

A Win-Win Situation...

A Section 125 Plan benefits employers and their employees.

A difficult decision employers face today is which benefits they can afford for their employees. Wouldn't it be nice to provide a variety of voluntary benefits for your employees while easing the tax burden for you?

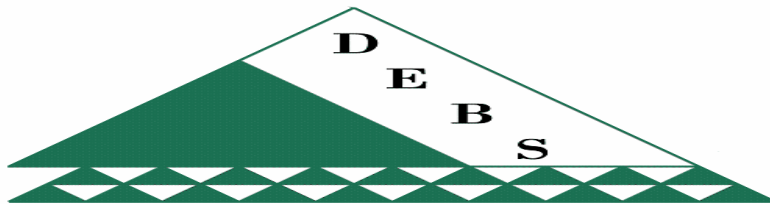
A Section 125 plan can provide voluntary benefits on a pre-tax basis. That means your employees can increase their take home pay by paying for some expenses before tax. This plan also benefits you, the employer, because you can provide these voluntary benefits on a pre-tax basis, and at little or no additional cost to you.

Highlights

- ❖ Reduces some payroll-related employment taxes, reducing payroll costs
- ❖ No Charge Premiums Only Plans if our products are available (minimum of 10 eligible employees and AFA product offered to start a plan.)
- ❖ Flexible Spending Account Record Keeping Services available
- ❖ Semi-annual newsletters to clients

Administrative Services Include:

- ❖ Providing a sample plan document for review by your client's legal counsel
- ❖ Explaining plans to employers in group meetings
- ❖ Reviewing benefit choices with each employee and assisting them with enrollment
- ❖ Providing payroll staff with correct employee information



_____ Company

Election to Participate Form

Employee Name: _____

Employee Social Security Number: _____ Employee ID #: _____

Plan Year: _____ through _____

As an eligible employee in the above plan, I acknowledge that I have received the Summary Plan Description. I have read the Summary Plan Description and understand the benefits available to me as well as the other rights and obligations which I have under the Plan.

In accordance with my rights under the Plan, I elect the following benefits and designate the following amounts for each benefit I have selected for the plan year specified above. The Employer and I agree that my cash compensation will be redirected by the amounts set forth below for each pay period and plan year (or during such portion of the year as remains after the date of this agreement).

Election for Benefits

On the appropriate benefit enrollment forms, I have enrolled for certain insurance coverages.

_____ Medical Benefit _____ Dental Benefit _____ Life Benefit
_____ HSA/MERP Benefit _____ GAP Benefit _____ Other Diagnosis Claim Deduction

() In lieu of specified dollar amounts, I hereby elect the above specified insurance coverages and authorize salary redirections in the amounts of current premiums being charged. I understand that if my required contributions to pay premiums for the elected benefits are increased or decreased while this agreement remains in effect, my compensation redirection will automatically be adjusted to reflect that increase or decrease.

Other Terms and Conditions

I understand that:

- I cannot change or revoke any of my elections or this compensation redirection agreement at any time during the plan year unless I have a change in family status (including marriage, divorce, death of a spouse or child, birth or adoption of a child, termination or commencement of employment of a spouse, change in my or my spouse's employment status from full-time to part-time or from part-time to full-time, my spouse or I taking an unpaid leave of absence, a substantial change in my family's health coverage due to a change in my spouse's employer-sponsored health coverage, or such other events as the Plan Administrator determines will permit a change or revocation of an election).
- The Plan Administrator may redirect or cancel my compensation redirection or otherwise modify this agreement in the event he believes it advisable in order to satisfy certain provisions of the Internal Revenue Code.
- The redirection in my cash compensation under this agreement shall be in addition to any reductions under other agreements or benefit programs maintained by my Employer.
- Any amounts that are not used during a plan year to provide benefits will be forfeited and may not be paid to me in cash or used to provide benefits specifically for me in a later plan year. (Exception: Medical Reimbursement Account (2) year Rule)
- Prior to the first day of each plan year, I will be offered the opportunity to change my benefit elections for the following plan year. If I do not complete and return a new election form at that time, I will be treated as having elected to continue my benefit elections then in effect for the new plan year. In addition, this compensation redirection agreement will continue by its terms in the amount of the required contribution for the benefit option.
- If disability insurance is paid for on a pre-tax basis any benefits I receive may be taxable.
- My Social Security benefits may be slightly reduced.

THIS AGREEMENT IS SUBJECT TO THE TERMS OF THE EMPLOYER'S CAFETERIA PLAN. AS AMENDED FROM TIME TO TIME IN EFFECT, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH APPLICABLE LAWS, SHALL TAKE EFFECT AS A SEALED INSTRUMENT UNDER APPLICABLE LAWS. THIS REVOKES ANY PRIOR ELECTION AND COMPENSATION REDIRECTION AGREEMENT RELATING TO SUCH PLAN.

Employee Signature: X _____ Date: _____

Election Not to Participate Form

I understand all the benefit options available under the Plan.

() I elect not to participate in the Plan for the following plan year: _____ through _____.

Employee Signature: X _____ Date: _____