

# Summary Plan Description

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Prepared for

**Waco, Inc. 401(k) Retirement &  
Savings Plan**

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## **INTRODUCTION**

Waco, Inc. has established Waco, Inc. 401(k) Retirement & Savings Plan (the "Plan") to help you and other Employees save for retirement.

Your Employer restated the Plan by signing a complex legal agreement – the Plan document – which contains all of the provisions that the Internal Revenue Service (IRS) requires. The Plan document must follow certain federal laws and regulations that apply to retirement plans. The Plan document may change as new or revised laws or regulations take effect. Your Employer also has the right to modify certain features of the Plan from time to time. You will be notified of changes affecting your rights under the Plan.

This Summary Plan Description (SPD) summarizes the important features of the Plan document, including your benefits and obligations under the Plan. If you want more detailed information regarding certain plan features or have questions about the information contained in this SPD, you should contact your Employer. You may also examine a copy of the plan document by making arrangements with your Employer. Certain terms in the SPD have a special meaning when used in the Plan. These terms are capitalized throughout the SPD and are defined in more detail in the DEFINITIONS section of the SPD. If any information in this SPD conflicts with the terms of the Plan document adopted by your Employer, the terms of the Plan document – not this SPD - will govern.

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## DEFINITIONS

## ELIGIBILITY

### **Am I eligible to participate in the Plan?**

The Plan document is being amended or restated on to new Plan documents. If you were eligible to participate in the prior plan, you will continue to be eligible to participate in this Plan without satisfying any additional age or service requirements.

### **What requirements do I have to meet before I am eligible to participate in the Plan?**

You must reach age 18 before you will be eligible to participate in the Plan.

You must complete 1 year of service with the Employer before you are eligible to participate in the Plan. Your initial eligibility measuring period will be the 12-month period beginning with your hire date. If you do not satisfy the eligibility requirements during that first measuring period, eligibility will be calculated based on the Plan Year.

You will be credited with a year of service if you work 1000 hours or more during the Plan Year.

### **When can I enter the Plan?**

Once you have met the age and service requirements listed above, you will enter the Plan the first day of the next month.

You will enter the plan on the first day of the above identified period that is coincident with or next following the date you satisfy the eligibility conditions, if any.

### **What happens to my Plan eligibility if I terminate my employment and am later rehired?**

Once you satisfy the eligibility requirements and enter the plan, you will continue to participate while you are still employed by the Employer, even if you have a break in eligibility service. A break in eligibility service occurs if you do not work more than 500 hours. If you had not yet satisfied the eligibility requirements and had a break in eligibility service, periods before your break in service will not be taken into account and you will have to satisfy the eligibility requirements following your break in service. Periods during which you have a break in eligibility service will not count against you if you were absent because you were pregnant, had a child or adopted a child, were serving in the military, or provided service during a national emergency and re-employment is protected under federal or state law, and you return to employment within the time required by law.

If you had met the eligibility requirements and were a Participant in the Plan before terminating employment or having a break in service, and are later rehired, you will enter the Plan immediately. If you were not a Participant before the break in eligibility service, and are rehired, you will need to again satisfy the Plan's eligibility requirement.

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## **CONTRIBUTIONS (& VESTING)**

### **What amount can I contribute to the Plan?**

#### Employee Deferrals

You will be able to contribute a portion of your Compensation as a pre-tax Deferral once you have met the eligibility requirements and enter the Plan. The maximum dollar amount that you can contribute to the Plan each year is \$17,000 (for 2012) and includes contributions you make to other deferral plans. (e.g., other 401(k) plans, salary deferral SEP plans, 403(b) tax-sheltered annuity plans, etc.). This amount will increase as the cost of living increases. Your Employer may further limit the amount that you can contribute to the Plan to help the Plan satisfy certain nondiscrimination requirements. Your Employer will notify you if you are a Highly Compensated Employee, subject to any additional limits. Deferrals (and the related earnings) are always fully vested and cannot be forfeited. So if you were to leave your Employer, you would be entitled to the full Deferral balance (plus earnings).

#### Catch-up Contributions

If you are eligible to make Deferrals and you turn age 50 before the end of any calendar year, you may defer up to an extra \$5,500 each year (for 2012) into the Plan as a pre-tax contribution once you meet certain Plan limits. The maximum catch-up amount may increase as the cost of living increases.

These catch-up contributions will be eligible for Matching Contributions from your Employer. Catch-up contributions (and the related earnings) are considered Deferrals and are always fully vested. So if you were to leave your Employer, you would be entitled to the full catch-up balance (plus earnings).

### **How do I start making contributions?**

To begin deferring a portion of your Compensation into the Plan, you must follow the procedures established by your Employer.

### **What if I don't make a specific election to contribute some of my Compensation into the Plan?**

You are not required to defer a portion of your Compensation into the Plan. If you elect 0% or you simply fail to follow the procedures established by your Employer, you will not be enrolled in the Plan as a deferring Participant (i.e., 0% of your Compensation will be deferred into the Plan).

### **Can I change my contribution rate or stop making Deferrals after I start participating in the Plan?**

You may change the amount you are deferring into the Plan or stop making Deferrals altogether at the times determined by your Employer.

If you decide to stop making Deferrals to the Plan, you may choose to begin deferring again also at the times determined by your Employer.

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**What if I contribute too much to the Plan?**

If you contribute too much to the Plan as a Deferral, you must take the excess amount (plus any earnings on the excess) out of the Plan by April 15 of the year following the year the money was contributed to the Plan. You must notify your Employer, in writing, of the excess amount by March 1 and request that it be removed. The excess amount is taxable to you in the year you contributed it to the Plan. If you do not remove it by the deadline, additional taxes will apply.

If you are a Highly Compensated Employee, the Deferrals that you and all other Highly Compensated Employees contribute to the Plan will be compared with the Deferrals of employees who are not highly compensated. If Deferrals of the Highly Compensated Employees exceed certain limits, a portion of your Deferrals may be returned to you. Your Employer will notify you if you are affected by these rules.

**If I make Plan contributions, will my Employer match any of those contributions?**

Each year that you contribute a portion of your Compensation into the Plan as an Elective Deferral your Employer may make a contribution to the Plan as a Matching Contribution on your behalf. The amount of the Matching Contribution, if any, will be determined each year by your Employer.

**Will my Employer make Profit Sharing Contributions to the Plan?**

The Employer may make Profit Sharing Contributions to the Plan in the years and in the amounts determined each year by the managing body of your Employer.

To qualify to receive a Profit Sharing Contribution, you must satisfy the eligibility requirements for Profit Sharing Contributions and must also work 1000 hours of service during the Plan Year and be employed on the last day of the Plan Year.

The hours of service requirement will not apply, however, if any of the following occur.

- You die.
- You terminate employment after becoming Disabled.
- You terminate employment after reaching age 65.

The last day requirement will not apply, however, if any of the following occur.

- You die.
- You terminate employment after becoming Disabled.
- You terminate employment after reaching age 65.

The Profit Sharing Contribution made by the Employer will be allocated using a pro rata formula. Under this formula the Employer's contribution is divided among all eligible Plan Participants based on their Compensation as compared to all eligible

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Participants' Compensation.

**Will my Employer make any other types of contributions to the Plan on my behalf?**

Qualified Nonelective Contributions

Your Employer may decide to make Qualified Nonelective Contributions to the Plan to satisfy special nondiscrimination rules which apply to the Plan. The amount of the Qualified Nonelective Contribution, if any, will be determined each year by your Employer's governing body. To qualify for a Qualified Nonelective Contribution, you must satisfy the eligibility requirements for Deferrals.

You will not receive Qualified Nonelective Contributions if you are a Highly Compensated Employee.

Qualified Matching Contributions

Your Employer may decide to make Qualified Matching Contributions to the Plan to satisfy special nondiscrimination rules which apply to the Plan. The amount of the Qualified Matching Contribution, if any, will be determined each year by your Employer's governing body. To qualify for a Qualified Matching Contribution, you must satisfy the eligibility requirements for a Matching Contribution and you must make Elective Deferrals to the Plan.

You will not receive Qualified Matching Contributions if you are a Highly Compensated Employee.

Top-Heavy Contributions

If more than 60 percent of the assets in the Plan are held by employees who are considered Key Employees, your Employer may need to make an additional contribution to this Plan for Participants who are not Key Employees.

**If I have money in other retirement plans, can I combine them with my dollars under this Plan?**

Rollovers

Your Employer may allow you to roll over dollars you have saved in other retirement arrangements into this Plan even though you have not met the eligibility requirements to participate in the Plan. Your Employer will provide you with the information to determine whether your prior plan balance is qualified to be rolled into this Plan.

The Plan will accept amounts directly rolled over from the prior plan to this Plan excluding Roth Deferrals if the prior plan was a:

- qualified retirement plan (e.g., 401(k) plan, profit sharing plan, money purchase pension plan, target benefit plan)
- government 457(b) plan
- Traditional IRA
- 403(b) annuity plan

Regardless of the above provisions, Nondeductible Employee Contributions may be rolled into this Plan from 403(b) annuity

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plans and Roth Deferrals may not.

The Plan will accept amounts indirectly rolled over from the prior plan to this Plan excluding Roth Deferrals if the prior plan was a:

- qualified retirement plan (e.g., 401(k) plan, profit sharing plan, money purchase pension plan, target benefit plan)
- 403(b) annuity plan
- government 457(b) plan
- Traditional IRA

Participants and/or beneficiaries who received 2009 RMDs and extended RMDs distributed for 2009 were allowed to roll those distributions over into this plan in accordance with the rollover contributions rules listed above.

Rollover contributions are always 100 percent vested and nonforfeitable.

**Are there any limits on how much can be contributed for me?**

In addition to the Deferral limit described previously, you may not have total contributions of more than \$50,000 each year (for 2012) or an amount equal to 100% of your Compensation, whichever is less, allocated to the Plan for your benefit each year. The \$50,000 limit will be increased as the cost of living increases.

**Will contributions be made for me if I am called to military service?**

If you are reemployed by your Employer after completing military service, you may be entitled to receive certain make-up contributions from your Employer.

Since the Plan permits Deferrals, you may also have the option of making up missed employee contributions and receiving a Matching Contribution on these contributions.

If you are reemployed after military service, contact your Plan Administrator for more information about your options under the Uniformed Services Employment and Reemployment Rights Act (USERRA) of 1994.

**Will I be able to keep my Employer contributions if I terminate employment or am no longer eligible to participate in the Plan?**

Employer Profit Sharing Contributions and Matching Contributions are subject to a vesting schedule and could be forfeited if you terminate your employment. You will earn the right to a greater portion of your Employer Profit Sharing and Matching Contributions the longer you work for your Employer. Generally, all of your years of service with the Employer count toward determining your vested percentage.

However, you must work at least 1000 hours during each Plan Year to earn a year of vesting service.

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The following vesting schedule applies to Profit Sharing and Matching Contributions.

YEARS OF VESTING SERVICE	VESTED PERCENTAGE
Less than One	0%
1	0%
2	20%
3	40%
4	60%
5	80%
6	100%

Example: You have worked for your Employer four years and have received Employer Contributions of \$1,000. You terminate employment and request a distribution of your Employer Contributions. Because you have four years of vesting service, you will receive 60% or \$600.

Although your Employer has adopted a vesting schedule, your balance will become 100 percent vested when:

- you reach age 65
- the Plan is terminated or contributions to the Plan are discontinued
- you die
- you incur a disability

Like the amounts that you contribute to the Plan as Deferrals, Qualified Nonelective Contributions and Qualified Matching Contributions that you receive from your Employer will always be 100 percent vested and cannot be forfeited, even if you terminate employment or become ineligible to participate in the Plan.

For Plan Years beginning after December 31, 2006 until the vesting schedule was amended to reflect the current vesting described above, Profit Sharing Contributions are subject to a vesting schedule and could be forfeited if you terminate your employment. You will earn the right to a greater portion of your Profit Sharing Contributions the longer you work for your Employer.

The following vesting schedule applied to Profit Sharing Contributions you received during the time period identified in the previous paragraph.

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YEARS OF VESTING SERVICE	VESTED PERCENTAGE
Less than One	0%
1	0%
2	20%
3	40%
4	60%
5	80%
6	100%

Example: You have worked for your Employer four years and have received Profit Sharing Contributions of \$1,000. You terminate employment and request a distribution of your Employer Profit Sharing Contributions. Because you have four years of vesting service, you will receive 60% or \$600.

**What happens to my nonvested percentage if I terminate employment?**

If you terminate employment, you will always retain the right to the vested portion of your Plan balance. If you do not take a distribution, the nonvested portion of your Plan balance will be placed in a suspense account, and will be restored to you if you are rehired before five breaks in vesting service have occurred. To avoid a break in vesting service you must have worked more than 500 hours during any Plan Year.

If you decide to take a payout of the entire vested portion of your balance, your nonvested portion will be forfeited and may be used to pay the Plan's administrative expenses.

Forfeitures may also be used to reduce future Employer contributions to the Plan.

If you are rehired before five breaks in vesting service occur, your forfeited amount will be restored if you repay to the Plan the full amount of your payout.

## **INVESTING YOUR PLAN ACCOUNT**

**What investments are permitted?**

Your Employer (or someone appointed by your Employer) will select a list of investments that will be available under the Plan. The list of Plan investments will change from time to time as your Employer considers appropriate investment alternatives.

You should carefully review the prospectus or other available information before making your investment selections.

Life insurance will not be available under the Plan.

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**Who is responsible for selecting the investments for my account under the Plan?**

You must choose from the list of investments selected by your Employer. Your Employer will establish administrative procedures that you must follow to select your investments. Contact your Employer if you are not certain whether a particular investment is permitted under the Plan. If you do not select investments for your Plan account, the Employer will determine how your account will be invested.

Your Employer intends to operate this Plan in compliance with Section 404(c) of the Employee Retirement Income Security Act (ERISA), and Title 29 of the Code of Federal Regulations Section 2550.404c-1. This means that your Employer and others in charge of the Plan will not be responsible for any losses that result from investment instructions given by you or your beneficiary.

**How frequently can I change my investment elections?**

You may change your investment selections at times designated by your Employer.

**What if my account contains publicly traded employer stock?**

For Plan Years beginning on or after January 1, 2007, if applicable, you were able to change your investments in employer stock held within your account. This rule allows you to invest your account in a broader range of investments that are offered by your Employer, which may help you to increase your earnings and/or lessen your risk. If the Plan previously placed restrictions on selling the employer stock held in your account, please review the "Notice of Right to Diversify Employer Securities" you previously received or ask your Employer for a copy if you did not previously receive one. If you have additional questions, please ask your Employer for more information.

**WITHDRAWING MONEY FROM THE PLAN (& LOANS)****Can I withdraw from the Plan while I am still employed?**In-Service Distributions

You may request a distribution at any time from the following accounts within your Plan.

- Rollover Contributions

You may request a distribution from your Transfer Contributions at the same times your Profit Sharing Contributions are available for withdrawal.

If no Profit Sharing distribution events are indicated, Transfer Contributions will be available when the participant terminates employment and has attained normal retirement age (or early retirement age conditions, if applicable) or the Plan is terminated.

You may take a payout of your pre-tax Deferrals while you are still employed but only after you reach age 59.5.

You may request a distribution from your Plan account if you become Disabled.

You may request a distribution of Matching and Profit Sharing Contributions as indicated below, even if you are still employed by the Employer.

	<b>Matching Contributions</b>	<b>Employer Profit Sharing Contributions</b>
When you reach age 59½.	X	X
When you reach age 65.	X	X
If you are eligible to receive an in-service withdrawal, you may take _____ in-service withdrawal(s) while you are still employed by the Employer.	unlimited	unlimited

Effective 02/15/2012, if you are on active duty in the uniformed services for a period of more than 30 days, you may elect to take a distribution of your Deferrals from the Plan without severing from employment with your Employer. However, if you choose to take distributions under this provision, you will not be permitted to make Deferrals or Employee contributions to the Plan during the six-month period beginning on the date of the distribution.

You may be able to take a penalty-free distribution from your Deferrals if you were called to active military duty after September 11, 2001. In order to qualify for these penalty-free distributions, you must have been ordered or called to active duty for a period of at least 180 days or an indefinite period and your distribution must have been taken after you were called to duty and before your active duty ended.

Hardship

If you have a financial hardship, you may take a distribution from your pre-tax Deferral Contributions.

You may also take a hardship distribution from your Matching and Profit Sharing Contributions.

The types of expenses that would qualify for a hardship distribution include

- medical expenses for you, your spouse or your dependents,
- payment to purchase your principal residence,
- tuition and education-related expenses for you, your spouse or your dependents,
- payments to prevent eviction from your principal residence,
- funeral expenses for your parent, your spouse or your dependents,
- payments to repair your principal residence that would qualify for a casualty loss deduction.

Before you take a hardship distribution, you must take all other distributions and all nontaxable loans available to you under the

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Plan. If you take a hardship distribution of Deferrals, you will not be eligible to make Deferrals for the next six months. If you are under age 59½, the amount you take out of the Plan as a hardship distribution will be subject to a 10 percent penalty.

**What money is available once I terminate my employment?**

Once you are no longer working for the Employer, you may take a payout of the vested portion of all of the following types of contributions to the Plan.

- Deferrals
- Qualified Nonelective Contributions
- Qualified Matching Contributions
- Employer contributions
- Transfers
- Rollovers

**How do I request a payout?**

You must follow the procedures established by your Employer.

If you are taking a hardship distribution, you must provide documents to verify that you have a hardship event that qualifies for a Plan distribution.

If you die, become Disabled, or reach age 65 and you qualify for and request a distribution, your distribution will begin as soon as administratively feasible after the date you (or your beneficiary in the case of your death) request a distribution.

If you terminate your employment and you qualify for and request a distribution, your distribution will begin as soon as administratively feasible after the date you (or your beneficiary in the case of your death) request a distribution.

**If I am married, does my spouse have the right to approve my distributions from the Plan?**

You are not required to get consent from your spouse in order to take a payout or loan from the Plan.

**How will my money be distributed to me if I request a payout from the Plan?**

If your vested account balance is more than \$1,000, you may choose from the following options for your payout.

- Lump sum
- Partial payments

If your balance is less than \$1,000, and you do not tell your Employer what to do with your Plan balance (e.g. roll it over to an

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individual retirement account (IRA)), you must take your payout in the form of a lump sum.

**Do any penalties or restrictions apply to my payouts?**

Generally, if you take a payout from the Plan before you are age 59½, a 10 percent early distribution penalty will apply to the taxable portion of your payout. There are some exceptions to the 10 percent penalty. Your tax adviser can assist you in determining whether you qualify for a penalty exception.

If your payout is eligible to be rolled over, 20 percent of the payout will be withheld and remitted to the IRS as a credit toward the taxes you will owe on the payout amount.

EXAMPLE: You request a \$10,000 payout from your Plan balance. If the amount is eligible to be rolled over to another plan, but you choose not to roll it over, you will receive \$8,000 and \$2,000 will be remitted to the IRS.

**Can I take a loan from the Plan?**

Although the Plan is designed primarily to help you save for retirement, you may take a loan from the Plan as outlined below.

You will be permitted to have only one loan outstanding at any time and the maximum loan amount available to you will be \$50,000 or one-half of your vested balance in the plan, whichever is less.

A portion of your remaining Plan balance will be pledged as security for your loan. No loans will be issued for less than \$1000.

**How do I apply for a loan?**

To apply for a loan you must complete and submit the loan application provided (or approved) by your Employer and pay any applicable loan fees.

Your Employer will administer the loan program and will consider the vested portion of your account when reviewing your loan request.

The interest rate for your loan will be computed using the prime rate (as specified in the Wall Street Journal) plus 1%.

**What if I don't repay my loan?**

You will be required to repay the loan amount (plus interest) to the Plan. If you default on the loan, you will be taxed on the amount of the outstanding loan balance and will be subject to a 10 percent penalty if you are under age 59½. In addition, your Employer has the right to foreclose its security interest in the portion of your vested account under the Plan that you pledged as security for the loan, when an event allowing a Plan distribution occurs. The following events will cause a loan default:

- Not repaying your loan as set forth in your loan agreement.
- Breaching any of your obligations under your loan agreement.

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If you terminate employment while you have a loan, you must generally repay the loan immediately to avoid a loan default.

**What if I die before receiving all of my money from the Plan?**

If you die before taking all of your assets from the Plan, the remaining balance will be paid to your designated beneficiary. If you do not name a beneficiary and you are married, your spouse will be your beneficiary. If you do not name a beneficiary and you are not married, your remaining balance in the Plan will be paid to your estate.

To designate your beneficiary, you must follow the procedures established by your Employer. If you are married and decide to name someone other than your spouse as your beneficiary, your spouse must consent in writing to your designation. It is important to review your designation from time to time and update it if your circumstances change (e.g., a divorce, death of a named beneficiary).

**What happens to my benefits if I die?**

The Plan will permit your beneficiary to directly roll over their portion of the individual account to an inherited individual retirement arrangement (IRA). Such a distribution must otherwise qualify as a distribution that is eligible to roll over.

Effective beginning 2009, if you are a beneficiary using the five-year rule for distributions of your benefits, 2009 does not count toward determining the end of the five-year period. For example, if the participant died in 2007, you will have until December 31, 2013, instead of December 31, 2012, to deplete your account under the Plan.

**How long can I leave the money in my Plan?**

How long you can leave your money in the Plan varies depending on your Plan balance and whether you are still employed.

Balance of \$1,000 or less

If your vested balance at the time you terminate from employment is \$1,000 or less, you must take it out of the Plan when you terminate employment. If you do not tell your Employer what to do with your Plan balance (e.g., roll it over to an individual retirement account (IRA)), your Employer will distribute your Plan balance as a lump sum.

Balance greater than \$1,000

If your balance is greater than \$1,000, even if you terminate service, you are not required to take a payout from the Plan until the age 70½ required distribution rules apply to you.

Rollover Contributions will be included in determining your balance for these purposes.

Age 70½ Required Distributions

When you reach age 70½ and separate from service, you will need to begin taking a portion of your balance out of the Plan each year. If you are more than a 5% owner of the Employer, you will need to begin taking payments at age 70½ even if you are still employed.

Effective for 2009, you may have chosen whether or not to take your required minimum distribution for 2009. If you did not

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make that choice, the Employer retained that amount within the Plan.

Effective for 2009, you may have chosen to roll over your 2009 and/or extended 2009 required minimum distribution to another eligible retirement arrangement.

**What if the Plan is terminated?**

If the Plan is terminated, you will be required to take your entire account balance from the Plan.

## **ADMINISTRATIVE INFORMATION & RIGHTS UNDER ERISA**

**Who established the Plan?**

The official name of the Plan is Waco, Inc. 401(k) Retirement & Savings Plan

The Employer who adopted the Plan is:

Waco, Inc.  
5450 Lewis Road  
Sandston, VA 23150  
804-222-8440  
Federal Tax Identification Number: 54-0720555  
Fiscal Year End: 12/31

Your Employer has assigned Number 004 to the Plan.

Additional Employers that share common ownership with your Employer may also adopt the Plan. You may obtain a complete list of other Employers adopting the Plan by submitting a written request to your Employer.

The Plan trustee is:

Frontier Trust Company  
Trustee  
1126 Westrac Drive, Fargo, ND 58103  
701-234-0207

The Plan is a 401(k) defined contribution plan, which means that contributions to the Plan made on your behalf (and earnings) will be separately accounted for within the Plan.

**When did the Plan become effective?**

Your Employer has amended and restated Waco, Inc. 401(k) Retirement & Savings Plan which was originally adopted 05/01/1989. The effective date of this amended Plan is 02/15/2012.

Although the Plan is generally effective on 02/15/2012, you may begin contributing a portion of your Compensation into the Plan as pre-tax Deferrals no earlier than the date of your deferral election.

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**Who is responsible for the day-to-day operations of the Plan?**

Your Employer is responsible for the day-to-day administration of the Plan. To assist in operating the Plan efficiently and accurately, your Employer may appoint others to act on its behalf or to perform certain functions.

**Who pays the expenses associated with operating the Plan?**

All reasonable Plan administration expenses including those involved in retaining necessary professional assistance, may be paid from the assets of the Plan. These expenses may be allocated among you and all other Plan Participants or, for expenses directly related to you, charged against your account balance. Examples of expenses that may be directly related to you include, general recordkeeping fees and expenses related to processing your distributions or loans (if applicable), qualified domestic relations orders, and your ability to direct the investment of your Plan balance, if applicable. Finally, the Employer may, in its discretion, pay any or all of these expenses. For example, the Employer may pay expenses for current employees, but may deduct the expenses of former employees directly from their accounts. Your Employer will provide you with a summary of all Plan expenses and the method of payment of the expenses upon request.

**Does my Employer have the right to change the Plan?**

The Plan will be amended from time to time to incorporate changes required by the law and regulations governing retirement plans. Your Employer also has the right to amend the Plan to add new features or to change or eliminate various provisions. The Employer cannot amend the Plan to take away or reduce protected benefits under the Plan (e.g., the Employer cannot reduce the vesting percentage that applies to your current balance in the Plan).

**Does participation in the Plan provide any legal rights regarding my employment?**

The Plan does not intend to, and does not provide, any additional rights to employment or constitute a contract for employment. This purpose of the Summary Plan Description is to help you understand how the Plan operates and the benefits available to you under the Plan. The Plan document is the controlling legal document with respect to the operation of and rights granted under the Plan and if there are any inconsistencies between this Summary Plan Description and the Plan document, the Plan document will be followed.

**Can creditors or other individuals request a payout from my Plan balance?**

Creditors (other than the IRS) and others generally may not request a distribution from your Plan balance. One major exception to this rule is that your Employer may distribute or reallocate your benefits in response to a qualified domestic relations order. A qualified domestic relations order is an order or decree issued by a court that requires you to pay child support or alimony or to give a portion of your Plan account to an ex-spouse or legally separated spouse. Your Employer will review the order to ensure that it meets certain criteria before any money is paid from your account. You (or your beneficiary) may obtain, at no charge, a copy of the procedures your Employer will use for reviewing and qualifying domestic relations orders.

**How do I file a claim?**

To claim a benefit that you are entitled to under the Plan, you must file a written request with your Employer. The claim must set forth the reasons you believe you are eligible to receive benefits and you must authorize the Employer to conduct any necessary examinations and take the steps to evaluate the claim.

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**What if my claim is denied?**

Except as described below, if your claim is denied, your Employer will provide you (or your beneficiary) with a written notice of the denial within 90 days of the date your claim was filed. This notice will give you the specific reasons for the denial, the specific provisions of the Plan upon which the denial is based, and an explanation of the procedures for appeal.

In the case of a claim for disability benefits, if the Employer is making a determination of whether you are Disabled, you will be notified of a denial of your claim within a reasonable amount of time, but not later than 45 days after the Plan receives your claim. The 45-day time period may be extended by the Plan for up to 30 days if the Employer determines that an extension is necessary due to matters beyond the control of the Plan. The Employer will notify you, before the end of the 45-day period, of the reason(s) for the extension and the date by which the Plan expects to make a decision regarding your claim.

If, before the end of the 30-day extension, your Employer determines that, due to matters beyond the control of the Plan, a decision regarding your claim cannot be made within the 30-day extension, the period for making the decision may be extended for an additional 30 days, provided that your Employer notifies you, before the end of the first 30-day extension, of the circumstances requiring the additional extension and the date as of which the Plan expects to make a decision. The notice will specifically explain the standards on which the approval of your claim will be based, the unresolved issues that prevent a decision on your claim, and the additional information needed to resolve those issues. You will have at least 45 days within which to provide the specified information.

The period of time within which approval or denial of your claim is required to be made generally begins at the time your claim is filed. If the period of time is extended because you fail to submit information necessary to decide your claim, the period for approving or denying your claim will not include the period of time between the date on which the notification of the extension is sent to you and the date on which you provide the additional information.

Your Employer will provide you with written or electronic notification if your claim is denied. The notification will provide the following:

- i. The specific reason or reasons for the denial;
- ii. Reference to the specific section of the Plan on which the denial is based;
- iii. A description of any additional information that you must provide before the claim may continue to be processed and an explanation of why such information is necessary;
- iv. A description of the Plan's review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under Section 502(a) of the Employee Retirement Income Security Act (ERISA) following a claim denial on review; and
- v. In the case of a Plan providing disability benefits, if your Employer used an internal rule or guideline in denying your claim, either 1) the specific rule or guideline, or a statement that the rule or guideline was relied upon in denying your claim, and that 2) a copy of the rule or guideline will be provided free of charge to you upon request.

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If the claim denial is based on a medical necessity, experimental treatment, or similar situation, either an explanation of the scientific or clinical basis for the denial, applying the terms of the Plan to your medical circumstances, or a statement that an explanation will be provided free of charge upon request.

**May I appeal the decision of the Employer?**

You or your beneficiary will have 60 days from the date you receive the notice of claim denial in which to appeal your Employer's decision. You may request that the review be in the nature of a hearing and an attorney may represent you.

However, in the case of a claim for disability benefits, if your Employer is deciding whether you are Disabled under the terms of the Plan, you will have at least 180 days following receipt of notification of a claim denial within which to appeal your Employer's decision.

You may submit written comments, documents, records, and other information relating to your claim. In addition, you will be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information pertaining to your claim.

Your appeal will take into account all comments, documents, records, and other information submitted by you relating to the claim, even if the information was not included originally.

If the claim is for disability benefits:

- i. Your claim will be reviewed independent of your original claim and will be conducted by a named fiduciary of the Plan other than the individual who denied your original claim or any of his or her employees.
- ii. In deciding an appeal of a claim denial that is based in whole or in part on a medical judgment, the appropriate named fiduciary will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment;
- iii. Your Employer will provide you with the name(s) of the health care professional(s) who was consulted in connection with your original claim, even if the claim denial was not based on his or her advice. The health care professional consulted for purposes of your appeal will not be the same person or any of his or her employees.
- iv. You will be notified of the outcome of your appeal no later than 45 days after receipt of your request for the appeal, unless the Employer determines that special circumstances require an extension of time for processing the claim. If your Employer determines that an extension is required, written notice of the extension will be provided to you before the end of the initial 45-day period. The notice will identify the special circumstances requiring an extension and the date by which the Plan expects to make a decision regarding your claim.

Your Employer will provide you with written or electronic notification of the final outcome of your claim. The notification will include:

- i. A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;

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ii. A statement describing any additional voluntary appeal procedures offered by the Plan, your right to obtain the information about such procedures, and a statement of your right to bring an action under Section 502(a) of ERISA; and

iii. If the Employer used an internal rule or guideline in denying your claim, either 1) the specific rule or guideline, or a statement that the rule or guideline was relied upon in denying your claim, and 2) that a copy of the rule or guideline will be provided free of charge to you upon request.

If the claim denial is based on a medical necessity, experimental treatment, or similar situation, either an explanation of the scientific or clinical basis for the denial, applying the terms of the Plan to your medical circumstances, or a statement that an explanation will be provided free of charge upon request.

**If I need to take legal action with respect to the Plan, who is the agent for service of legal process?**

The person who can be served with legal papers regarding the Plan is:

Daniel M. Walker  
5450 Lewis Road, Sandston, VA 23150

Your Employer and the Plan trustee are also agents for service of legal process.

**If the Plan terminates, does the federal government insure my benefits under the plan?**

If the Plan terminates, you will become fully vested in your entire balance under the Plan, even though you would not otherwise have a sufficient number of years of vesting service to be 100 percent vested in your balance. You will be entitled to take your entire balance from the Plan following termination.

The type of plan in which you participate is not insured by the Pension Benefit Guarantee Corporation, the government agency that insures certain pension plan benefits upon plan termination.

**What are my legal rights and protections with respect to the Plan?**

As a Participant in this Plan, you are entitled to certain rights and protections under ERISA. ERISA provides that all Plan Participants shall be entitled to do the following:

Receive Information About Your Plan and Benefits

1. Examine, without charge, at the Employer's office and at other specified locations, such as worksites and union halls, all Plan documents governing the Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

2. Obtain, upon request to the Employer, copies of documents governing the operations of the Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated Summary Plan Description (SPD). The Employer may charge a reasonable fee for the copies.

3. Receive a summary of the Plan's annual financial report. The Employer is required by law to furnish each Participant with a

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copy of this Summary Annual Report.

4. Obtain, once a year, a statement of the total pension benefits accrued and the vested pension benefits (if any) or the earliest date on which benefits will become vested. The Plan may require a written request for this statement, but it must provide the statement free of charge.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan Participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan Participants and beneficiaries. No one, including your Employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules. Under ERISA, there are steps you may take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Employer to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Employer. If you have a claim for benefits which is denied, or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in Federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay the costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if the court finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about your Plan, you should contact the Employer. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Employer, you should contact the nearest area office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Further, if this Plan is maintained by more than one Employer, you may obtain a complete list of all such Employers by making a written request to your Employer.

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## DEFINITIONS

**Compensation** – The definition of Compensation under the Plan can vary depending upon the purpose (e.g., allocations, nondiscrimination testing, deductions).

In general, the amount of your earnings from your Employer taken into account under the Plan is all earnings reported to you on Form W-2. Compensation will include amounts that are not included in your taxable income that were deferred under a cafeteria plan, a 401(k) plan, a salary deferral SEP plan, a 403(b) tax-sheltered annuity plan, a 457(b) deferred compensation plan of a state or local government or tax-exempt employer, or transportation fringe benefits that you receive.

The definition of Compensation used under the Plan has been further adjusted to exclude the following amounts.

- Vehicle expenses, section 125, life insurance premiums and taxable health insurance premiums will not be considered Compensation.
- Amounts deemed to be compensation that relate to an automatic enrollment cafeteria plan where you fail to provide proof of insurance will be excluded when determining your Compensation.

If you receive payments from your Employer within 2 ½ months after severing your employment, any regular pay for services you performed prior to severance will be included in Compensation. Other post-severance payments will affect your Compensation as described below.

- Unused accrued sick, vacation or other leave that you are entitled to cash out will be excluded from Compensation.
- Amounts received under a nonqualified unfunded deferred compensation program will be excluded from Compensation.

Effective 02/15/2012, if your Employer chooses to provide differential pay to you while you are on active duty with the uniformed services for a period of more than 30 days, the pay will be considered additional Compensation paid to you for purposes of determining Plan contributions. See your Plan Administrator to determine if your Employer provides differential pay.

The measuring period for Compensation will be the Plan Year.

The maximum amount of Compensation that will be taken into account under the Plan is \$250,000 (for 2012). This amount increases as the cost of living rises.

**Deferrals** – Deferrals are the dollars you choose to contribute to the Plan through payroll deduction on pre-tax basis.

**Disabled** – You will be considered Disabled if you cannot engage in any substantial, gainful activity because of a medically

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determined physical or mental impairment that is expected to last at least 12 months.

**Employer** – The Employer is Waco, Inc. and other businesses sharing common ownership who choose to adopt the Plan. Your Employer will also serve as the Plan Administrator, as defined in ERISA, who is responsible for the day to day operations and decisions regarding the Plan, unless a separate Plan Administrator is appointed for all or some of the plan responsibilities. The term Employer, as used in this Summary Plan Description, will also mean Plan Administrator, as that term is used in ERISA.

**Highly Compensated Employee** – A Highly Compensated Employee is any employee who

1. was a five percent owner at any time during the year or the previous year, or
2. for the previous year had Compensation from the Employer greater than \$115,000 (for 2012).

The \$115,000 threshold is increased as the cost of living rises.

**Hour of Service** – An Hour of Service, for purposes of determining Plan eligibility, vesting and eligibility to receive Employer contributions will be based on actual hours for which you are entitled to pay.

**Key Employees** – Any employee in the current year or previous year who is

1. an officer of the Employer whose annual Compensation is greater than \$165,000 (for 2012),
2. a five percent owner of the Employer, or
3. a one-percent owner of the Employer who has Compensation of more than \$150,000

will be classified as a Key Employee. The \$165,000 threshold for officers increases periodically as the cost of living rises.

**Matching Contribution** – Your Employer may make Matching Contributions to the Plan based on the amount of Deferrals you contribute to the Plan.

**Participant** – An employee of the Employer who has satisfied the eligibility requirements and entered the Plan.

**Plan** – Waco, Inc. 401(k) Retirement & Savings Plan is the Plan described in this Summary Plan Description.

**Plan Administrator** – Your Employer is responsible for the day-to-day administration of the Plan. To assist in operating the Plan efficiently and accurately, your Employer may appoint others to act on its behalf or to perform certain functions.

**Plan Year** – The calendar year will serve as the Plan Year.

**Profit Sharing Contribution** – Your Employer may choose to make Profit Sharing Contributions for Participants who meet

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the Profit Sharing Contribution eligibility requirements. Your eligibility to receive Profit Sharing Contributions is not dependent upon whether you make Deferrals.

**Qualified Matching Contribution** – Your Employer may make Qualified Matching Contributions to satisfy certain nondiscrimination tests that apply to the Plan. These contributions are discretionary and are 100 percent vested when made.

**Qualified Nonelective Contribution** – Your Employer may make Qualified Nonelective Contributions to satisfy certain nondiscrimination tests that apply to the Plan. These contributions are discretionary and are 100 percent vested when made.