be provided in each plan.
- c. A minimum, non-integrated contribution of 3% of each Non-Key Employee's 415 Compensation shall be provided in the Money Purchase Plan (or other plan subject to Code Section 412), where the Employer maintains two (2) or more non-paired Defined Contribution Plans.
- d. Specify the method under which the Plans will provide top heavy minimum benefits for Non-Key Employees that will preclude Employer discretion and avoid inadvertent omissions, including any adjustments required under Code Section 415:

NOTE: If c. is selected and both plans do not cover the same Employees, or if d. is selected, then an Employer may not rely on the opinion letter issued by the Internal Revenue Service that this Plan is qualified under Code Section 401.

MISCELLANEOUS

42. LOANS TO PARTICIPANTS (Plan Section 7.6)

- a. Loans are not permitted.
- b. Loans are permitted.

IF loans are permitted (select all that apply)...

- c. loans will be treated as a Participant directed investment.
- d. loans will only be made for hardship or financial necessity.
- e. the minimum loan will be \$ _____ (may not exceed \$1,000).
- f. a Participant may only have _____ (e.g., one (1)) loan(s) outstanding at any time.
- g. all outstanding loan balances will become due and payable in their entirety upon the occurrence of a distributable event (other than satisfaction of the conditions for an in-service distribution).
- h. loans will only be permitted from the following accounts (select all that apply):
 - 1. All accounts.
 - 2. Participant's Rollover Account.
 - 3. Participant's Transfer Account.
 - 4. Participant's Voluntary Contribution Account.
 - 5. Participant's Account.

NOTE: Department of Labor Regulations require the adoption of a separate written loan program setting forth the requirements outlined in Plan Section 7.6.

43. DIRECTED INVESTMENT ACCOUNTS (Plan Section 4.10)

- a. Participant directed investments are not permitted.
- b. Participant directed investments are permitted for the following accounts (select all that apply):
 - 1. All accounts.
 - 2. Participant's Rollover Account.
 - 3. Participant's Transfer Account.
 - 4. Participant's Voluntary Contribution Account.
 - 5. Participant's Account.
 - 6. Other: _____

AND, is it intended that the Plan comply with Act Section 404(c) with respect to the accounts subject to Participant investment direction?

- c. No.
- d. Yes.

AND, will voting rights on directed investments be passed through to Participants?

- e. No. Employer stock is not an alternative OR Plan is not intended to comply with Act Section 404(c).
- f. Yes, for Employer stock only.
- g. Yes, for all investments.

44. ROLLOVERS (Plan Section 4.6)

- a. Rollovers will not be accepted by this Plan.
- b. Rollovers will be accepted by this Plan.

AND, if b. is elected, rollovers may be accepted...

- c. from any Eligible Employee, even if not a Participant.
- d. from Participants only.

AND, distributions from a Participant's Rollover Account may be made...

- e. at any time.
- f. only when the Participant is otherwise entitled to a distribution under the Plan.

45. LIFE INSURANCE (Plan Section 7.5)

- a. Life insurance may not be purchased.
- b. Life insurance may be purchased at the option of the Administrator.
- c. Life insurance may be purchased at the option of the Participant.

AND, if b. or c. is elected, the purchase of initial or additional life insurance will be subject to the following limitations (select all that apply):

- d. N/A, no limitations.
- e. each initial Contract will have a minimum face amount of \$ _____.

- f. each additional Contract will have a minimum face amount of \$ _____.
- g. the Participant has completed _____ Years of Service (or Periods of Service).
- h. the Participant has completed _____ Years of Service (or Periods of Service) while a Participant in the Plan.
- i. the Participant is under age _____ on the Contract issue date.
- j. the maximum amount of all Contracts on behalf of a Participant may not exceed \$ _____.
- k. the maximum face amount of any life insurance Contract will be \$ _____.

GUST TRANSITION RULES

The following questions only apply if this is a GUST restatement (i.e., Question 6.c. is selected). If this is not a GUST restatement, then this Plan will not be considered an individually designed plan merely because the following questions are deleted from the Adoption Agreement.

46. COMPENSATION

The Family aggregation rules of Code Section 401(a)(17) as in effect under Code Section 414(q)(6) prior to the enactment of SBJPA do not apply to this Plan effective as of:

- a. The first day of the first Plan Year beginning after 1996.
- b. _____ (may not be prior to the first day of the first Plan Year beginning in 1997 and may not be later than the first day of the Plan Year following the Plan Year in which this GUST restatement is adopted).

NOTE: If family aggregation continued to apply after 1996, the Plan is not a safe harbor plan for Code Section 401(a)(4) purposes and the Employer may not rely on the opinion letter issued by the Internal Revenue Service that this Plan is qualified under Code Section 401.

47. LIMITATION ON ALLOCATIONS AND TOP HEAVY RULES

If any Participant is a Participant in this Plan and a qualified defined plan maintained by the Employer, then the limitations of Code Section 415(e) as in effect under Code Section 414(q)(6) prior to the enactment of SBJPA do not apply to this Plan effective with respect to Limitation Years beginning on or after:

- a. N/A. The Employer does not maintain, and has never maintained, a qualified defined benefit plan OR the provisions of Code Section 415(e) have already been removed from this Plan.
- b. _____ (may not be prior to the first Limitation Year beginning in 2000 and may not be later than the first Limitation Year beginning after the Limitation Year in which this GUST restatement is adopted).

NOTE: If the Code Section 414(e) limits continued to apply to Limitation Years beginning after 1999, the Plan is not a safe harbor plan for Code Section 401(a)(4) purposes and the Employer may not rely on the opinion letter issued by the Internal Revenue Service that this Plan is qualified under Code Section 401.

AND, if b. is selected with a date that is later than the effective date of this GUST restatement, then with respect to the Limitation Year in which this restatement is adopted, if any Participant is a Participant in this Plan and a qualified defined benefit plan maintained by the Employer, specify the method under which the plans involved will provide top heavy minimum benefits for Non-Key Employees and will satisfy the limitations of Code Section 415(e) in a manner that precludes Employer discretion:

- c. N/A. The effective date of the GUST restatement is the date the provisions of Code Section 415(e) no longer apply to this plan.
- d. _____

NOTE: If the top heavy minimum benefit is only provided in one plan and the Defined Benefit Plan and this Plan do not benefit the same Participants, the uniformity requirement of the Section 401(a)(4) Regulations may be violated.

48. INVOLUNTARY DISTRIBUTIONS

If the Plan provides for involuntary distributions (i.e., 35.a. is elected) then the increase in the involuntary amount threshold from \$3,500 to \$5,000 became effective with respect to distributions made on or after:

- a. N/A. The plan doesn't provide for any involuntary distributions less than \$5,000.
- b. August 6, 1997, or if later _____ (leave blank if not applicable).

49. MINIMUM DISTRIBUTIONS

The proposed Code Section 401(a)(9) Regulations issued in January 2001 apply with respect to distributions under the Plan made on or after January 1, 2001, unless a later date is specified below:

- a. N/A
- b. _____ (may be any date in 2001 or the first day of any calendar year after 2001).

AND, if b. is selected, for years prior to the date specified above, life expectancies for minimum distributions required pursuant to Code Section 401(a)(9) shall...

- c. be recalculated at the Participant's election.
- d. be recalculated.
- e. not be recalculated.

The adopting Employer may rely on an opinion letter issued by the Internal Revenue Service as evidence that the plan is qualified under Code Section 401 except to the extent provided in Rev. Proc. 2000-20, 2000-6 I.R.B. 553 and Announcement 2001-77, 2001-30 I.R.B.

An Employer who has ever maintained or who later adopts any plan (including a welfare benefit fund, as defined in Code Section 419(e), which provides post-retirement medical benefits allocated to separate accounts for key employees, as defined in Code Section 419A(d)(3), or an individual medical account, as defined in Code Section 415(1)(2)) in addition to this Plan may not rely on the opinion letter issued by the National Office of the Internal Revenue Service with respect to the requirements of Code Sections 415 and 416.

If the Employer who adopts or maintains multiple plans wishes to obtain reliance with respect to the requirements of Code Sections 415 and 416, application for a determination letter must be made to Employee Plans Determinations of the Internal Revenue Service.

The Employer may not rely on the opinion letter in certain other circumstances, which are specified in the opinion letter issued with respect to the plan or in Revenue Procedure 2000-20 and Announcement 2001-77.

This Adoption Agreement may be used only in conjunction with basic Plan document #01. This Adoption Agreement and the basic Plan document shall together be known as Southwest Securities Inc. Prototype Standardized Profit Sharing Plan and Trust #01-002.

The adoption of this Plan, its qualification by the IRS, and the related tax consequences are the responsibility of the Employer and its independent tax and legal advisors.

Southwest Securities Inc. will notify the Employer of any amendments made to the Plan or of the discontinuance or abandonment of the Plan. Furthermore, in order to be eligible to receive such notification, we agree to notify Southwest Securities Inc. of any change in address.

This Plan may not be used, and shall not be deemed to be a Prototype Plan, unless an authorized representative of Southwest Securities Inc. has acknowledged the use of the Plan. Such acknowledgement is for administrative purposes only. It acknowledges that the Employer is using the Plan but does not represent that this Plan, including the choices selected on the Adoption Agreement, has been reviewed by a representative of the sponsor or constitutes a qualified retirement plan.

Southwest Securities Inc.

By: _____

With regard to any questions regarding the provisions of the Plan, adoption of the Plan, or the effect of an opinion letter from the IRS, call or write (this information must be completed by the sponsor of this Plan or its designated representative):

Name: _____

Address: _____

Telephone: () _____

The Employer and Trustee hereby cause this Plan to be executed on _____ . Furthermore, this Plan may not be used unless acknowledged by Southwest Securities Inc. or its authorized representative.

EMPLOYER:

By: _____

The signature of the Trustee appears on a separate trust agreement attached to the Plan,

OR

X _____
TRUSTEE

X _____
TRUSTEE

X _____
TRUSTEE

PARTICIPATING EMPLOYER:

By: _____

PARTICIPATING EMPLOYER (attach additional signature pages as necessary):

By: _____

FOR BROKER USE ONLY

Account #: _____ Office #: _____ Rep #: _____

EGTRRA AMENDMENTS

Enclosed are two alternative Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") amendments. Both amendments are based on the "sample language" from IRS Notice 2001-57. As a sponsor, you have the option to decide which amendment will be used in conjunction with your prototype.

The amendments can be identified by the header on the actual amendment: "EGTRRA – Employer" or "EGTRRA – Sponsor." The difference between the two amendments affects the action, if any, that each adopting employer must take. If the "EGTRRA- Employer" amendment is used, then each employer must adopt the amendment. If the "EGTRRA – Sponsor" amendment is used, then the amendment is adopted by your firm, as the prototype sponsor, and an employer only needs to adopt the amendment if certain elections are made. Thus, it is possible that in some cases no action will need to be taken by the employer if the "EGTRRA – Sponsor" amendment is used. A more detailed description of the amendments is below.

Note that the timing of the EGTRRA amendment could be an issue due to the anti-cutback rules of IRC Section 411(d)(6). For more information on this, see IRS Notice 2001-42 on our web site:
<http://www.corbel.com/news/pensionupdatesdetail.asp?ID=141>

EGTRRA – Employer Amendment

Each employer **must** adopt this amendment. Note that this amendment automatically includes the following provisions (i.e., there is no election for the employer as to whether these should not apply):

1. The compensation limit is increased to \$200,000.
2. If an employer's plan permits rollovers to be accepted, then the employer has the ability to determine, in a uniform and nondiscriminatory manner, the sources of rollovers (e.g., from regular IRAs) that will be accepted by the plan.
3. The "same desk" rule is repealed in 2002, regardless of when the separation from service actually occurred.

EGTRRA – Sponsor Amendment

In order to facilitate the process of updating plans for EGTRRA, the EGTRRA – sponsor amendment is structured to be adopted AT THE SPONSOR LEVEL. Rev. Proc. 2000-20 (and the predecessors for TRA '86 prototypes, Rev. Proc. 89-9 and 89-13) allows a prototype sponsor to adopt amendments on behalf of adopting employers. In many, but not all, cases adopting employers will not need to execute this amendment. A drawback to this approach is there is less flexibility for adopting employers because certain elections are made at the sponsor level. If this amendment is used, then the sponsor must adopt the amendment and provide it to employers using the prototype. If the amendment is being used for both a TRA '86 prototype and a GUST prototype, it should be adopted separately for each respective prototype.

The following "defaults" are automatically structured in the amendment:

1. Unless the employer elects otherwise, the vesting schedule for matching contributions will be one of the following, and that schedule will apply to **all** matching contributions (even those made prior to 2002):
 - (a) a 6 year graded schedule (if the plan currently has a graded schedule that does not satisfy EGTRRA); or
 - (b) a 3 year cliff schedule (if the plan currently has a cliff schedule that does not satisfy EGTRRA).
2. Unless the employer elects otherwise, rollovers are automatically excluded in determining whether the \$5,000 threshold has been exceeded for automatic cash-outs (if the plan provides for automatic cash-outs). This is applied to all participants regardless of when the distributable event occurred.
3. Unless the employer elects otherwise, the suspension period after a hardship distribution is made will be 6 months and this will only apply to hardship distributions made after 2001.
4. Unless the employer elects otherwise, catch-up contributions will be allowed.
5. The compensation limit is increased to \$200,000. For target benefit plans, this will be applied retroactively (i.e., to years prior to 2002) unless the employer elects otherwise and executes the amendment.
6. If an employer's plan permits rollovers to be accepted, then the employer has the ability to determine, in a uniform and nondiscriminatory manner, the sources of rollovers that will be accepted by the plan.
7. The "same desk" rule is repealed in 2002, regardless of when the separation from service actually occurred.

**EGTRRA
AMENDMENT TO THE
SOUTHWEST SECURITIES INC.
DEFINED CONTRIBUTION PROTOTYPE PLAN AND TRUST**

**ARTICLE I
PREAMBLE**

- 1.1 Adoption and effective date of amendment. This amendment of the plan is adopted to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). This amendment is intended as good faith compliance with the requirements of EGTRRA and is to be construed in accordance with EGTRRA and guidance issued thereunder. Except as otherwise provided, this amendment shall be effective as of the first day of the first plan year beginning after December 31, 2001.
- 1.2 Supersession of inconsistent provisions. This amendment shall supersede the provisions of the plan to the extent those provisions are inconsistent with the provisions of this amendment.

**ARTICLE II
ADOPTION AGREEMENT ELECTIONS**

The questions in this Article II only need to be completed in order to override the default provisions set forth below. If all of the default provisions will apply, then these questions should be skipped.

Unless the employer elects otherwise in this Article II, the following defaults apply:

- 1) The vesting schedule for matching contributions will be a 6 year graded schedule (if the plan currently has a graded schedule that does not satisfy EGTRRA) or a 3 year cliff schedule (if the plan currently has a cliff schedule that does not satisfy EGTRRA), and such schedule will apply to all matching contributions (even those made prior to 2002).
- 2) Rollovers are automatically excluded in determining whether the \$5,000 threshold has been exceeded for automatic cash-outs (if the plan is not subject to the qualified joint and survivor annuity rules and provides for automatic cash-outs). This is applied to all participants regardless of when the distributable event occurred.
- 3) The suspension period after a hardship distribution is made will be 6 months and this will only apply to hardship distributions made after 2001.
- 4) Catch-up contributions will be allowed.
- 5) For target benefit plans, the increased compensation limit of \$200,000 will be applied retroactively (i.e., to years prior to 2002).

2.1 **Vesting Schedule for Matching Contributions**

If there are matching contributions subject to a vesting schedule that does not satisfy EGTRRA, then unless otherwise elected below, for participants who complete an hour of service in a plan year beginning after December 31, 2001, the following vesting schedule will apply to all matching contributions subject to a vesting schedule:

If the plan has a graded vesting schedule (i.e., the vesting schedule includes a vested percentage that is more than 0% and less than 100%) the following will apply:

Years of vesting service	Nonforfeitable percentage
2	20%
3	40%
4	60%
5	80%
6	100%

If the plan does not have a graded vesting schedule, then matching contributions will be nonforfeitable upon the completion of 3 years of vesting service.

EGTRRA - Employer

In lieu of the above vesting schedule, the employer elects the following schedule:

- a. 3 year cliff (a participant's accrued benefit derived from employer matching contributions shall be nonforfeitable upon the participant's completion of three years of vesting service).
- b. 6 year graded schedule (20% after 2 years of vesting service and an additional 20% for each year thereafter).
- c. Other (must be at least as liberal as a. or the b. above):

Years of vesting service	Nonforfeitable percentage
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

The vesting schedule set forth herein shall only apply to participants who complete an hour of service in a plan year beginning after December 31, 2001, and, unless the option below is elected, shall apply to **all** matching contributions subject to a vesting schedule.

- d. The vesting schedule will only apply to matching contributions made in plan years beginning after December 31, 2001 (the prior schedule will apply to matching contributions made in prior plan years).

2.2 **Exclusion of Rollovers in Application of Involuntary Cash-out Provisions (for profit sharing and 401(k) plans only).** If the plan is not subject to the qualified joint and survivor annuity rules and includes involuntary cash-out provisions, then unless one of the options below is elected, effective for distributions made after December 31, 2001, rollover contributions will be excluded in determining the value of the participant's nonforfeitable account balance for purposes of the plan's involuntary cash-out rules.

- a. Rollover contributions will not be excluded.
- b. Rollover contributions will be excluded only with respect to distributions made after _____ (Enter a date no earlier than December 31, 2001).
- c. Rollover contributions will only be excluded with respect to participants who separated from service after _____. (Enter a date. The date may be earlier than December 31, 2001.)

2.3 **Suspension period of hardship distributions.** If the plan provides for hardship distributions upon satisfaction of the safe harbor (deemed) standards as set forth in Treas. Reg. Section 1.401(k)-1(d)(2)(iv), then, unless the option below is elected, the suspension period following a hardship distribution shall only apply to hardship distributions made after December 31, 2001.

- With regard to hardship distributions made during 2001, a participant shall be prohibited from making elective deferrals and employee contributions under this and all other plans until the later of January 1, 2002, or 6 months after receipt of the distribution.

2.4 **Catch-up contributions (for 401(k) profit sharing plans only):** The plan permits catch-up contributions (Article VI) unless the option below is elected.

- The plan does not permit catch-up contributions to be made.

2.5 **For target benefit plans only:** The increased compensation limit (\$200,000 limit) shall apply to years prior to 2002 unless the option below is elected.

- The increased compensation limit will not apply to years prior to 2002.

**ARTICLE III
VESTING OF MATCHING CONTRIBUTIONS**

3.1 Applicability. This Article shall apply to participants who complete an Hour of Service after December 31, 2001, with respect to accrued benefits derived from employer matching contributions made in plan years beginning after December 31, 2001. Unless otherwise elected by the employer in Section 2.1 above, this Article shall also apply to all such participants with respect to accrued benefits derived from employer matching contributions made in plan years beginning prior to January 1, 2002.

3.2 Vesting schedule. A participant's accrued benefit derived from employer matching contributions shall vest as provided in Section 2.1 of this amendment.

**ARTICLE IV
INVOLUNTARY CASH-OUTS**

4.1 Applicability and effective date. If the plan provides for involuntary cash-outs of amounts less than \$5,000, then unless otherwise elected in Section 2.2 of this amendment, this Article shall apply for distributions made after December 31, 2001, and shall apply to all participants. However, regardless of the preceding, this Article shall not apply if the plan is

EGTRRA - Employer

subject to the qualified joint and survivor annuity requirements of Sections 401(a)(11) and 417 of the Code.

- 4.2 Rollovers disregarded in determining value of account balance for involuntary distributions. For purposes of the Sections of the plan that provide for the involuntary distribution of vested accrued benefits of \$5,000 or less, the value of a participant's nonforfeitable account balance shall be determined without regard to that portion of the account balance that is attributable to rollover contributions (and earnings allocable thereto) within the meaning of Sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Code. If the value of the participant's nonforfeitable account balance as so determined is \$5,000 or less, then the plan shall immediately distribute the participant's entire nonforfeitable account balance.

ARTICLE V HARDSHIP DISTRIBUTIONS

- 5.1 Applicability and effective date. If the plan provides for hardship distributions upon satisfaction of the safe harbor (deemed) standards as set forth in Treas. Reg. Section 1.401(k)-1(d)(2)(iv), then this Article shall apply for calendar years beginning after 2001.
- 5.2 Suspension period following hardship distribution. A participant who receives a distribution of elective deferrals after December 31, 2001, on account of hardship shall be prohibited from making elective deferrals and employee contributions under this and all other plans of the employer for 6 months after receipt of the distribution. Furthermore, if elected by the employer in Section 2.3 of this amendment, a participant who receives a distribution of elective deferrals in calendar year 2001 on account of hardship shall be prohibited from making elective deferrals and employee contributions under this and all other plans until the later of January 1, 2002, or 6 months after receipt of the distribution.

ARTICLE VI CATCH-UP CONTRIBUTIONS

Catch-up Contributions. Unless otherwise elected in Section 2.4 of this amendment, all employees who are eligible to make elective deferrals under this plan and who have attained age 50 before the close of the plan year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of, Section 414(v) of the Code. Such catch-up contributions shall not be taken into account for purposes of the provisions of the plan implementing the required limitations of Sections 402(g) and 415 of the Code. The plan shall not be treated as failing to satisfy the provisions of the plan implementing the requirements of Section 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416 of the Code, as applicable, by reason of the making of such catch-up contributions.

ARTICLE VII INCREASE IN COMPENSATION LIMIT

Increase in Compensation Limit. The annual compensation of each participant taken into account in determining allocations for any plan year beginning after December 31, 2001, shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with Section 401(a)(17)(B) of the Code. Annual compensation means compensation during the plan year or such other consecutive 12-month period over which compensation is otherwise determined under the plan (the determination period). If this is a target benefit plan, then except as otherwise elected in Section 2.5 of this amendment, for purposes of determining benefit accruals in a plan year beginning after December 31, 2001, compensation for any prior determination period shall be limited to \$200,000. The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

ARTICLE VIII PLAN LOANS

Plan loans for owner-employees or shareholder-employees. If the plan permits loans to be made to participants, then effective for plan loans made after December 31, 2001, plan provisions prohibiting loans to any owner-employee or shareholder-employee shall cease to apply.

ARTICLE IX LIMITATIONS ON CONTRIBUTIONS (IRC SECTION 415 LIMITS)

- 9.1 Effective date. This Section shall be effective for limitation years beginning after December 31, 2001.

EGTRRA - Employer

9.2 Maximum annual addition. Except to the extent permitted under Article XIV of this amendment and Section 414(v) of the Code, if applicable, the annual addition that may be contributed or allocated to a participant's account under the plan for any limitation year shall not exceed the lesser of:

- a. \$40,000, as adjusted for increases in the cost-of-living under Section 415(d) of the Code, or
- b. 100 percent of the participant's compensation, within the meaning of Section 415(c)(3) of the Code, for the limitation year.

The compensation limit referred to in b. shall not apply to any contribution for medical benefits after separation from service (within the meaning of Section 401(h) or Section 419A(f)(2) of the Code) which is otherwise treated as an annual addition.

ARTICLE X MODIFICATION OF TOP-HEAVY RULES

10.1 Effective date. This Article shall apply for purposes of determining whether the plan is a top-heavy plan under Section 416(g) of the Code for plan years beginning after December 31, 2001, and whether the plan satisfies the minimum benefits requirements of Section 416(c) of the Code for such years. This Article amends the top-heavy provisions of the plan.

10.2 Determination of top-heavy status.

10.2.1 Key employee. Key employee means any employee or former employee (including any deceased employee) who at any time during the plan year that includes the determination date was an officer of the employer having annual compensation greater than \$130,000 (as adjusted under Section 416(i)(1) of the Code for plan years beginning after December 31, 2002), a 5-percent owner of the employer, or a 1-percent owner of the employer having annual compensation of more than \$150,000. For this purpose, annual compensation means compensation within the meaning of Section 415(c)(3) of the Code. The determination of who is a key employee will be made in accordance with Section 416(i)(1) of the Code and the applicable regulations and other guidance of general applicability issued thereunder.

10.2.2 Determination of present values and amounts. This Section 10.2.2 shall apply for purposes of determining the present values of accrued benefits and the amounts of account balances of employees as of the determination date.

- a. Distributions during year ending on the determination date. The present values of accrued benefits and the amounts of account balances of an employee as of the determination date shall be increased by the distributions made with respect to the employee under the plan and any plan aggregated with the plan under Section 416(g)(2) of the Code during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the plan under Section 416(g)(2)(A)(i) of the Code. In the case of a distribution made for a reason other than separation from service, death, or disability, this provision shall be applied by substituting "5-year period" for "1-year period."
- b. Employees not performing services during year ending on the determination date. The accrued benefits and accounts of any individual who has not performed services for the employer during the 1-year period ending on the determination date shall not be taken into account.

10.3 Minimum benefits.

10.3.1 Matching contributions. Employer matching contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Section 416(c)(2) of the Code and the plan. The preceding sentence shall apply with respect to matching contributions under the plan or, if the plan provides that the minimum contribution requirement shall be met in another plan, such other plan. Employer matching contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of the actual contribution percentage test and other requirements of Section 401(m) of the Code.

10.3.2 Contributions under other plans. The employer may provide, in an addendum to this amendment, that the minimum benefit requirement shall be met in another plan (including another plan that consists solely of a cash or deferred arrangement which meets the requirements of Section 401(k)(12) of the Code and matching contributions with respect to which the requirements of Section 401(m)(11) of the Code are met). The addendum should include the name of the other plan, the minimum benefit that will be provided under such other plan, and the employees who will receive the minimum benefit under such other plan.

**ARTICLE XI
DIRECT ROLLOVERS**

- 11.1 Effective date. This Article shall apply to distributions made after December 31, 2001.
- 11.2 Modification of definition of eligible retirement plan. For purposes of the direct rollover provisions of the plan, an eligible retirement plan shall also mean an annuity contract described in Section 403(b) of the Code and an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in Section 414(p) of the Code.
- 11.3 Modification of definition of eligible rollover distribution to exclude hardship distributions. For purposes of the direct rollover provisions of the plan, any amount that is distributed on account of hardship shall not be an eligible rollover distribution and the distributee may not elect to have any portion of such a distribution paid directly to an eligible retirement plan.
- 11.4 Modification of definition of eligible rollover distribution to include after-tax employee contributions. For purposes of the direct rollover provisions in the plan, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Section 408(a) or (b) of the Code, or to a qualified defined contribution plan described in Section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

**ARTICLE XII
ROLLOVERS FROM OTHER PLANS**

Rollovers from other plans. The employer, operationally and on a nondiscriminatory basis, may limit the source of rollover contributions that may be accepted by this plan.

**ARTICLE XIII
REPEAL OF MULTIPLE USE TEST**

Repeal of Multiple Use Test. The multiple use test described in Treasury Regulation Section 1.401(m)-2 and the plan shall not apply for plan years beginning after December 31, 2001.

**ARTICLE XIV
ELECTIVE DEFERRALS**

- 14.1 Elective Deferrals - Contribution Limitation. No participant shall be permitted to have elective deferrals made under this plan, or any other qualified plan maintained by the employer during any taxable year, in excess of the dollar limitation contained in Section 402(g) of the Code in effect for such taxable year, except to the extent permitted under Article VI of this amendment and Section 414(v) of the Code, if applicable.
- 14.2 Maximum Salary Reduction Contributions for SIMPLE plans. If this is a SIMPLE 401(k) plan, then except to the extent permitted under Article VI of this amendment and Section 414(v) of the Code, if applicable, the maximum salary reduction contribution that can be made to this plan is the amount determined under Section 408(p)(2)(A)(ii) of the Code for the calendar year.

**ARTICLE XV
SAFE HARBOR PLAN PROVISIONS**

Modification of Top-Heavy Rules. The top-heavy requirements of Section 416 of the Code and the plan shall not apply in any year beginning after December 31, 2001, in which the plan consists solely of a cash or deferred arrangement which meets the requirements of Section 401(k)(12) of the Code and matching contributions with respect to which the requirements of Section 401(m)(11) of the Code are met.

**ARTICLE XVI
DISTRIBUTION UPON SEVERANCE OF EMPLOYMENT**

- 16.1 Effective date. This Article shall apply for distributions and transactions made after December 31, 2001, regardless of when the severance of employment occurred.
- 16.2 New distributable event. A participant's elective deferrals, qualified nonelective contributions, qualified matching

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contributions, and earnings attributable to these contributions shall be distributed on account of the participant's severance from employment. However, such a distribution shall be subject to the other provisions of the plan regarding distributions, other than provisions that require a separation from service before such amounts may be distributed.

This amendment has been executed this _____ day of _____, _____.

Name of Employer: _____

By: _____
EMPLOYER

Name of Plan: _____

**EGTRRA
AMENDMENT TO THE
SOUTHWEST SECURITIES INC.
DEFINED CONTRIBUTION PROTOTYPE PLAN AND TRUST**

**ARTICLE I
PREAMBLE**

- 1.1 Adoption and effective date of amendment. This amendment of the plan is adopted to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). This amendment is intended as good faith compliance with the requirements of EGTRRA and is to be construed in accordance with EGTRRA and guidance issued thereunder. Except as otherwise provided, this amendment shall be effective as of the first day of the first plan year beginning after December 31, 2001.
- 1.2 Adoption by prototype sponsor. Except as otherwise provided herein, pursuant to Section 5.01 of Revenue Procedure 2000-20 (or pursuant to the corresponding provision in Revenue Procedure 89-9 or Revenue Procedure 89-13), the sponsor hereby adopts this amendment on behalf of all adopting employers.
- 1.3 Supersession of inconsistent provisions. This amendment shall supersede the provisions of the plan to the extent those provisions are inconsistent with the provisions of this amendment.

**ARTICLE II
ADOPTION AGREEMENT ELECTIONS**

The questions in this Article II only need to be completed in order to override the default provisions set forth below. If all of the default provisions will apply, then these questions should be skipped and the employer does not need to execute this amendment.

Unless the employer elects otherwise in this Article II, the following defaults apply:

- 1) The vesting schedule for matching contributions will be a 6 year graded schedule (if the plan currently has a graded schedule that does not satisfy EGTRRA) or a 3 year cliff schedule (if the plan currently has a cliff schedule that does not satisfy EGTRRA), and such schedule will apply to all matching contributions (even those made prior to 2002).
- 2) Rollovers are automatically excluded in determining whether the \$5,000 threshold has been exceeded for automatic cash-outs (if the plan is not subject to the qualified joint and survivor annuity rules and provides for automatic cash-outs). This is applied to all participants regardless of when the distributable event occurred.
- 3) The suspension period after a hardship distribution is made will be 6 months and this will only apply to hardship distributions made after 2001.
- 4) Catch-up contributions will be allowed.
- 5) For target benefit plans, the increased compensation limit of \$200,000 will be applied retroactively (i.e., to years prior to 2002).

2.1 **Vesting Schedule for Matching Contributions**

If there are matching contributions subject to a vesting schedule that does not satisfy EGTRRA, then unless otherwise elected below, for participants who complete an hour of service in a plan year beginning after December 31, 2001, the following vesting schedule will apply to all matching contributions subject to a vesting schedule:

If the plan has a graded vesting schedule (i.e., the vesting schedule includes a vested percentage that is more than 0% and less than 100%) the following will apply:

Years of vesting service	Nonforfeitable percentage
2	20%
3	40%
4	60%
5	80%
6	100%

If the plan does not have a graded vesting schedule, then matching contributions will be nonforfeitable upon the completion of 3 years of vesting service.

In lieu of the above vesting schedule, the employer elects the following schedule:

- a. 3 year cliff (a participant's accrued benefit derived from employer matching contributions shall be nonforfeitable upon the participant's completion of three years of vesting service).
- b. 6 year graded schedule (20% after 2 years of vesting service and an additional 20% for each year

- thereafter).
 c. Other (must be at least as liberal as a. or the b. above):

Years of vesting service	Nonforfeitable percentage
--------------------------	---------------------------

_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

The vesting schedule set forth herein shall only apply to participants who complete an hour of service in a plan year beginning after December 31, 2001, and, unless the option below is elected, shall apply to **all** matching contributions subject to a vesting schedule.

- d. The vesting schedule will only apply to matching contributions made in plan years beginning after December 31, 2001 (the prior schedule will apply to matching contributions made in prior plan years).

2.2 **Exclusion of Rollovers in Application of Involuntary Cash-out Provisions (for profit sharing and 401(k) plans only).** If the plan is not subject to the qualified joint and survivor annuity rules and includes involuntary cash-out provisions, then unless one of the options below is elected, effective for distributions made after December 31, 2001, rollover contributions will be excluded in determining the value of the participant's nonforfeitable account balance for purposes of the plan's involuntary cash-out rules.

- a. Rollover contributions will not be excluded.
 b. Rollover contributions will be excluded only with respect to distributions made after _____ (Enter a date no earlier than December 31, 2001).
 c. Rollover contributions will only be excluded with respect to participants who separated from service after _____. (Enter a date. The date may be earlier than December 31, 2001.)

2.3 **Suspension period of hardship distributions.** If the plan provides for hardship distributions upon satisfaction of the safe harbor (deemed) standards as set forth in Treas. Reg. Section 1.401(k)-1(d)(2)(iv), then, unless the option below is elected, the suspension period following a hardship distribution shall only apply to hardship distributions made after December 31, 2001.

- With regard to hardship distributions made during 2001, a participant shall be prohibited from making elective deferrals and employee contributions under this and all other plans until the later of January 1, 2002, or 6 months after receipt of the distribution.

2.4 **Catch-up contributions (for 401(k) profit sharing plans only):** The plan permits catch-up contributions (Article VI) unless the option below is elected.

- The plan does not permit catch-up contributions to be made.

2.5 **For target benefit plans only:** The increased compensation limit (\$200,000 limit) shall apply to years prior to 2002 unless the option below is elected.

- The increased compensation limit will not apply to years prior to 2002.

ARTICLE III VESTING OF MATCHING CONTRIBUTIONS

3.1 **Applicability.** This Article shall apply to participants who complete an Hour of Service after December 31, 2001, with respect to accrued benefits derived from employer matching contributions made in plan years beginning after December 31, 2001. Unless otherwise elected by the employer in Section 2.1 above, this Article shall also apply to all such participants with respect to accrued benefits derived from employer matching contributions made in plan years beginning prior to January 1, 2002.

3.2 **Vesting schedule.** A participant's accrued benefit derived from employer matching contributions shall vest as provided in Section 2.1 of this amendment.

ARTICLE IV INVOLUNTARY CASH-OUTS

4.1 **Applicability and effective date.** If the plan provides for involuntary cash-outs of amounts less than \$5,000, then unless otherwise elected in Section 2.2 of this amendment, this Article shall apply for distributions made after December 31, 2001, and shall apply to all participants. However, regardless of the preceding, this Article shall not apply if the plan is subject to the qualified joint and survivor annuity requirements of Sections 401(a)(11) and 417 of the Code.

- 4.2 Rollovers disregarded in determining value of account balance for involuntary distributions. For purposes of the Sections of the plan that provide for the involuntary distribution of vested accrued benefits of \$5,000 or less, the value of a participant's nonforfeitable account balance shall be determined without regard to that portion of the account balance that is attributable to rollover contributions (and earnings allocable thereto) within the meaning of Sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Code. If the value of the participant's nonforfeitable account balance as so determined is \$5,000 or less, then the plan shall immediately distribute the participant's entire nonforfeitable account balance.

ARTICLE V HARDSHIP DISTRIBUTIONS

- 5.1 Applicability and effective date. If the plan provides for hardship distributions upon satisfaction of the safe harbor (deemed) standards as set forth in Treas. Reg. Section 1.401(k)-1(d)(2)(iv), then this Article shall apply for calendar years beginning after 2001.
- 5.2 Suspension period following hardship distribution. A participant who receives a distribution of elective deferrals after December 31, 2001, on account of hardship shall be prohibited from making elective deferrals and employee contributions under this and all other plans of the employer for 6 months after receipt of the distribution. Furthermore, if elected by the employer in Section 2.3 of this amendment, a participant who receives a distribution of elective deferrals in calendar year 2001 on account of hardship shall be prohibited from making elective deferrals and employee contributions under this and all other plans until the later of January 1, 2002, or 6 months after receipt of the distribution.

ARTICLE VI CATCH-UP CONTRIBUTIONS

Catch-up Contributions. Unless otherwise elected in Section 2.4 of this amendment, all employees who are eligible to make elective deferrals under this plan and who have attained age 50 before the close of the plan year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of, Section 414(v) of the Code. Such catch-up contributions shall not be taken into account for purposes of the provisions of the plan implementing the required limitations of Sections 402(g) and 415 of the Code. The plan shall not be treated as failing to satisfy the provisions of the plan implementing the requirements of Section 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416 of the Code, as applicable, by reason of the making of such catch-up contributions.

ARTICLE VII INCREASE IN COMPENSATION LIMIT

Increase in Compensation Limit. The annual compensation of each participant taken into account in determining allocations for any plan year beginning after December 31, 2001, shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with Section 401(a)(17)(B) of the Code. Annual compensation means compensation during the plan year or such other consecutive 12-month period over which compensation is otherwise determined under the plan (the determination period). If this is a target benefit plan, then except as otherwise elected in Section 2.5 of this amendment, for purposes of determining benefit accruals in a plan year beginning after December 31, 2001, compensation for any prior determination period shall be limited to \$200,000. The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

ARTICLE VIII PLAN LOANS

Plan loans for owner-employees or shareholder-employees. If the plan permits loans to be made to participants, then effective for plan loans made after December 31, 2001, plan provisions prohibiting loans to any owner-employee or shareholder-employee shall cease to apply.

ARTICLE IX LIMITATIONS ON CONTRIBUTIONS (IRC SECTION 415 LIMITS)

- 9.1 Effective date. This Section shall be effective for limitation years beginning after December 31, 2001.
- 9.2 Maximum annual addition. Except to the extent permitted under Article XIV of this amendment and Section 414(v) of the Code, if applicable, the annual addition that may be contributed or allocated to a participant's account under the plan for any limitation year shall not exceed the lesser of:
- a. \$40,000, as adjusted for increases in the cost-of-living under Section 415(d) of the Code, or

b. 100 percent of the participant's compensation, within the meaning of Section 415(c)(3) of the Code, for the limitation year.

The compensation limit referred to in b. shall not apply to any contribution for medical benefits after separation from service (within the meaning of Section 401(h) or Section 419A(f)(2) of the Code) which is otherwise treated as an annual addition.

ARTICLE X MODIFICATION OF TOP-HEAVY RULES

10.1 Effective date. This Article shall apply for purposes of determining whether the plan is a top-heavy plan under Section 416(g) of the Code for plan years beginning after December 31, 2001, and whether the plan satisfies the minimum benefits requirements of Section 416(c) of the Code for such years. This Article amends the top-heavy provisions of the plan.

10.2 Determination of top-heavy status.

10.2.1 Key employee. Key employee means any employee or former employee (including any deceased employee) who at any time during the plan year that includes the determination date was an officer of the employer having annual compensation greater than \$130,000 (as adjusted under Section 416(i)(1) of the Code for plan years beginning after December 31, 2002), a 5-percent owner of the employer, or a 1-percent owner of the employer having annual compensation of more than \$150,000. For this purpose, annual compensation means compensation within the meaning of Section 415(c)(3) of the Code. The determination of who is a key employee will be made in accordance with Section 416(i)(1) of the Code and the applicable regulations and other guidance of general applicability issued thereunder.

10.2.2 Determination of present values and amounts. This Section 10.2.2 shall apply for purposes of determining the present values of accrued benefits and the amounts of account balances of employees as of the determination date.

a. Distributions during year ending on the determination date. The present values of accrued benefits and the amounts of account balances of an employee as of the determination date shall be increased by the distributions made with respect to the employee under the plan and any plan aggregated with the plan under Section 416(g)(2) of the Code during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the plan under Section 416(g)(2)(A)(i) of the Code. In the case of a distribution made for a reason other than separation from service, death, or disability, this provision shall be applied by substituting "5-year period" for "1-year period."

b. Employees not performing services during year ending on the determination date. The accrued benefits and accounts of any individual who has not performed services for the employer during the 1-year period ending on the determination date shall not be taken into account.

10.3 Minimum benefits.

10.3.1 Matching contributions. Employer matching contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Section 416(c)(2) of the Code and the plan. The preceding sentence shall apply with respect to matching contributions under the plan or, if the plan provides that the minimum contribution requirement shall be met in another plan, such other plan. Employer matching contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of the actual contribution percentage test and other requirements of Section 401(m) of the Code.

10.3.2 Contributions under other plans. The employer may provide, in an addendum to this amendment, that the minimum benefit requirement shall be met in another plan (including another plan that consists solely of a cash or deferred arrangement which meets the requirements of Section 401(k)(12) of the Code and matching contributions with respect to which the requirements of Section 401(m)(11) of the Code are met). The addendum should include the name of the other plan, the minimum benefit that will be provided under such other plan, and the employees who will receive the minimum benefit under such other plan.

ARTICLE XI DIRECT ROLLOVERS

11.1 Effective date. This Article shall apply to distributions made after December 31, 2001.

11.2 Modification of definition of eligible retirement plan. For purposes of the direct rollover provisions of the plan, an

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eligible retirement plan shall also mean an annuity contract described in Section 403(b) of the Code and an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in Section 414(p) of the Code.

- 11.3 Modification of definition of eligible rollover distribution to exclude hardship distributions. For purposes of the direct rollover provisions of the plan, any amount that is distributed on account of hardship shall not be an eligible rollover distribution and the distributee may not elect to have any portion of such a distribution paid directly to an eligible retirement plan.
- 11.4 Modification of definition of eligible rollover distribution to include after-tax employee contributions. For purposes of the direct rollover provisions in the plan, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Section 408(a) or (b) of the Code, or to a qualified defined contribution plan described in Section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

ARTICLE XII ROLLOVERS FROM OTHER PLANS

Rollovers from other plans. The employer, operationally and on a nondiscriminatory basis, may limit the source of rollover contributions that may be accepted by this plan.

ARTICLE XIII REPEAL OF MULTIPLE USE TEST

Repeal of Multiple Use Test. The multiple use test described in Treasury Regulation Section 1.401(m)-2 and the plan shall not apply for plan years beginning after December 31, 2001.

ARTICLE XIV ELECTIVE DEFERRALS

- 14.1 Elective Deferrals - Contribution Limitation. No participant shall be permitted to have elective deferrals made under this plan, or any other qualified plan maintained by the employer during any taxable year, in excess of the dollar limitation contained in Section 402(g) of the Code in effect for such taxable year, except to the extent permitted under Article VI of this amendment and Section 414(v) of the Code, if applicable.
- 14.2 Maximum Salary Reduction Contributions for SIMPLE plans. If this is a SIMPLE 401(k) plan, then except to the extent permitted under Article VI of this amendment and Section 414(v) of the Code, if applicable, the maximum salary reduction contribution that can be made to this plan is the amount determined under Section 408(p)(2)(A)(ii) of the Code for the calendar year.

ARTICLE XV SAFE HARBOR PLAN PROVISIONS

Modification of Top-Heavy Rules. The top-heavy requirements of Section 416 of the Code and the plan shall not apply in any year beginning after December 31, 2001, in which the plan consists solely of a cash or deferred arrangement which meets the requirements of Section 401(k)(12) of the Code and matching contributions with respect to which the requirements of Section 401(m)(11) of the Code are met.

ARTICLE XVI DISTRIBUTION UPON SEVERANCE OF EMPLOYMENT

- 16.1 Effective date. This Article shall apply for distributions and transactions made after December 31, 2001, regardless of when the severance of employment occurred.
- 16.2 New distributable event. A participant's elective deferrals, qualified nonelective contributions, qualified matching contributions, and earnings attributable to these contributions shall be distributed on account of the participant's severance from employment. However, such a distribution shall be subject to the other provisions of the plan regarding distributions, other than provisions that require a separation from service before such amounts may be distributed.

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Except with respect to any election made by the employer in Article II, this amendment is hereby adopted by the prototype sponsor on behalf of all adopting employers on _____, _____.

Sponsor Name: _____

By: _____

NOTE: The employer only needs to execute this amendment if an election has been made in Article II of this amendment.

This amendment has been executed this _____ day of _____, _____.

Name of Employer: _____

By: _____
EMPLOYER

Name of Plan: _____