

**FLEXIBLE BENEFITS PLAN SUMMARY PLAN DESCRIPTION FOR:
KONRADY PLASTICS, INC.**

**FLEXIBLE BENEFITS PLAN
EMPLOYER INFORMATION**

1)Name and Address of Employer: **KONRADY PLASTICS, INC.
DEB ARMSTRONG
1780 COPPES CT.
PORTAGE, IN 46368**

2)Employer's Telephone Number: **(219) 763-7001**

3)Employer's Federal Tax
Identification Number: **35-1501322**

4)Plan number assigned to cafeteria plan
(e.g., 501 if this is the first ERISA plan
number assigned) 501

5)Employer's Fiscal Year: **01/01-12/31**

6)Effective Date of Plan: **02/01/97**

7)Last Day of the First Plan Year: **12/31/97**
Subsequent Plan Years: **01/01-12/31**

8)Name and Address of the Plan
Administrator, if different
from the Employer: **SAME**

9)Name and Address of any
Trustee of the Plan: **NONE**

10)Name and Address of registered
agent for service of legal
process: **BERNARD W. KONRADY, JR.
PRESIDENT**

2520032031753

97MAR-6 PM 12:42

001-1000

01/1/95 version

11) Affiliated Employers which
will participate in the Plan:

12)Employer's Type of Business: **SUB S CORPORATION**

ELIGIBILITY

All Employees employed by the Employer shall be eligible to participate under the Plan except the following:

ENTRY DATE

An eligible Employee may become a Participant in the Plan:

- () Immediately, upon his first day of employment (but not prior to the Effective Date of the Plan,
- () On the day following commencement of employment,
- (**X**) On the first day of the month following **30** days of employment
- () OTHER

provided the Employee completes a Salary Redirection Agreement. However, eligibility for coverage under any given Benefit Plan or Policy shall be determined by the terms of that Benefit Plan or Policy, and reductions of the Employee's Compensation to pay Pre-tax or After-tax Premiums shall commence when the Employee becomes covered under the applicable Benefit Plan or Policy.

BENEFITS PROVIDED UNDER THE PLAN

The following Benefit Plans and Policies subject to the terms and conditions of the Plan are available for election by eligible Employees. The maximum a Participant can contribute via the Salary Redirection Agreement is the maximum aggregate cost of the Benefit Plans or Policies elected minus any Nonelective Contribution made by the Employer. It is intended that such Pre-tax Premium amounts shall, for tax purposes, constitute an Employer contribution, but may constitute Employee contributions for state insurance law purposes.

- (**X**) Group Medical Insurance.
- () Vision Care Insurance.
- (**X**) Disability Income-Short Term (A&S).
- (**X**) Cancer Insurance.
- () Accidental Death and Dismemberment.
- () Group Dental Coverage.
- () Group Term Life Insurance.
- (**X**) Disability Income-Long Term (LTD).
- () Intensive Care Insurance.
- (**X**) Accident Insurance
- (**X**) Hospital Indemnity Insurance (HIP)

THE FUNDING AGENT

The Employer selects the following Funding Agent for the Plan (check one):

The Employer, which will comply with the requirements of Section 7.02 of the Plan.

The Flexible Benefits Trust created concurrently with the execution of the Plan, which shall receive contributions under the Plan in accordance with Section 7.03 of the Plan.

ADMINISTRATIVE EXPENSES

Administrative Expenses incurred in operating the Plan shall be paid by (check one):

The Employer, except as otherwise noted in the Plan.

The Participants, except as otherwise noted in the Plan.

FLEXIBLE BENEFITS PLAN SUMMARY PLAN DESCRIPTION

Introduction

Your employer (the "Employer") is pleased to sponsor an employee benefit program known as a "Flexible Benefits Plan" (the "Plan") for you and your fellow employees. Under Federal tax laws, it is also known as a "cafeteria plan". It is so-called because it lets you choose from several different insurance and fringe benefit programs according to your individual needs. The Employer provides you with the opportunity to use pre-tax dollars to pay for them by entering into a salary redirection arrangement instead of a corresponding amount of your regular pay. This arrangement helps you because the benefits you elect are nontaxable; you save social security and income taxes on the amount of your salary redirection. Alternatively, you may choose to pay for any of the available benefits with after-tax contributions on a salary deduction basis.

This Summary Plan Description describes the basic features of the Plan, how it operates, and how you can get the maximum advantage from it. The booklet is only a summary of the key parts of the Plan, and a brief description of your rights as a participant. It is not a part of the official plan documents. If there is a conflict between them and this booklet, the plan documents will apply.

PART I

General Information about the Flexible Benefit Plan

Questions & Answers

I-1. What is the purpose of the Plan?

The purpose of the Plan is to allow eligible employees to use funds provided by the Employer through employee salary redirection, to choose (and pay for) one or more of the Benefit Plans or Policies offered through the Plan.

I-2. When did the Plan take effect?

The plan became effective on the date shown in the Employer Information Section.

I-3. Who can participate in the Plan?

Each employee of the Employer is eligible to participate in the Plan who meets the description of eligible Employee in the Employer Information Section.

Those employees who actually participate in the Plan are called "Participants". An employee continues to participate until he or she is no longer employed by the Employer, or Continuation Coverage (as described below) is no longer in effect.

I-4. What benefits are offered through the Plan?

The Plan permits you to pay for insurance and fringe benefit programs with pre-tax dollars through salary Redirection rather than regular pay. Alternatively, you can pay for the same benefits with after-tax dollars on a salary deduction basis. This Plan is commonly known as a premium only plan and operates solely as a funding-mechanism for other Benefit Plans or Policies.

I-5. How do I become a participant?

You become a Participant by signing an individual Salary Redirection Agreement on which you elect one or more of the benefits available under the Plan, as well as agree to a salary redirection to pay for those benefits so elected. You will be provided a Salary Redirection Agreement when you first become eligible to participate. You must complete the form and turn it in to the Personnel Office within the time period specified by the Plan Administrator. If you are eligible on the initial Effective Date of the Plan, you will be able to enter the Plan during the Initial Enrollment Period and shall become a Participant on the date set forth in the Employer Information Section. In future years, a new Salary Redirection Agreement will be made available to you by the first day of the Annual Enrollment Period, and you will be given the opportunity to confirm or change your choices made from the previous 12-month period for the coming 12 months beginning on the first day of the next Plan Year. This twelve month period is called the "Plan Year". A Participant who fails to complete, sign and file a Salary Redirection Agreement as required shall be deemed to have elected to continue the same coverages under the Benefit Plans or Policies funded by the same proportion of Pre-Tax Premiums or After-Tax Premiums then in effect for such Participant.

I-6. What are the enrollment periods for entering the Plan?

The initial period for enrolling in the Plan is the period specified by the Plan Administrator immediately proceeding the Plan Effective Date. Thereafter, the Enrollment Period will be specified by the Plan Administrator and will begin prior to the Anniversary Date and end of the Anniversary Date.

I-7. Can I change my election during the Plan Year?

Generally, you cannot change your election whether or not to participate in the Pre-Tax Premium payment option or vary the Pre-Tax Premiums you have selected during the Plan Year, although your election will terminate if you are no longer working for the Employer. Otherwise, you may change your elections for Pre-Tax Premiums only during the Annual Enrollment Period, and then, only for the coming Plan Year.

There is an important exception to this general rule: You may change or revoke your previous election for Pre-Tax Premiums at any time during the Plan Year if there is one or more of the following, significant changes in your family status, provided that both the revocation and new election are made on account of and are consistent with the Change in Family Status. Those occurrences which qualify as a Change in Family Status are:

- * your marriage or divorce;
- * birth or adoption of your child;
- * death of your spouse or child;
- * there is a significant change in the medical benefits or premiums available under a health plan provided by an independent, third party provider, either to you, through your employment with the Employer, or to your spouse, through his or her employer; or
- * termination of your employment, the termination of employment (or commencement of employment) of your spouse, or change of either you or your spouse's employment status from full-time to part-time, or vice versa, or if either of you take an unpaid leave of absence from work.

If a Change in Family Status occurs, you must inform the Plan Administrator of your new election for Pre-Tax Premiums within 30 days of the occurrence.

Additionally, the Plan's Administrator may modify your election(s) downward during the Plan Year if you are a Key Employee or Highly Compensated Individual (as defined by the Internal Revenue Code), if necessary to prevent the Plan from becoming discriminatory within the meaning of the federal income tax law.

Elections for After-Tax Premiums through salary deduction outside of the Cafeteria Plan may be changed as permitted in the applicable Benefit Plan(s) or Policies.

I-8. How are my Premium Payments made?

When you complete the Salary Redirection Agreement, you specify which benefits you wish to pay for through pre-tax salary redirection. Thereafter, your premiums will be paid with that portion of gross income that you have elected to forego through pre-tax salary redirection for Pre-tax Premiums less any Nonselective Contribution allocable thereto. These portions will be sent to the appropriate insurance company, or held by the Employer in trust in the event of a self-insured plan, as of each pay period. For example, suppose you have elected the following:

Benefit Elected	Annual Cost
Dependent Medical Insurance	\$ 750.00
Cancer Insurance	\$ 300.00
Total Annual Cost	<u>\$1,050.00</u>

Assuming you are paid twice a month, the cost of the above benefits per paycheck would be \$43.75. The tax-free total of \$1,050.00 would be spread equally over 24 paychecks, or \$87.50 per month. Thus, each pay period, the corresponding amounts would be as follows:

Dependent Medical Insurance Premium	\$ 31.25
Cancer Insurance	\$ 12.50
Total withheld per Pay Period	<u>\$ 43.75</u>

The maximum aggregate level of benefits which may be elected is the cost of any Benefit Plan or Policy coverage elected less any Nonelective Contribution allocable thereto. Premium Payments are current in nature, and the Employer will pay out amounts you have set aside for them as they become due to the insurance company or companies or keep them in trust in the event of a self-insured plan.

After-tax Premium coverage will be funded by an amount deducted from your normal compensation which is sufficient to pay for the elected coverage after withholding any applicable state, federal, or local income, unemployment, or social security taxes.

I-9. What benefit(s) do I get from participating in the Plan?

Suppose your monthly gross pay is \$2,500 per month and your cost for coverage is \$140.00 per month. Also, suppose your total withholdings (income tax and Social Security) are 22.65%. After paying for coverage from your after-tax pay, your take home pay is \$1,793.75. However, under the pre-tax premium plan, you will be considered to have received \$2,360.00 gross pay rather than \$2,500 for tax purposes with \$140.00 contributed for dependent coverage. This means your take home pay will be \$1,825.46 with the pre-tax premium plan rather than \$1,793.75 without it. Thus, you save \$31.71 per month (\$380.52 per year) by participating in the pre-tax premium plan. The Table below illustrates this savings.

	With Cafeteria Plan	Without Cafeteria Plan
Gross Monthly Pay	\$2,500.00	\$2,500.00
Pre-Tax Insurance Under Plan	140.00	--
Taxable Income	2,360.00	2,500.00
Estimated Federal Tax (15%)	354.00	375.00
FICA Tax	180.54	191.25
After -Tax Insurance	--	140.00
Take Home Pay	1,825.46	1,793.75

I-10. What if I terminate my employment during the Plan Year?

If your employment with the Employer is terminated during the Plan Year, your active participation in the Plan will cease, and you will not be able to make any more contributions to the Plan, other than as may be permitted under the Continuation Coverage provisions that apply to medical coverage elected under the Plan. (See Answer I-14 for a description of Continuation Coverage.)

I-11. Will I have any administrative costs under the Plan?

Unless otherwise indicated in the Employer Information Section, the Employer is bearing the entire cost of administering the Plan.

I-12. How long will the Plan remain in effect?

Although the Employer expects to maintain the Plan indefinitely, it has the right to modify or terminate the program at any time. It is also possible that future changes in state or federal tax laws may require that the Plan be amended accordingly.

I-13. What happens if a Request for Reimbursement is denied?

If your request is for a benefit under one of the component Plans or Policies, you will generally proceed under the claims procedure applicable under the component Benefit Plan or Policy. However, if you are denied a benefit under this Plan such as the ability to pay for premiums on a pre-tax basis, due to an issue germane to your coverage under this Plan (i.e., such as a determination of: a Change in Family Status; a "significant" change in premiums charged; or eligibility and participation matters under the Flexible Benefits Plan document), you will be notified in writing by the Plan's Administrator within 90 days of the date you submitted your request if the request is denied. Such notification will set out the reasons your request was denied, and further advise you of what steps, if any, you might take to validate the request. It will further advise you of your right to request an administrative review of the denial of the request; you may request a review any time within the 60-day period after you have received notice that the request was denied. You or your authorized representative will have the opportunity to review any important documents held by the Administrator, and to submit comments and other supporting information. In most cases, a decision will be reached within 60 days of the date of your request for a review.

I-14. What is "Continuation Coverage" and how does it work?

"Continuation Coverage" means your right, or your spouse and dependents' right, to continue to be covered under any of the component medical benefit plans if the Employer is subject to COBRA (i.e., typically employs 20 or more employees) and participation by you (including your spouse and dependents) otherwise would end due to the occurrence of a "Qualifying Event." A Qualifying Event is:

- * termination of your employment (other than by reason of gross misconduct), or reduction of your work hours;
- * your death;
- * divorce or legal separation from your spouse;
- * your becoming eligible to receive Medicare benefits;
- * when a dependent of yours ceases to be a dependent.

It will be your obligation to inform the appropriate Plan Administrator of each medical benefit plan you have elected of the occurrence of any Qualifying Event within 60 days of the occurrence, other than a change in your employment status. The appropriate Plan Administrator, in turn, has a legal obligation to furnish you, or your spouse, as the case may be, with separate, written options to continue the coverage provided at stated premium costs with respect to each health plan in which you are a participant. The notification you will receive will explain all the rest of the terms and conditions of the continued coverage.

I-15. What effect will Plan participation have on Social Security and other benefits?

Plan participation will reduce the amount of your taxable compensation. Accordingly, there could be a slight decrease in your Social Security benefits and/or other benefits (e.g., pension, disability and life insurance) which are based on taxable compensation.

I-16. What is the Family and Medical Leave Act?

If your Employer is subject to the Family and Medical Leave Act ("FMLA") (generally, employers with at least 50 employees) and you are on eligible leave under FMLA, you may continue to pay for your Health Insurance coverages on an after-tax basis. If your Employer pays a portion of your Health Insurance premiums, it must continue those payments. However, if you do not return from FMLA, you may be required to repay the Employer-paid portion of the Health Insurance Premiums. If your Employer is subject to FMLA, you should be provided with a complete explanation of your FMLA rights and responsibilities.

**PART II
Premium Benefits**

You will be able to choose to participate in one or more of the component insurance or fringe benefit programs designated in the Employer Information Section by indicating your choice or choices on the Salary Redirection Agreement, financing your share of the cost by pre-tax salary redirection or after-tax salary deduction, as described earlier.

For the details regarding eligibility provisions, benefit amounts, and premium schedules, please refer to the plan summary of each, separate plan that will be furnished to you by the Plan Administrator.

**PART III
Electing Less Than the Maximum Annual Benefit**

Any portion of your compensation that you do not choose to apply toward the purchase of the benefits described above will be paid to you as regular, taxable compensation.

PART IV ERISA Rights

As a participant in the Employer's Flexible Benefits Plan, you are entitled to certain rights and protection under the Employee Retirement Income Security Act ("ERISA"). ERISA provides that all plan participants shall be entitled to:

Examine, without charge, at the Plan Administrator's office and at other specified locations, such as work-sites and union halls, all plan documents, including insurance contracts, collective bargaining agreements and copies of all documents filed by the Plan with the U. S. Department of Labor, such as detailed annual reports and plan descriptions.

Obtain copies of all plan documents and other plan information upon written request to the Plan Administrator. The Plan Administrator may make a reasonable charge for the copies.

Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of the 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 benefit from the plan, or from exercising your rights under ERISA.

If your claim for a benefit under the Flexible Benefits Plan provisions is denied in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the Plan review and reconsider your claim. Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials 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 Plan Administrator to provide the materials and pay you up to \$100 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Administrator. 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. 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 these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous. If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this Part of the Summary Plan Description or about your rights under ERISA, you should contact the nearest office of the U.S. Labor-Management Services Administration, Department of Labor.