

## ALLEGIANT MANAGEMENT 401(k) SAVINGS PLAN

The 401(k) Plan for Employees Is . . .

**Affordable - Flexible - Efficient**

and **BEST OF ALL**, it saves you taxes.

The term “401(k)” refers to a special kind of qualified savings plan named for a section of the Internal Revenue Code which allows for a “cash or deferred arrangement” type of retirement plan. In plain language, a 401(k) is a savings plan established by an employer, which allows employees to contribute and accumulate savings on a tax-favored basis. The Plan allows employees to save for retirement by using systematic payroll deductions on a pretax basis, which reduces their taxable income during working years to build for retirement. 401(K) Plans are designed to be long term savings plans and are significantly different from a regular savings account. Once a 401(k) account is started, it can only be terminated due to the following reasons: **Employment Termination, Retirement, Total Disability, or upon Death.** Therefore, all amounts contributed to a 401(k) Plan, should be viewed strictly as savings for retirement.

The New England Mutual Insurance Company, of Boston, Massachusetts, manages the Allegiant Management 401(k) Plan assets. **The New England** has more than 50 years of pension experience and is one of the countries largest money managers, administering over 20,000 pensions plans and managing over \$60 billion in total assets. **The New England** has been acknowledged for it’s superior financial condition and operating performance by A. M. Best Company with a rating of A+ (Superior) and by Standard & Poor’s with a rating of AA- (Excellent).

### EMPLOYEE CONTRIBUTIONS:

Participation is strictly voluntary and all contributions must be made by payroll deduction. Contributions are not subject to Federal or State income taxes except in New Jersey and Pennsylvania. All 401(k) contributions, however, are subject to Social Security taxes (FICA). The Allegiant Management 401(k) Plan is non-contributory, meaning Allegiant Management or the Client Company contributes no matching funds. Therefore, all funds and accumulated interest are 100% vested or owned by the employee.

All eligible employees may elect to contribute between 1% to 20% of their annual earnings. **The maximum amount that can be contributed for 2002 is \$11,000.00.** This amount is usually increased every other year. Employees who earn more than \$85,000.00 are considered highly compensated and may be limited to investing less than the maximum amount based upon non-discrimination testing results.

Employees may change the amount they contribute four times a year: **January 1st, April 1st, July 1st, and October 1st.** A Change Form must be completed with The Plan Administrator prior to the start of the quarter. Contributions may be stopped at any point in time by contacting The Plan Administrator. Contributions stopped voluntarily may be resumed on the first day of any following quarter.

### ROLLOVER CONTRIBUTIONS:

Rollover from a former employer’s retirement plan will be accepted into the Plan at any point in time. This means that rollovers can be made at any time of the year and even before the individual is eligible to participate in the Plan. Only certain types of IRA accounts may be rolled into the 401(k) Plan.

### EMPLOYEE ELIGIBILITY REQUIREMENT ARE AS FOLLOWS:

- **Must have attained the age of 21 years.**
- **Must have completed 6 months of service with Allegiant.**

Both full and part time employees, working 17 hours or more per week, are eligible to participate. New enrollees in The Plan will begin participation on the first day of the next calendar quarter after satisfying the eligibility requirements. There is an annual administration fee of \$32.00, which will be deducted by **The New England** from each participant in The Plan. There is also a \$20.00 check charge each time The New England processes a distribution check such as a loan or upon distribution of the account.

### INVESTMENT OPTIONS:

We realize that investment goals vary for each participant. Therefore, The Plan allows our employees the flexibility to move their account balance between ten (10) different investment options or to invest in all of the funds. The ten (10) investment options are: listed from most aggressive to most conservative.

**TEMPLETON FOREIGN FUND** - Seeks long-term capital growth by investing primarily in stocks of companies outside the US, but it may also invest in stock or debt obligations of any foreign company or government. While non-US stocks have sometimes produced higher returns than US stocks, they also carry considerable risks due to variables such as world events and currency fluctuation.

**JANUS WORLDWIDE ACCOUNT** - Seeks long-term growth of capital in a manner consistent with preservation of capital. Invests primarily in common stocks of foreign and domestic issuers.

### **WARBURG PINCUS CAPITAL APPRECIATION ACCOUNT** -

Seeks long-term capital appreciation by investing in a broadly diversified portfolio of equity securities of larger size domestic companies. The fund attempts to identify market sections and companies with the potential to outperform the overall market.

**ALGER EQUITY GROWTH ACCOUNT** - Seeks long-term capital appreciation. The fund is a diversified portfolio of equity securities, primarily of companies having a total market capitalization of 1 billion or more. The majority of companies in which the fund invests are traded on the domestic stock exchange or in the over-the-counter market.

**CGM CAPITAL GROWTH ACCOUNT** - Seeks long-term returns that are significantly greater than stocks indices such as the S & P 500 Stock Index. The account invests in a limited number of mostly common stocks that are believed to hold potential for major capital appreciation and superior or long term investment results.

**T. ROWE PRICE EQUITY INCOME NEF ACCOUNT** - Seeks to provide substantial dividend income and long-term capital appreciation. The fund invests primarily in dividend paying common stocks, usually of established companies, with favorable prospects for both increasing dividends and capital appreciation.

**WESTPEAK EQUITY SECURITIES ACCOUNT** - Seeks above average, long-term investment return from a combination of market appreciation and moderate current income. The fund invests in approximately 300-350 stocks of the S & P 500 Index using a conservative diversified portfolio structure.

**LOOMIS SAYLES BALANCED SECURITIES ACCOUNT** - Seeks reasonable long-term total returns through a combinations of capital growth and moderate current income. The fund invests in both stock and bonds with a heavier concentration of stocks during strong markets and a heavier concentration of bonds during market declines.

**LOOMIS SAYLES CORE BOND ACCOUNT** - Seeks an above average return from a combination of coupon income and capital growth. The fund is comprised of a variety of qualified fixed income securities with a wide range of maturities, including government bonds and marketable debt securities from well-established US Corporations.

**NEF MONEY MARKET ACCOUNT** - Seeks maximum current income consistent with the preservation of capital and liquidity. The account invests all its assets in the short term investment fund

of New England Financial, a managed portfolio of high quality money market instruments, most of which mature in less than one year. This includes US Government obligations, large denomination bank certificates of deposit, commercial paper and banker's acceptances.

**INVESTMENT CHANGES:**

Changes in investment elections may be made as often as each day by calling **The New England's 1-800 Participant Line**. You may change both where your existing account balance is invested or just where your future contributions will be invested.

**ACCOUNT BALANCE INFORMATION:**

Contributions are deducted weekly by Allegiant Management and forwarded to **The New England** at the end of each month. Each participant's account balance is updated daily by **The New England**. All participants will receive a quarterly statement showing their account balance, contributions, withdrawals or any other account activity that occurred over the previous three months. Participants may also check their account balance by using **The New England's 1-800 Participant Line, their Social Security Number, and assigned PIN # (Personal Identification Number)** issued by **The New England** to each participant. Participants may also use the **Participant Line** to transfer their funds, determine the amounts available for a loan, check investment funds performance, etc. The participant line is on-line at **www.ners401K.com**.

**401(K) TAX SAVINGS EXAMPLE:**

How does a 401(k) Plan works? Assume a participant earns \$30,000.00 a year and elects to put 8% into The Plan. Income taxes are paid on \$27,600.00 rather than \$30,000.00! If the same \$2,400.00 is put into a personal savings account on a non-tax favored basis, taxable income is not reduced. Saving an identical amount through 401(k) deferrals, actually increases SPENDABLE dollars by the amount of reduced income taxes. Participation in a 401(k) Plan can be more advantageous than the establishment of an IRA (Individual Retirement Account) because one can only contribute up to \$2,000.00 annually into an IRA Account.

	NO PLAN (After Tax)	401(K) PLAN
ANNUAL SALARY	\$30,000	\$30,000
401(K) DEFERRAL (8%)	0	2,400
GROSS TAXABLE WAGES	30,000	27,600
ESTIMATED INCOME TAX (21%)	6,300	5,796

ESTIMATED FICA TAX (7.65%)	2,295	2,295
TRADITIONAL AFTER TAX SAVINGS (8%)	2,400	0
SPENDABLE INCOME	\$19,005	\$19,509

While in The Plan, the earnings on contributions accumulate tax-free. No income tax is paid on this money until it is withdrawn.

**PLAN WITHDRAWALS:**

Your retirement account may only be withdrawn only in the event of **Retirement, Death, Disability, Termination of Employment or Financial Hardship**. The following reasons qualify as Financial Hardship and must be documented:

- A. Medical Expenses
- B. Purchase of Primary Residence
- C. College Tuition
- D. Prevention of Eviction from Primary Residence

Withdrawals due to Termination or Financial Hardships may also be subject to a 10% IRS penalty tax if the individual is below age 59 1/2 years of age.

Upon termination of employment, the account can either be rolled over into another employer's plan or IRA. The account may also be taken as a cash distribution, however, the law requires that 20% of the account balance be withheld and forwarded to the IRS as a tax payment. If the account balance is greater than \$5,000.00, the individual has the option of leaving the money in the Allegiant Management 401(k) Plan where it will continue tax-favored accumulations.

**PLAN LOANS:**

Plan loans are available to active participants who may borrow up to 50% of their vested account balance (maximum of \$50,000.00). The minimum loan amount is \$1,000.00. Loan payments must be made through payroll deduction and may be spread over a period of up to five (5) years. The interest rate is equal to the prime interest rate plus 1%. All interest payments made on the loan are actually paid back into the individual's account.

A loan may be considered in default if the participant terminates employment before the loan is repaid. Upon default, the participant may either repay the outstanding balance or take it as a cash distribution, subject to taxation and penalties. However, the individual can rollover the remaining account balance, on a tax deferred basis.

This brochure is designed to be a general summary of The Plan's features, any further questions should be directed to the Allegiant Management's 401(k) Plan Administrator.

**401 (K)**  
**“FOR YOUR FUTURE”**

**ALLEGiant**  
**MANAGEMENT CORPORATION**

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