

Sample Plan, Inc.

Plan Comparison - 2010

Goal: To maximize the allocation efficiency to selected employees and minimize the employer contribution costs overall.

Plan Designs Presented

Plan I – 401(k) plan with an employer matching contribution of 50% of deferrals up to 6% of compensation. The total employer contribution allocated is \$17,350.

Plan II – 401(k) plan with a basic safe harbor matching contribution of 100% of deferrals on the first 3% of compensation and 50% of the next 2% of compensation plus a profit sharing contribution allocated on an integrated basis. The owner(s) are maximizing their deferrals. The total employer contribution allocated is \$147,696.

Plan III – 401(k) plan with a 3% safe harbor non-elective contribution plus a new comparability profit sharing contribution allocating 6% to the owner(s). The owner(s) are maximizing their deferrals. The total employer contribution allocated is \$81,122.

Plan IV – 401(k) plan with a 3% safe harbor non-elective contribution plus a maximizing super new comparability profit sharing contribution. The owner(s) are maximizing their 401(k). The total employer contribution allocated is \$119,558.

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The 401(k) plan which provides for a 3% safe harbor non-elective contribution and a super new comparability profit sharing contribution, represented by Plan IV, provides for the most favorable utilization of the employer contribution. The benefits of this plan design are:

- The plan provides the owner(s) optimal personal tax savings through 401(k) deferrals.
- Provides the greatest overall tax savings of any of the plan designs (see page 8).
- The safe harbor contribution allows the owner(s) to defer up to the dollar limit each plan year, regardless of deferrals by the non-owners.
- The only required contribution each year is the 3% safe harbor non-elective.
- The profit sharing contribution is discretionary each year.

Assumptions, Definitions & Requirements

Plan Year: For illustration purposes, the plan year is assumed to be the 2010 calendar year.

Compensation: The compensation considered for all employees is taken from the census data provided.

Eligibility Requirements: For illustration purposes, employees who have reached age 21 and have one year of service will enter the plan on a semi-annual basis.

Safe Harbor Contribution: An employer contribution which is made as an alternative method of satisfying the 401(k) non-discrimination requirements. A safe harbor 401(k) plan which does not provide for any other employer contributions is excluded from the definition of a **top heavy** plan. The primary disadvantages of the safe harbor contributions are that **the safe harbor contributions may not be subject to any condition of employment or minimum hours of service to share in the allocation and they must be fully vested immediately.** The Safe Harbor Contribution formulas are explained below:

- **Safe Harbor Non-Elective:** 3% contribution given to all eligible participants. Unlike the matching formula, the non-elective safe harbor contribution is considered in the testing of the allocation when the new comparability/super new comparability methodology is utilized.
- **Safe Harbor Matching Contributions:** Basic match of 100% on the first 3% deferred and 50% on the next 2% deferred.
- **PPA Safe Harbor Matching/Qualified Automatic Contribution Arrangement (QACA):** This safe harbor when combined with an automatic enrollment feature must provide a minimum match of 100% of the first 1% and 50% of the next 5%. The automatic enrollment feature requires a minimum deferral rate of 3% in the first year and a step up feature of at least 1% for the next 3 years. **The automatic enrollment match can be allowed to vest over two years.**

A safe harbor contribution cannot be changed or added to a plan with an existing 401(k) feature until the following year. However, for a new plan it can be added mid-year as long as there are at least 3 months in your first plan year and any sponsored SIMPLE IRA plan has been frozen or terminated prior to the start of that initial calendar year.

Super New Comparability/New Comparability: This method tests the allocation of the employer contribution on a benefits basis. The allocations are based on employee classes or allocation groups. However, the utilization of this methodology requires the satisfaction of additional tests. The allocation must satisfy a *minimum allocation gateway* and the assumed benefit accruals may not discriminate in favor of the Highly Compensated Employees (HCE). This non-discrimination requirement may result in an allocation in excess of the *minimum allocation gateway* for the non-highly compensated employees.

Plan I Plan II Plan III Plan IV

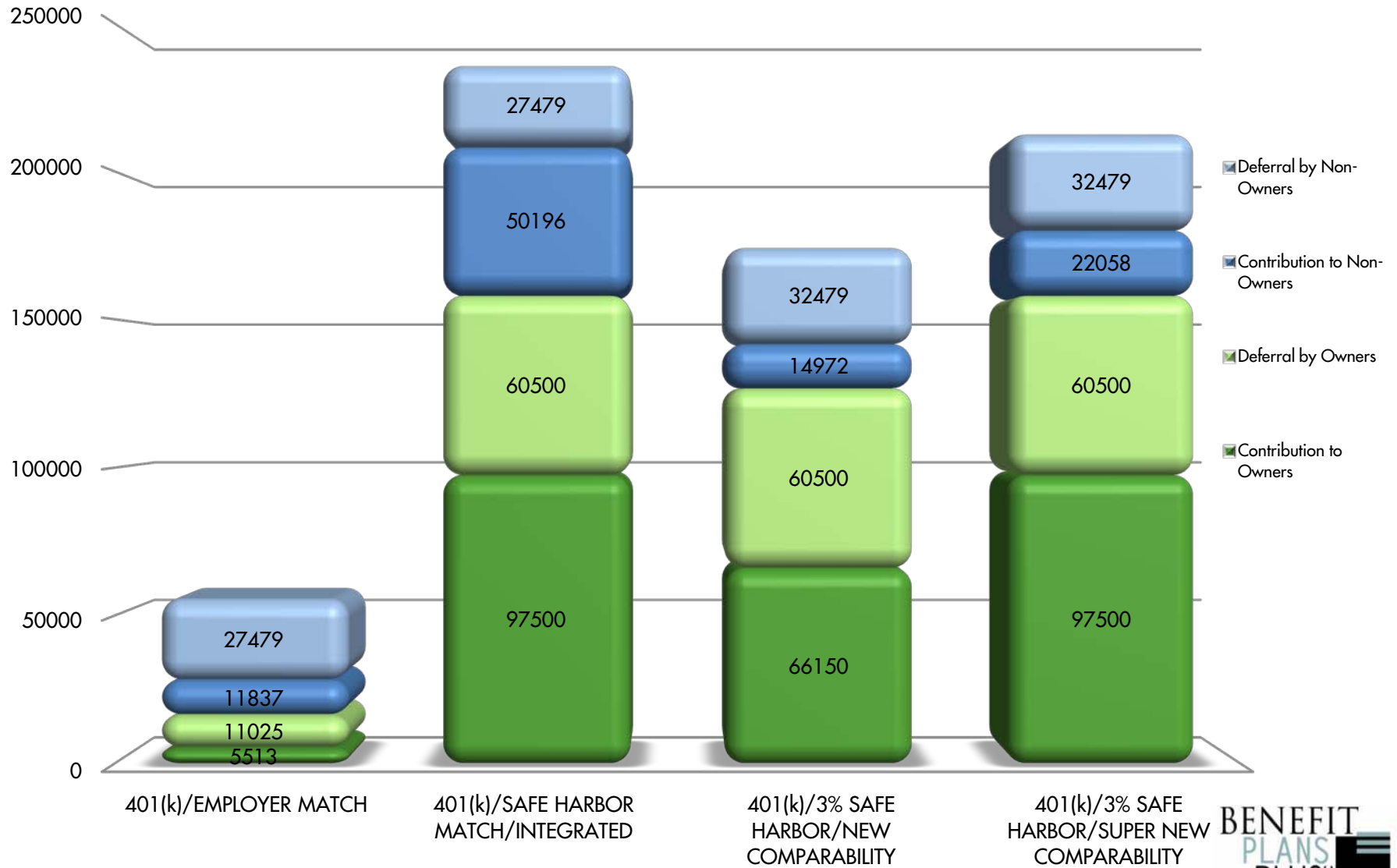
Fiduciary

Date

CIRCULAR 230 DISCLOSURE

"To ensure compliance with requirements imposed by the IRS, we are required to inform you that any U.S. federal tax advice contained in this communication (including attachments) is not intended or written to be used, and cannot be used, for the purpose of 1) avoiding penalties under the Internal Revenue Code or 2) promoting, marketing, or recommending to another party any transaction or matter addressed herein."

Design Comparison Chart



Summary of Contributions

	Plan I	Plan II	Plan III	Plan IV
Total Contributions	<u>\$ 55,853</u>	<u>\$ 235,675</u>	<u>\$ 174,101</u>	<u>\$ 212,537</u>
Deferrals by Owners	11,025	60,500	60,500	60,500
Deferrals by Non-owners	27,479	27,479	32,479	32,479
Total Deferrals	<u>\$ 38,504</u>	<u>\$ 87,979</u>	<u>\$ 92,979</u>	<u>\$ 92,979</u>
Employer to Owners	5,513	97,500	66,150	97,500
Employer to Non-Owners	11,837	50,196	14,972	22,058
Employer Total	<u>\$ 17,350</u>	<u>\$ 147,696</u>	<u>\$ 81,122</u>	<u>\$ 119,558</u>
Total to Owners	\$ 16,538	\$ 158,000	\$ 126,650	\$ 158,000

Employer Contribution Efficiency	31.78%	66.01%	81.54%	81.55%
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Total Contribution Efficiency	29.61%	67.04%	72.75%	74.34%
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Plan Comparison Report
For
Sample Plan, Inc.
For The Plan Year Ending 12/31/10

Plan Number	Plan Type	Formula
Plan I. SAMPLE1	401(k)	401(k)/EMPLOYER MATCH
Plan II. SAMPLE2	401(k)	401(k)/SAFE HARBOR MATCH/INTEGRATED
Plan III. SAMPLE3	401(k)	401(k)/3% SAFE HARBOR/NEW COMPARABILITY
Plan IV. SAMPLE4	401(k)	401(k)/3% SAFE HARBOR/SUPER NEW COMPARABILITY



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Plan Comparison Report
 For
 Sample Plan, Inc.
 For The Plan Year Ending 12/31/10

Comparison of Contributions to Employees

<u>Name</u>	<u>Sex</u>	<u>Age</u>	<u>Ret Age</u>	<u>Compensation</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>	<u>Plan IV</u>
Edward Owner	M	52	65	245,000	5,513	54,500	44,050	54,500
Jane Owner	M	55	65	245,000	5,513	54,500	44,050	54,500
Vincent Owner	M	49	65	245,000	5,513	49,000	38,550	49,000
Subtotals for Principals:					\$16,539	\$158,000	\$126,650	\$158,000
Sammy Salesman	M	45	65	150,000	16,000	29,609	21,000	23,130
Amy Assistant	F	61	65	24,634	1,109	2,894	1,478	1,828
Tammy Telephone	F	29	65	22,358	1,006	2,627	1,342	1,659
Michelle Manager	F	44	65	65,323	7,186	11,594	7,186	8,113
Adam Administrator	F	40	65	29,605	1,776	3,922	2,072	2,493
Doug Delivery	F	48	65	29,692	1,782	3,934	2,078	2,500
Sandy Service	F	35	65	27,229	1,225	3,199	1,634	2,020
Jerry Janitor	F	53	65	24,021	1,081	2,822	1,441	1,782
Anne Accounting	F	59	65	44,701	4,023	7,040	4,023	4,658
Sally Secretary	F	58	65	26,331	1,185	3,093	1,580	1,954
Sherri Supervisor	F	49	65	30,780	1,847	4,078	2,155	2,592
Steve Service	F	44	65	24,369	1,097	2,863	1,462	1,808



A MEASURABLE DIFFERENCE™

Plan Comparison Report
 For
 Sample Plan, Inc.
 For The Plan Year Ending 12/31/10

<u>Name</u>	<u>Sex</u>	<u>Age</u>	<u>Ret Age</u>	<u>Compensation</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>	<u>Plan IV</u>
Subtotals for Non-Principals:					\$39,317	\$77,675	\$47,451	\$54,537
Total Contribution for All Employees					\$55,853	\$235,675	\$174,101	\$212,537
Percent to Principals:					29.61%	67.04%	72.75%	74.34%
Percent to all Others:					70.39%	32.96%	27.25%	25.66%
Total Eligible Compensation for All Employees:					\$1,234,045	\$1,234,045	\$1,234,045	\$1,234,045
Percent to Principals:					59.56%	59.56%	59.56%	59.56%
Percent to all Others:					40.44%	40.44%	40.44%	40.44%
Contribution as a Percent of Participating Payroll:					4.53%	19.10%	14.11%	17.22%

Analysis Of Plan Design
For
Sample Plan, Inc.
For The Plan Year Ending 12/31/10

	Plan I	Plan II	Plan III	Plan IV
	401(k)/ Employer Match	401(k)/Safe Harbor Match/ Integrated	401(k)/SH Non-Elective/ Class Allocation	401(k)/SH Non-Elective/ Class Allocation
Total Employer Contribution	55,853	235,675	174,101	212,537
Less Salary Reduction For Principals	-11,025	-60,500	-60,500	-60,500
Less Salary Reduction For Non-Principals	-27,479	-27,479	-32,479	-32,479
Employer Tax Deductible Contribution (To The Extent Allowed By Law)	17,349	147,696	81,121	119,558
Less Estimated Tax Savings, 39% Rate	-6,766	-57,601	-31,637	-46,628
Less Estimated Tax Savings From Principals' Salary Reduction, 39% Rate	-4,300	-23,595	-23,595	-23,595
Net Cost After Estimated Tax Savings Contributions For Principals	\$6,283 5,513	\$66,499 97,500	\$25,889 66,150	\$49,335 97,500
Contributions For Principals As A Percentage Of Net Cost After Taxes	87.74 %	146.62 %	255.51 %	197.63 %
Net Cost Of Plan After Tax Savings And Principals' Contributions	\$771	-\$31,001	-\$40,261	-\$48,165

The "Net Cost of Plan after Tax Savings and Principals' Contributions" is a function of the Principals reducing their taxable wages through deferrals and the business receiving a tax deduction for the Employer Contribution".

Estimated Tax Savings Assumptions:

Less: Estimated Tax Savings – is based on an assumed Corporate Tax Bracket of 39%. (This is the Employer Tax Deductible Contribution x 39%)

Less: Estimated Tax Savings from Principals' Salary Reduction – is based on estimated combination of federal and state income tax (33% For Federal Income Tax and 6% for State Income Tax; this is the Salary Reduction for Principals x 39%)

Plan I

Contribution Report
 Sample Plan, Inc.
 401(k) Plan
 For the Plan Year 1/1/2010 through 12/31/2010

Number	Employee / Compensation	Salary Reduction	-----Employer Allocations-----			Total
			Profit Sharing	Employer Match	ER as % of Comp	
1	Edward Owner \$245,000.00	3,675.00	.00	1,837.50	.75%	5,512.50
2	Jane Owner \$245,000.00	3,675.00	.00	1,837.50	.75%	5,512.50
3	Vincent Owner \$245,000.00	3,675.00	.00	1,837.50	.75%	5,512.50
4	Sammy Salesman \$150,000.00	11,500.00	.00	4,500.00	3.00%	16,000.00
5	Amy Assistant \$24,634.38	739.03	.00	369.52	1.50%	1,108.55
6	Tammy Telephone \$22,358.30	670.75	.00	335.38	1.50%	1,006.13
7	Michelle Manager \$65,323.26	5,225.86	.00	1,959.70	3.00%	7,185.56
8	Adam Administrator \$29,605.06	1,184.20	.00	592.10	2.00%	1,776.30
10	Doug Delivery \$29,692.33	1,187.69	.00	593.85	2.00%	1,781.54

Plan I

Contribution Report
 Sample Plan, Inc.
 401(k) Plan
 For the Plan Year 1/1/2010 through 12/31/2010

Number	Employee / Compensation	Salary Reduction	-----Employer Allocations-----			Total
			Profit Sharing	Employer Match	ER as % of Comp	
11	Sandy Service \$27,228.67	816.86	.00	408.43	1.50%	1,225.29
12	Jerry Janitor \$24,021.07	720.63	.00	360.32	1.50%	1,080.95
13	Anne Accounting \$44,701.35	2,682.08	.00	1,341.04	3.00%	4,023.12
14	Sally Secretary \$26,330.76	789.92	.00	394.96	1.50%	1,184.88
15	Sherri Supervisor \$30,780.39	1,231.22	.00	615.61	2.00%	1,846.83
16	Steve Service \$24,369.19	731.08	.00	365.54	1.50%	1,096.62
		\$38,504.32	\$0.00	\$17,348.95		\$55,853.27

Plan II

Contribution Report
Sample Plan, Inc.
401(k) Plan
For the Plan Year 1/1/2010 through 12/31/2010

Number	Employee / Compensation	Salary Reduction	-----Employer Allocations-----			Total
			Profit Sharing	Safe Harbor Match	ER as % of Comp	
1	Edward Owner \$245,000.00	22,000.00	22,700.00	9,800.00	13.27%	54,500.00
2	Jane Owner \$245,000.00	22,000.00	22,700.00	9,800.00	13.27%	54,500.00
3	Vincent Owner \$245,000.00	16,500.00	22,700.00	9,800.00	13.27%	49,000.00
4	Sammy Salesman \$150,000.00	11,500.00	12,108.93	6,000.00	12.07%	29,608.93
5	Amy Assistant \$24,634.38	739.03	1,416.11	739.03	8.75%	2,894.17
6	Tammy Telephone \$22,358.30	670.75	1,285.27	670.75	8.75%	2,626.77
7	Michelle Manager \$65,323.26	5,225.86	3,755.10	2,612.93	9.75%	11,593.89
8	Adam Administrator \$29,605.06	1,184.20	1,701.85	1,036.18	9.25%	3,922.23
10	Doug Delivery \$29,692.33	1,187.69	1,706.86	1,039.23	9.25%	3,933.78

Plan II

Contribution Report
Sample Plan, Inc.
401(k) Plan
For the Plan Year 1/1/2010 through 12/31/2010

Number	Employee / Compensation	Salary Reduction	-----Employer Allocations-----			Total
			Profit Sharing	Safe Harbor Match	ER as % of Comp	
11	Sandy Service \$27,228.67	816.86	1,565.24	816.86	8.75%	3,198.96
12	Jerry Janitor \$24,021.07	720.63	1,380.85	720.63	8.75%	2,822.11
13	Anne Accounting \$44,701.35	2,682.08	2,569.66	1,788.05	9.75%	7,039.79
14	Sally Secretary \$26,330.76	789.92	1,513.62	789.92	8.75%	3,093.46
15	Sherri Supervisor \$30,780.39	1,231.22	1,769.41	1,077.32	9.25%	4,077.95
16	Steve Service \$24,369.19	731.08	1,400.86	731.08	8.75%	2,863.02
		\$87,979.32	\$100,273.76	\$47,421.98		\$235,675.06

Contribution Report
 Sample Plan, Inc.
 401(k) Plan
 For the Plan Year 1/1/2010 through 12/31/2010

Number	Employee / Compensation	Salary Reduction	-----Employer Allocations-----			Total
			Profit Sharing	Safe Harbor	ER as % of Comp	
1	Edward Owner \$245,000.00	22,000.00	14,700.00	7,350.00	9.00%	44,050.00
2	Jane Owner \$245,000.00	22,000.00	14,700.00	7,350.00	9.00%	44,050.00
3	Vincent Owner \$245,000.00	16,500.00	14,700.00	7,350.00	9.00%	38,550.00
4	Sammy Salesman \$150,000.00	16,500.00	.00	4,500.00	3.00%	21,000.00
5	Amy Assistant \$24,634.38	739.03	.00	739.03	3.00%	1,478.06
6	Tammy Telephone \$22,358.30	670.75	.00	670.75	3.00%	1,341.50
7	Michelle Manager \$65,323.26	5,225.86	.00	1,959.70	3.00%	7,185.56
8	Adam Administrator \$29,605.06	1,184.20	.00	888.15	3.00%	2,072.35
10	Doug Delivery \$29,692.33	1,187.69	.00	890.77	3.00%	2,078.46

Contribution Report
 Sample Plan, Inc.
 401(k) Plan
 For the Plan Year 1/1/2010 through 12/31/2010

Number	Employee / Compensation	Salary Reduction	-----Employer Allocations-----			Total
			Profit Sharing	Safe Harbor	ER as % of Comp	
11	Sandy Service \$27,228.67	816.86	.00	816.86	3.00%	1,633.72
12	Jerry Janitor \$24,021.07	720.63	.00	720.63	3.00%	1,441.26
13	Anne Accounting \$44,701.35	2,682.08	.00	1,341.04	3.00%	4,023.12
14	Sally Secretary \$26,330.76	789.92	.00	789.92	3.00%	1,579.84
15	Sherri Supervisor \$30,780.39	1,231.22	.00	923.41	3.00%	2,154.63
16	Steve Service \$24,369.19	731.08	.00	731.08	3.00%	1,462.16
		\$92,979.32	\$44,100.00	\$37,021.34		\$174,100.66

Contribution Report
 Sample Plan, Inc.
 401(k) Plan
 For the Plan Year 1/1/2010 through 12/31/2010

Number	Employee / Compensation	Salary Reduction	-----Employer Allocations-----			Total
			Profit Sharing	Safe Harbor	ER as % of Comp	
1	Edward Owner \$245,000.00	22,000.00	25,150.00	7,350.00	13.27%	54,500.00
2	Jane Owner \$245,000.00	22,000.00	25,150.00	7,350.00	13.27%	54,500.00
3	Vincent Owner \$245,000.00	16,500.00	25,150.00	7,350.00	13.27%	49,000.00
4	Sammy Salesman \$150,000.00	16,500.00	2,130.00	4,500.00	4.42%	23,130.00
5	Amy Assistant \$24,634.38	739.03	349.81	739.03	4.42%	1,827.87
6	Tammy Telephone \$22,358.30	670.75	317.49	670.75	4.42%	1,658.99
7	Michelle Manager \$65,323.26	5,225.86	927.59	1,959.70	4.42%	8,113.15
8	Adam Administrator \$29,605.06	1,184.20	420.39	888.15	4.42%	2,492.74
10	Doug Delivery \$29,692.33	1,187.69	421.63	890.77	4.42%	2,500.09

Contribution Report
 Sample Plan, Inc.
 401(k) Plan
 For the Plan Year 1/1/2010 through 12/31/2010

Number	Employee / Compensation	Salary Reduction	-----Employer Allocations-----			Total
			Profit Sharing	Safe Harbor	ER as % of Comp	
11	Sandy Service \$27,228.67	816.86	386.65	816.86	4.42%	2,020.37
12	Jerry Janitor \$24,021.07	720.63	341.10	720.63	4.42%	1,782.36
13	Anne Accounting \$44,701.35	2,682.08	634.76	1,341.04	4.42%	4,657.88
14	Sally Secretary \$26,330.76	789.92	373.90	789.92	4.42%	1,953.74
15	Sherri Supervisor \$30,780.39	1,231.22	437.08	923.41	4.42%	2,591.71
16	Steve Service \$24,369.19	731.08	346.04	731.08	4.42%	1,808.20
		\$92,979.32	\$82,536.44	\$37,021.34		\$212,537.10