UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

FORM 10-K

(X) **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended **December 31, 2015**

or

( ) **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____________ to _____________

Commission file number: **0-10394**

DATA I/O CORPORATION

(Exact name of registrant as specified in its charter)

Washington	91-0864123
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

6645 185th Ave NE, Suite 100, Redmond, Washington, 98052
(425) 881-6444

(Address, including zip code, of registrant's principle executive offices and telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act

Title of each class	Name of each exchange on which registered
Common Stock (No Par Value)	Nasdaq Capital Market

Securities registered pursuant to Section 12(g) of the Act

None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes __ No X

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes __ No X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes _X_ No __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. _X_

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer __ Accelerated filer __ Non-accelerated filer __ Smaller reporting company X

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes __ No X

Aggregate market value of voting and non-voting common equity held by non-affiliates on the registrant as of June 30, 2015:
$25,317,395

Shares of Common Stock, no par value, outstanding as of March 24, 2016:
7,905,748

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement relating to its May 24, 2016 Annual Meeting of Shareholders are incorporated into Part III of this Annual Report on Form 10-K.

DATA I/O CORPORATION
FORM 10-K
For the Fiscal Year Ended December 31, 2015

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PART I

Item 1. Business

This Annual Report on Form 10-K and the documents incorporated herein by reference contain forward-looking statements based on current expectations, estimates and projections about Data I/O Corporation's industry, management's beliefs and certain assumptions made by management. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Forward Looking Statements."

General

Data I/O Corporation ("Data I/O", "We", "Our", "Us") is a global market leader for advanced programming and associated intellectual property management solutions used in the manufacturing of flash, microcontrollers, and flash-memory-based intelligent devices. Data I/O® designs, manufactures and sells programming systems for electronic device manufacturers, specifically targeting high growth areas such as high-volume users of flash memory and microcontrollers. Most electronic products today incorporate one or more programmable semiconductor devices that contain data and operating instructions essential for the proper operation of the product.

Our mission is to deliver high-value systems, software and services to the expanding programmable semiconductor market by providing a software-rich programming platform for content delivery. Programmable devices are used in products such as automobile electronics, smartphones, HDTV, tablets and gaming systems. Our solutions, some of which include associated intellectual property management, secure content management and process control capabilities, enable us to address the demanding requirements of the electronic device market, where applications and intellectual property protection are essential to our customer's success. Our largest customers are heavy users of programmable semiconductor devices and include original equipment manufacturers ("OEMs") in automotive electronics, wireless, consumer electronics and the Internet of Things ("IoT") and their electronic manufacturing service ("EMS") contract manufacturers.

Data I/O was incorporated in the State of Washington in 1969 and its business was founded in 1972.

Industry Background

We enable companies to improve productivity and reduce costs by providing device programming solutions that allow our customers to take intellectual property (large design and data files) and protect and program it into memory, microcontroller and logic devices quickly and cost-effectively. We also provide services related to hardware support, system installation and repair, and device programming. Companies that design and manufacture products utilizing programmable electronic devices, ranging from automobiles to cell phones, purchase programming solutions from us. Trends of increasing device densities and customers increasing their software content file sizes, combined with the increasing numbers of intelligent devices such as automotive electronics and IoT applications, are driving demand for our solutions.

Traditionally, our programming market opportunity focused on the number of semiconductor devices to be programmed, but because of the rapid increase in the density of devices, the focus has shifted in many cases from the number of devices to the number of bits per device to be programmed. With expected growth in IoT applications, the business opportunity for this market differentiates on quality and automation with increasing focus on security and very small devices.

Our automated programming systems integrate both programming and handling functions into a single product solution. Quality conscious customers, particularly those in high-volume manufacturing and programming, continue to drive this portion of our business.

Products

In order to accommodate the expanding variety and quantities of programmable devices being manufactured today, we offer multiple solutions for the numerous types of device mix and volume usage by our customers in the various market segments and applications. We work closely with leading manufacturers of programmable devices to develop our products to meet the requirements of a particular device. Our newer products are positioned and recognized as some of the most advanced programming equipment and associated intellectual property management solutions.

Our PSV7000 Automated Programming System has continued to be adopted in the marketplace, in particular for automotive electronics customers, and has previously won the Global Technology Award at Productronica, the Circuits Assembly NPI Award and the EM Asia Innovation Award. Our PSV3000 Automated Programming System, developed for the local Asian automation market, was introduced in July 2014 and has previously won the Global Technology Award for Device Programming at SMTA International, the EM Asia Innovation Award and the SMT China Vision Award. Our PSV5000 automated programming system, which replaces our PS388 system with a more integrated solution at a lower cost, was introduced in April 2015. Our LumenX™ programmer won the Global Technology Award at Productronica in November 2015 and the Circuits Assembly NPI award in March 2016. In 2015, approximately 69% of our capital equipment sales came from PSV family and LumenX™ which were introduced over the last 3 years.

Our programming solutions include a broad range of products, systems, modules and accessories, grouped into two general categories: automated programming systems and manual programming systems. We provide two categories of automated programming systems: off-line and in-line. Our automated systems have list selling prices ranging from $61,000 to $390,000 and our manual systems have list selling prices ranging from $9,500 to $27,000. Our common programming platform, FlashCORE™, and our universal job setup tool, Tasklink™ for Windows®, are available in each family of our automated programming systems and in FlashPAK™, our manual programming system. Our newest programming technology, LumenX™, is available on our PSV7000 and as a standalone manual programmer. In addition, we provide device support and service on all of our products. Device support is a critical aspect of our business and consists of writing software algorithms for devices and developing socket adapters to hold and connect to the device for programming.

Our products have both an upfront solution sale and recurring revenue elements. Adapters are a consumable item and software and maintenance are typically recurring under annual subscription contracts. We experienced a larger percentage of capital equipment sales in 2015 compared to 2014, which we believe was primarily due to a rebound in capital spending.

Sales Percentage of Total Sales Breakdown by Type			
Sales Type	**2015**	**2014**	**Drivers**
Equipment Sales	65%	60%	Capacity, Process improvement, Technology
Adapter Sales	25%	28%	Capacity utilization, New customer products
Software and Maintenance Sales	10%	12%	Installed base, Added capabilities
Total	**100%**	**100%**	

The table below presents our main products and the key features that benefit our customers:

Products	Key Features	Customer Benefits
PSV Handlers: Off-line (Automated)	• Fast program and verify speeds • Up to 114 programming sites • Up to 2000 devices per hour throughput • Supports LumenX™ and FlashCORE III programmers • Supports multiple media types • Supports quality options – fiber laser marking, 3D coplanarity • Factory Integration Software & other Software	• Managed and secure programming • High throughput for high density Flash programming • High flexibility with respect to I/O options (tray, tape, tube), marking/labeling and vision for coplanarity inspection
RoadRunner & RoadRunner3 Series Handlers: In-line, (Automated)	• Just-in-time in-line programming • Direct integration with placement machine supporting SIPLACE, Fuji NXT, Panasonic, Universal/Genesis and Assembleon • Factory Integration Software • Supports FlashCORE III programmers	• Dramatic reduction in inventory carrying and rework costs • “Zero” footprint • Rapid return on investment (“ROI”) typically realized in a matter of months • Integration with factory systems

Products	Key Features	Customer Benefits
LumenX™ Programmer	• Extensible architecture for fast program, verify and download speeds • Large file size support • Secure Job creation • 8 sockets with tool-less changeover with single socket adapters	• Managed and secure programming • Fast setup and job changeover • Highest yield and low total cost of programming
FlashPAK III programmer: (Non-Automated)	• Scalability • Network control via Ethernet • Stand-alone operation or PC compatible • Parallel programming	• Validate designs before moving down the firmware supply chain • Unmatched ease of use in manual production systems
Sprint/Unifamily programmers: Off-line, Low Volume and Engineering (Non-Automated) (Legacy Equipment)	• Breadth of device coverage	• Universal programmer

Customers/Markets

We sell our solutions to customers worldwide, many of whom are world-class manufacturers of electronic devices used in a broad range of industries, as described in the following table:

	Customer Types				
	OEMs			**EMS**	**Programming Centers**
	Automotive Electronics	**IoT, Industrial, Consumer Electronics**	**Wireless**	**Contract Manufacturers**	
Notable end customers	Delphi, Bosch, Alpine, Visteon, Kostal, Harman Becker, Denso, Continental, Panasonic, Magna, Magnetti Marelli	Square D, Siemens, Danfoss, Philips, Schneider, Endress+Hauser, Pilz, Insta, Carrier, Microsoft, Sony, Amazon, UTC	LG, TCL, Blackberry, Sony, HTC, ZTE	Pegatron, Flextronics, Jabil, Wistron, Sanmina SCI, Foxconn, Leesys, Calcomp	Arrow, Avnet, BTV, HTV, CPS, EPS, Elmitech, Noa(Toshiba)
Business drivers	Safety, navigation and infotainment devices, increased electronic content to support autonomous driving	Higher functionality driven by increasing electronic content. Shift from analog to connected intelligent devices, security	Applications, features & functionality of converged devices, large memories, security	Acquisition of OEM factories, production contract wins	Value-added services, logistics
Programming equipment drivers	Process improvement and simplification, new product rollouts, growing file sizes, quality control and traceability	Process improvement and simplification as well as new product rollouts	Rollout of new products that incorporate higher functionality, more memory and new technology, e.g. e-MMC	New contracts from OEMs, programming solutions specified by OEMs	Capacity utilization of their installed base of equipment, small parts handling, security

Buying criteria	Quality, reliability, configuration control, traceability, global support, intellectual property protection	Quality, reliability, configuration control, traceability, security	Throughput, technical capability to support evolving technology, global support, intellectual property protection, robust algorithms, low cost	Lowest equipment procurement cost, global support	Flexibility, lowest life-cycle cost-per programmed-part, low changeover time; use of multiple vendors provides negotiating leverage, device support availability

Our solutions address the programming of devices. Semiconductor devices are a large, growing market, both in terms of devices and bits programmed. We believe that our sales are driven by many of the same forces that propel the semiconductor industry. We sell to the same firms that buy the semiconductors. When their business grows, they buy more semiconductors which, in turn, require additional programming equipment to maintain production speeds or program new device technologies, driving demand for our products or alternative programming methods.

Our device programming solutions currently target two high growth, high volume markets: automotive electronics and IoT systems including Industrial and Consumer devices.

We have derived estimates of the size of the pre-programming served available market that our programming systems address. We believe this market is expected to double over the next five years based on BI Intelligence estimates of IOT Unit Growth through 2019 and key automotive electronics forecasts. These forecasts include: Global Automotive Infotainment Operating System Sales Forecast by IHS Automotive, showing unit growth doubling over four years, as well as OEM Light Vehicle ADAS (Advanced Driver Assist Systems) Spend by Strategy Analytics for spending growth projected by year through 2021. Based on these market forecasts and assuming sustained capital spending in our other pre-programming market sectors, we believe we are well-positioned for growth in 2016 and beyond.

Growth drivers for automotive electronics
- Consumers desire advanced car features requiring higher levels of sophistication including infotainment products (audio, radio, dashboard displays, navigation and wireless connectivity) as well as increased safety features and optimized engine functionality
- Increasing numbers and size of microcontrollers per vehicle
- Proliferation of programmable microcontrollers to support the next-generation electronic car systems
- Increasing use of high-density flash to provide memory for advanced applications that require programming
- Increasing complexity to support autonomous vehicles

Growth drivers for IoT: including industrial and consumer devices
- Securely controlling groups of connected devices
- Adding intelligence and processing into devices
- Connecting previously unconnected devices to networks and the internet (such as intelligent thermostats and lighting)
- Emergence of new devices and applications (such as wearables)

During 2015, we sold products to over 400 customers throughout the world. The following customers represented greater than 10% of sales in the applicable year:

2015 One customer, Data Copy Limited, our distributor in China accounted for approximately 15% of net sales.
2014 One customer, Data Copy Limited, our distributor in China accounted for approximately 12% of net sales.
2013 Two customers, Data Copy Limited, our distributor in China and Di-Tek Corporation, our distributor in Korea accounted for approximately 14% and 13% of net sales, respectively.

The following customers represented greater than 10% of our consolidated accounts receivable balance as of December 31 of the applicable year:

2015	Four customers accounted for greater than 10% of our consolidated accounts receivable balance at December 31, 2015: Data Copy Limited, our distributor in China and LeChamp, our distributor in south-east Asia, together represented 37% of that balance and our direct customers, Flextronics and Arrow, together represented 23%.
2014	No customers represented greater than 10% of our consolidated accounts receivable.
2013	Avnet accounted for approximately 12% of our consolidated accounts receivable.

Geographic Markets and Distribution

We market and sell our products through a combination of direct sales, internal telesales and indirect sales representatives and distributors. We continually evaluate our sales channels against our evolving markets and customers and realign them as necessary to ensure that we reach our existing and potential customers in the most effective and efficient manner possible.

<u>U.S. Sales</u>

We market our products throughout the U.S. using a variety of sales channels, including our own field sales management personnel, independent sales representatives and direct telesales. Our U.S. independent sales representatives obtain orders on an agency basis, with shipments made directly to the customer by us. Net sales in the United States for 2015, 2014 and 2013 were (in millions) $2.2, $2.1 and $2.3 respectively. Some of our customer's orders delivered internationally are heavily influenced by U.S. sales based efforts.

<u>International Sales</u>

International sales represented approximately 90%, 90% and 88% of net sales in 2015, 2014, and 2013, respectively. We make foreign sales through our wholly-owned subsidiaries in Germany and China, as well as through independent distributors and sales representatives located in 47 other countries. Our independent foreign distributors purchase our products for resale and we generally recognize the sale at the time of shipment to the distributor. As with U.S. sales representatives, sales made by international sales representatives are on an agency basis, with shipments made directly to the customer by us.

Net international sales for 2015, 2014, and 2013 were (in millions) $19.8, $19.8 and $16.4, respectively. We determine international sales by the international geographic area into which the products are sold and delivered, and include not only sales by foreign subsidiaries but also export sales from the U.S. to our foreign distributors and to our representatives' customers. International sales do not include transfers between Data I/O and our foreign subsidiaries. Export sales are subject to U.S. Department of Commerce regulations. We have not, however, experienced difficulties to date as a result of these requirements. We have not made sales to Iran or any Iranian governmental entities or any other blacklisted companies or countries.

Fluctuating exchange rates and other factors beyond our control, such as international monetary stability, tariff and trade policies and U.S. and foreign tax and economic policies, affect the level and profitability of international sales. We cannot predict the effect of such factors on our business, but we try to consider and respond to changes in these factors, particularly as the majority of our costs are U.S. based while the vast majority of our sales are international. According to the Board of Governors of the Federal Reserve System (US), the U.S. Dollar strengthened on a trade weighted basis approximately 20% during 2015. This made our products priced in U.S. Dollars cost on average 20% more in a local currency or sales by our subsidiaries in their functional currency translate into less sales in U.S. Dollars.

Competition

The competition in the programming systems market is highly fragmented with a small number of organizations selling directly competitive solutions and a large number of smaller organizations offering less expensive solutions. In particular, low cost automated solutions have gained market share in recent years, where the competition is primarily based on price. Typically, their equipment meets a "good enough" standard, but with reduced quality, traceability, and other software features such as factory integration software. Many of these competitors compete on a regional basis, with local language and support.

In addition, we compete with multiple substitute forms of device programming including "home grown" solutions. Programming after device placement may be done with In System Programming ("ISP"). Some automotive products may also be programmed over the air ("OTA"). IoT devices may also be programmed with ISP or OTA. In addition, new security devices may be required to be programmed using device-specific programmers developed by the semiconductor manufacturer.

While we are not aware of any published industry market information covering the programming systems market, according to our internal analysis of competitors' revenues, we believe we continue to be the largest competitor in the programming systems equipment market and have been gaining market share especially with our new products.

Business Restructure

No additional restructuring activities were taken by Data I/O in 2015 or 2014 and our previous years' restructure actions have been fully implemented. As a result of the lease amendment discussed in Note 7, "Operating Lease Commitments", in July 2015, the balance of the restructure liability of approximately $120,000 was incorporated into our deferred rent liability as part of the new lease incentive.

Manufacturing, Raw Materials and Backlog

We strive to manufacture and provide the best solutions for advanced programming. We primarily assemble and test our products at our principal facilities in Redmond, Washington and Shanghai, China. We outsource our circuit board manufacturing and fabrication. We use a combination of standard components, proprietary custom integrated circuits ("ICs") and fabricated parts manufactured to our specifications. Most components used are available from a number of different suppliers and subcontractors but certain items, such as some handler and programmer subassemblies, custom integrated circuits, hybrid circuits and connectors, are purchased from single sources. We believe that additional sources can be developed for present single-source components without significant difficulties in obtaining supplies. We cannot be sure that single-source components will always continue to be readily available. If we cannot develop alternative sources for these components, or if we experience deterioration in relationships with these suppliers, there may be price increases, minimum order quantities and delays or reductions in product introductions or shipments, which may materially adversely affect our operating results.

In accordance with industry practices, generally all orders are subject to cancellation prior to shipment without penalty, except for contracts calling for custom configuration. To date, such cancellations have not had a material effect on our sales volume. To meet customers' delivery requirements, we manufacture certain products based upon a combination of backlog and anticipated orders. Most orders are scheduled for delivery within 1 to 60 days after receipt of the order. Our backlog of pending orders was approximately $700,000, $1,900,000, and $1,900,000 as of December 31, 2015, 2014, and 2013, respectively. The size of backlog at any particular date is not necessarily a meaningful indicator of the trend of our business.

Research and Development

We believe that continued investment in research and development is critical to our future success. We continue to develop new technologies and products and enhance existing products. Future growth is, to a large extent, dependent upon the timely development and introduction of new products, as well as the development of algorithms to support the latest programmable devices. Where possible, we may pursue partnerships and other strategic relationships to add new products, capabilities and services. We are currently focusing our research and development efforts on strategic growth markets, namely new programming technology and automated handling systems for managed and secure programming in the manufacturing environment, including new programmer technologies, support for the latest flash memories and microcontrollers, and new software capabilities. We also continue to focus on increasing our capacity and responsiveness for new device support requests from customers and programmable integrated circuit manufacturers by revising and enhancing our internal processes and tools. Our research and development efforts have resulted in the release of significant new products and product enhancements: 2013 – released our PSV7000 automated programming system; 2014 – released our PSV3000 automated programming system and enhancements for the PSV7000; 2015 - released our new LumenX programmer, our new PSV5000 programming system and enhancements for our PSV Systems.

During 2015, 2014, and 2013, we made expenditures for research and development of (in millions) $4.7, $4.7, and $4.6, respectively, representing 21.4%, 21.5%, and 24.5% of net sales, respectively. Research and development costs are generally expensed as incurred.

Patents, Copyrights, Trademarks and Licenses

We rely on a combination of patents, copyrights, trade secrets and trademarks to protect our intellectual property, as well as product development and marketing skill, to establish and protect our market position. We continue to apply for and add new patents to our patent portfolio as we develop strategic new technologies.

We attempt to protect our rights in proprietary software, including LumenX software, Flashcore software, TaskLink software, Factory Integration software and other software products, by retaining the title to and copyright of the software and documentation, by including appropriate contractual restrictions on use and disclosure in our licenses, and by requiring our employees to execute non-disclosure agreements. Our software products are not typically sold separately from sales of programming systems. However, on those occasions where software is sold separately, revenue is recognized when a sales agreement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured.

Because of the rapidly changing technology in the semiconductor, electronic equipment and software industries, portions of our products might possibly infringe upon existing patents or copyrights, and we may be required to obtain licenses or discontinue the use of the infringing technology. We believe that any exposure we may have regarding possible infringement claims is a reasonable business risk similar to that assumed by other companies in the electronic equipment and software industries. However, any claim of infringement, with or without merit, could be costly and a diversion of management's attention, and an adverse determination could adversely affect our reputation, preclude us from offering certain products, and subject us to substantial liability. As of December 31, 2015, there were no pending actions regarding infringement claims.

Employees

As of December 31, 2015, we had a total of 88 employees, of which 43 were located outside the U.S. and 7 of which were part time. We also utilize independent contractors for specialty work, primarily in research and development, and utilize temporary workers to adjust capacity to fluctuating demand and for special projects. Many of our employees are highly skilled and our continued success will depend in part upon our ability to attract and retain employees who can be in great demand within the industry. None of our employees are represented by a collective bargaining unit and we believe relations with our employees are favorable. In foreign countries we have employment agreements or, in China, the Shanghai Foreign Services Co., Ltd. ("FSCO") labor agreement.

Environmental Compliance

Our facilities are subject to numerous laws and regulations concerning the discharge of materials or otherwise relating to the environment. Compliance with environmental laws has not had, nor is it expected to have, a material effect on our capital expenditures, financial position, results of operations or competitive position.

Executive Officers of the Registrant

Set forth below is certain information concerning the executive officers of Data I/O as of March 24, 2016:

Name	Age	Position
Anthony Ambrose	54	President and Chief Executive Officer
Joel S. Hatlen	57	Vice President and Chief Financial Officer Secretary and Treasurer
Rajeev Gulati	52	Chief Technology Officer, Vice President of Engineering

Anthony Ambrose joined Data I/O in October 2012 and is our President and Chief Executive Officer. He was appointed to the Board of Directors of Data I/O in October 2012. Prior to Data I/O, Anthony was Owner and Principal of Cedar Mill Partners, LLC, a strategy consulting firm. Until 2011, he was Vice President and General Manager at RadiSys Corporation, a leading provider of embedded wireless infrastructure solutions, where he led three product divisions and worldwide engineering. At RadiSys, he established the telecom platform business and grew it to over $125M in annual revenues. Until 2007, he was general manager and held several other progressively responsible positions at Intel Corporation, where he led development and marketing of standards based telecommunications platforms, and grew the industry standard server business to over $1B in revenues. He is a member of the EvergreenHealth Foundation Board of Trustees. Mr. Ambrose has a Bachelors of Science in Engineering from Princeton University.

Joel S. Hatlen joined Data I/O in September 1991 and is our Vice President, Chief Financial Officer, Secretary and Treasurer since January 1998. He served as Chief Accounting Officer since February 1997 and served as Corporate Controller from December 1993 to December 1997. Previously, he was Tax Manager and Senior Tax Accountant. From September 1981 until joining Data I/O, Joel was employed by Ernst & Young LLP as a Certified Public Accountant, where his most recent position was Senior Manager. Joel holds a Masters in Taxation from Golden Gate University and a Bachelors in Business Administration in Accounting from Pacific Lutheran University.

Rajeev Gulati joined Data I/O in July 2013 and is our Chief Technology Officer and Vice President of Engineering. Prior to Data I/O, Rajeev served as Director of Software Engineering for AMD responsible for tools, compiler strategy and execution from 2006 to 2013. He has an extensive background in software, systems and applying technology to develop new markets. Previously, he served as Director of Strategy and Planning at Freescale from 2004 to 2006; as Director of Embedded Products at Metrowerks (acquired by Motorola) from 2000 to 2004 and Director of Compilers, Libraries & Performance Tools from 1997 to 2000; and engineering and programmer positions at Apple Computer, IBM and Pacific-Sierra Research. Rajeev holds a Master of Science in Electrical & Computer Engineering from the University of Texas, Austin and a BE in Electrical Engineering from Delhi College of Engineering, New Delhi.

Item 1A. Risk Factors

Cautionary Factors That May Affect Future Results

Our disclosure and analysis in this Annual Report contains some forward-looking statements. Forward-looking statements include our current expectations or forecasts of future events. The reader can identify these statements by the fact that they do not relate strictly to historical or current facts. In particular, these include statements relating to future action, prospective products, expected market growth, new technologies, establishing foreign operations, future performance or results of current and anticipated products, sales efforts, expenses, outsourcing of functions, outcome of contingencies, impact of regulatory requirements, restructure actions and financial results.

Any or all of the forward-looking statements in this Annual Report or in any other public statement made may turn out to be wrong. They can be affected by inaccurate assumptions we might make, or known or unknown risks and uncertainties can affect these forward-looking statements. Many factors -- for example, product competition and product development -- will be important in determining future results. Moreover, neither Data I/O nor anyone else assumes responsibility for the accuracy and completeness of these forward-looking statements. Actual future results may materially vary.

We undertake no obligation to publicly update any forward-looking statements after the date of this Annual Report, whether as a result of new information, future events or otherwise. The reader should not unduly rely on our forward-looking statements. The reader is advised, however, to consult any future disclosures we make on related subjects in our 10-Q, 8-K and 10-K reports to the SEC and press releases. Also, note that we provide the following cautionary discussion of risks, uncertainties and possible inaccurate assumptions relevant to our business. These are factors that we think could cause our actual results to differ materially from expected and historical results. Other factors besides those listed here could also adversely affect us. This discussion is permitted by the Private Securities Litigation Reform Act of 1995.

RISK FACTORS

Delays in development, introduction and shipment of new products or services may result in a decline in sales or increased costs.

We develop new engineering and automated programming systems and services. Significant technological, supplier, manufacturing or other problems may delay the development, introduction or production of these products or services.

For example, we may encounter these problems:

- technical problems in the development of a new programming system platform or the robotics for new automated handing systems
- inability to hire qualified personnel or turnover in existing personnel

- delays or failures to perform by us or third parties involved in our development projects
- development of new products or services that are not accepted by the market

These problems may result in a delay or decline in sales or increased costs.

Quarterly fluctuations in our operating results may adversely affect our stock price.

Our operating results tend to vary from quarter to quarter. Our revenue in each quarter substantially depends upon orders received within that quarter. Conversely, our expenditures are based on investment plans and estimates of future revenues. We may, therefore, be unable to quickly reduce our spending if our revenues decline in a given quarter. As a result, operating results for that quarter will suffer. Our results of operations for any one quarter are not necessarily indicative of results for any future periods.

Other factors, which may cause our quarterly operating results to fluctuate, include:

- increased competition
- timing of new product announcements and timing of development expenditures
- product or service releases and pricing changes by us or our competitors
- market acceptance or delays in the introduction of new products or services
- production constraints
- quality issues
- labor or material
- timing of significant orders
- timing of installation or customer acceptance requirements
- sales channel mix of direct vs. indirect distribution
- civil unrest, war or terrorism
- health issues (such as the outbreak of a virus impacting workers or travel)
- customers' budgets
- adverse movements in exchange rates, interest rates or tax rates
- cyclical and seasonal nature of demand for our customers' products
- general economic conditions in the countries where we sell products
- expenses and obtaining authorizations in setting up new operations or locations
- facilities relocations

Due to any of the foregoing factors, it is possible that in some future quarters, our operating results will be below expectations of analysts and investors.

Our international operations may expose us to additional risks that may adversely affect our business.

International sales represented approximately 90%, 90%, and 88% of our net sales for the fiscal years ended December 31, 2015, 2014, and 2013, respectively. We expect that international sales will continue to be a significant portion of our net revenue. International sales may fluctuate due to various factors, including:

- fluctuations in foreign currency exchange rates; with a significant impact due to the 2015 strength of the U.S. Dollar and relative weakness of the Euro, as 39% of our 2015 sales were European-based and of those, a large portion of sales through our German subsidiary are denominated in Euros. Because 90% of our sales are to international markets, volatile exchange rates may also impact our competiveness and margins
- economic uncertainty related to the European sovereign debt situation

- migration of manufacturing to low cost geographies
- unexpected changes in regulatory requirements
- tariffs and taxes
- difficulties in staffing and managing foreign operations
- longer average payment cycles and difficulty in collecting accounts receivable
- compliance with applicable export licensing requirements and the Foreign Corrupt Practices Act
- product safety and other certification requirements
- difficulties in integrating foreign and outsourced operations
- civil unrest, political and economic instability

Because we have customers located throughout the world, we have significant foreign receivables. We may experience difficulties in collecting these amounts as a result of payment practices of certain foreign customers, economic uncertainty and regulations in foreign countries, the availability and reliability of foreign credit information, and potential difficulties in enforcing collection terms.

The European Union and European Free Trade Association ("EU") has established certain electronic emission and product safety requirements ("CE"). As applicable, our products currently meet these requirements; however, failure to obtain either a CE certification or a waiver for any product may prevent us from marketing that product in Europe. The EU also has directives concerning the Reduction of Hazardous Substances ("RoHS") and we believe we are classified within the EU RoHS Directive category list as Industrial Monitoring and Control Equipment (category 9), which is out of scope until the enforcement date of July 2017. Failure to meet applicable directives or qualifying exemptions may prevent us from marketing certain products in Europe or other territories with similar requirements.

We have subsidiaries in Germany, China, Hong Kong, Brazil and Canada and large balances of cash are in our foreign subsidiaries (with 31% in China). Our business and financial condition is sensitive to currency exchange rates and any restrictions imposed on their currencies including restrictions on repatriations of cash. Any repatriation of cash could result in tax costs and corresponding deferred tax assets with related tax valuation allowances. Currency exchange fluctuations in these countries may adversely affect our investment in our subsidiaries.

<u>A decline in economic and market conditions may result in delayed or decreased capital spending and delayed or defaulted payments from our customers.</u>

Our business is highly impacted by capital spending plans and other economic cycles that affect the users and manufacturers of integrated circuits. These industries are highly cyclical and are characterized by rapid technological change, short product life cycles and fluctuations in manufacturing capacity and pricing and gross margin pressures. As we experienced in recent prior years, our operations may in the future reflect substantial fluctuations from period-to-period as a consequence of these industry patterns, general economic conditions affecting the timing of orders from major customers, and other factors affecting capital spending. In a difficult economic climate it may take us longer to receive payments from our customers and some of our customers' business may fail, resulting in non-payment. Our market growth forecasts and related business decisions may be wrong. These factors could have a material adverse effect on our business and financial condition.

<u>Failure to adapt to technology trends in our industry may impact our competitiveness and financial results.</u>

Product and service technology in our industry evolves rapidly, making timely product innovation essential to success in the marketplace. Introducing products and services with improved technologies or features may render our existing products obsolete and unmarketable. Technological advances and trends that may negatively impact our business include:

- new device package types, densities, chip interfaces and technologies requiring hardware and software changes in order to be programmed by our products, particularly certain segments of the high density flash memory markets where after placement programming is recommended by the semiconductor manufacturers
- reduction in semiconductor process geometries for certain Multi Level Cell (MLC) and Triple Level Cell (TLC) NAND and eMMC FLASH memories impact the product data retention through Surface Mount Technology (SMT) reflow or X-ray

inspection. Improper SMT process control can negatively impact the end customer's ability to successfully program devices prior to placement in manufacturing. This can cause them to change their programing methods away from pre-programming to post placement programming techniques, including ISP. Data I/O is working with semiconductor manufacturers to develop best practices to minimize the impact of reflow and potential concerns about X-ray induced data loss.

- electronics equipment manufacturing practices, such as widespread use of in-circuit programming or downloading
- adoption of proprietary security and programming protocols and additional security capabilities and requirements
- customer software platform preferences different from those on which our products operate
- customer adoption of newer semiconductor device technologies such as UFS memory or device interface methods such as PCI, particularly if these technologies are adopted by automotive electronics, IoT or wireless customers
- more rigid industry standards, which would decrease the value-added element of our products and support services

If we cannot develop products or services in a timely manner in response to industry changes, or if our products or services do not perform well, our business and financial condition may be adversely affected. Also, our new products or services may contain defects or errors that give rise to product liability claims against us or cause our products to fail to gain market acceptance. Our future success depends on our ability to successfully compete with other technology firms in attracting and retaining key technical personnel.

<u>Failure to adapt to increasing automotive electronics customer requirements</u>

Quality standards and business requirements by our automotive electronics customers, driven in turn by their automotive manufacturer customers, may demand processes, and certifications at a higher level than we currently are structured to provide. For example, we may be required to meet the ISO 9001 standard with certified audits or other quality standards. In addition, contractual provisions may expose us to greater potential liability and costs and we may be required to provide higher service levels than we currently provide. If we cannot adapt to these industry requirements or manage these contractual provisions, our business may be adversely affected.

<u>We have a history of recent operating losses and may be unable to generate enough revenue to achieve and maintain profitability.</u>

We have incurred operating losses in two of the last five years and four of the last ten years. We operate in a cyclical industry. We will continue to examine our level of operating expense based upon our projected revenues. Any planned increases in operating expenses may result in losses in future periods if projected revenues are not achieved. As a result, we may need to generate greater revenues than we have recently in order to maintain profitability. However, we cannot provide assurance that our revenues will continue to increase and our business strategies may not be successful, resulting in future losses.

<u>We may face increased competition and may not be able to compete successfully with current and future competitors.</u>

Technological advances have reduced the barriers of entry into the programming systems market. We expect competition to increase from both established and emerging companies. If we fail to compete successfully against current and future sources of competition, our profitability and financial performance will be adversely impacted.

<u>If our relationships with semiconductor manufacturers deteriorate, our business may be adversely affected.</u>

We work closely with most semiconductor manufacturers to ensure that our programming systems comply with their requirements. In addition, many semiconductor manufacturers recommend our programming systems for use by users of their programmable devices. Consolidation within the semiconductor industry may impact us. These working relationships enable us to keep our programming systems product lines up to date and provide end-users with broad and current programmable device support. As technology changes occur that limit the effectiveness of pre-placement programming, particularly for very small high density NAND, e-MMC and UFS devices, certain semiconductor manufacturers may not recommend or may not continue recommending our programming systems for these devices. Our business may be adversely affected if our relationships with semiconductor manufacturers deteriorate.

<u>Our reliance on a small number of suppliers may result in a shortage of key components, which may adversely affect our business, and our suppliers may experience financial difficulties which could impact their ability to service our needs.</u>

Certain parts used in our products are currently available from either a single supplier or from a limited number of suppliers. If we cannot develop alternative sources of these components, if sales of parts are discontinued by the supplier, if we experience deterioration in our relationship with these suppliers, or if these suppliers require financing, which is not available, there may be delays or reductions in product introductions or shipments, which may materially adversely affect our operating results.

Because we rely on a small number of suppliers for certain parts, we are subject to possible price increases by these suppliers. Also, we may be unable to accurately forecast our production schedule. If we underestimate our production schedule, suppliers may be unable to meet our demand for components. This delay in the supply of key components may have a materially adverse effect on our business. For suppliers who discontinue parts, we may be required to make lifetime purchases covering future requirements. Over estimation of demand or excessive minimum order quantities will lead to excess inventories that may become obsolete.

Certain of our sockets, parts, subassemblies and boards are currently manufactured to our specifications by third-party foreign contract manufacturers and we are sourcing certain parts or options from foreign manufacturers. We may not be able to obtain a sufficient quantity of these products if and when needed or the quality of these parts or options may not meet our standards, which may result in lost sales.

<u>If we are unable to attract and retain qualified third-party distributors and representatives, our business may be adversely affected.</u>

We have an internal sales force and also utilize third-party distributors and representatives. Therefore, the financial stability of these distributors and representatives is important. Their ability to operate, timely pay us, and to acquire any necessary financing may be affected by the current economic climate. Highly skilled professional engineers use most of our products. To be effective, third-party distributors and representatives must possess significant technical, marketing, customer relationships and sales resources and must devote their resources to sales efforts, customer education, training and support. These required qualities limit the number of potential third-party distributors and representatives. Our business will suffer if we cannot attract and retain a sufficient number of qualified third-party distributors and representatives to market our products.

<u>If we are unable to protect our intellectual property, we may not be able to compete effectively or operate profitably.</u>

We rely on patents, copyrights, trade secrets and trademarks to protect our intellectual property, as well as product development and marketing skill to establish and protect our market position. We attempt to protect our rights in proprietary software products, including our user interface, product firmware, software module options and other software products by retaining the title to and copyright of the software and documentation, by including appropriate contractual restrictions on use and disclosure in our licenses, and by requiring our employees to execute non-disclosure agreements.

Because of the rapidly changing technology in the semiconductor, electronic equipment and software industries, portions of our products might possibly infringe upon existing patents or copyrights, and we may be required to obtain licenses or discontinue the use of the infringing technology. We believe that any exposure we may have regarding possible infringement claims is a reasonable business risk similar to that assumed by other companies in the electronic equipment and software industries. However, any claim of infringement, with or without merit, could be costly and a diversion of management's attention, and an adverse determination could adversely affect our reputation, preclude us from offering certain products, and subject us to substantial liability.

<u>We may pursue business acquisitions that could impair our financial position and profitability.</u>

We may pursue acquisitions of complementary technologies, product lines or businesses. Future acquisitions may include risks, such as:

- burdening management and our operating teams during the integration of the acquisition
- diverting management's attention from other business concerns
- failing to successfully integrate or monetize the acquired products or technologies
- lack of acceptance of the acquired products by our sales channels or customers
- entering markets where we have no or limited prior experience

- potential loss of key employees of the acquired company
- additional burden of support for an acquired programmer architecture

Future acquisitions may also impact our financial position. For example, we may use significant cash or incur debt, which would weaken our balance sheet, or issue additional shares, potentially diluting existing shareholders. We may also capitalize goodwill and intangible assets acquired, the impairment of which would reduce our profitability. We cannot guarantee that future acquisitions will improve our business or operating results.

<u>The loss of key employees may adversely affect our operations.</u>

We have employees located in the U.S., Germany and China. We also utilize independent contractors for specialty work, primarily in research and development, and utilize temporary workers to adjust capacity to fluctuating demand. Many of our employees are highly skilled and our continued success will depend in part upon our ability to attract and retain employees who can be in great demand within the industry. None of our employees are represented by a collective bargaining unit and we believe relations with our employees are favorable, though no assurance can be made that this will be the case in the future. In China, our workers are "leased" with the arrangements made under the "FSCO" labor agreement and we could be adversely affected if we were unable to continue that arrangement.

<u>Failure to comply with increasing regulatory requirements may adversely affect our stock price and business.</u>

As a public company, we are subject to numerous governmental and stock exchange requirements, with which we believe we are in compliance. Our failure to meet regulatory requirements and exchange listing standards may result in actions such as: the delisting of our stock, impacting our stock's liquidity; SEC enforcement actions; and securities claims and litigation.

The Sarbanes-Oxley Act of 2002 and the Securities and Exchange Commission (SEC) have requirements that we may fail to meet or we may fall out of compliance with, such as the internal controls auditor attestation required under Section 404 of the Sarbanes-Oxley Act of 2002, with which we are not currently required to comply as we are a smaller reporting company. We assume that we will continue to have the status of a smaller reporting company based on the aggregate market value of the voting and non-voting shares held as of June 30, 2015. If we fail to achieve and maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to help prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our stock could drop significantly.

While we have policies and procedures in place designed to prevent corruption and bribery, because our business is significantly international, violations of the Foreign Corrupt Practices Act (FCPA) could have a significant adverse effect on our business due to the disruption and distraction of an investigation, financial penalties and criminal penalties.

<u>Government regulations regarding the use of "conflict" minerals could adversely affect our prospects and results of operations.</u>

Regulatory requirements regarding disclosure of our use of "conflict" minerals mined from the Democratic Republic of Congo and adjoining countries could affect the sourcing and availability of minerals used in the manufacture of certain products. Although we do not buy raw materials, manufacture, or produce any electronic equipment using conflict minerals directly, some components provided by our suppliers and contained in our products contain conflict minerals. Our goal is for our products to be conflict free. As a result, there may only be a limited pool of suppliers who provide conflict free metals, and we cannot assure you that we will be able to obtain products in sufficient quantities or at competitive prices. Single source suppliers may not respond or respond negatively regarding conflict mineral sourcing and we may be unable to find alternative sources to replace them. Also, because our supply chain is complex, we may face reputational challenges with our customers and other stakeholders if we are unable to sufficiently verify the origins for all metals used in the products that we sell. Further, if we are unable to comply with the new laws or regulations or if our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us. We may need to incur additional costs and invest additional resources, including management's time, in order to comply with the new regulations and anticipated additional reporting and disclosure obligations.

<u>We may need to raise additional capital and our future access to capital is uncertain.</u>

Our past revenues have sometimes been, and our future revenues may again be, insufficient to support the expense of our operations and any expansion of our business. We may therefore need additional equity or debt capital to finance our operations. If we are unable to generate sufficient cash flows from operations or to obtain funds through additional debt, lease or equity financing, we may have to reduce some or all of our development and sales and marketing efforts and limit the expansion of our business.

We believe that we have sufficient cash or working capital available under our operating plan to fund our operations and capital requirements through at least the next one-year period. In the event we may require additional cash for U.S. operations or other needs, it may cause the potential repatriation of cash from the $6.2 million held in our foreign subsidiaries. Although we have no current repatriation plans, there may be tax, legal and other impediments to any repatriation actions. Our working capital may be used to fund possible losses, business growth, project initiatives, share repurchases and business development initiatives including acquisitions, which could reduce our liquidity and result in a requirement for additional cash before that time. Any substantial inability to achieve our current business plan could have a material adverse impact on our financial position, liquidity, or results of operations and may require us to reduce expenditures and/or seek additional financing.

Therefore, we may seek additional funding through public or private debt or equity financing or from other sources. We have no commitments for additional financing, and given the current economic climate and our financial results, we may experience difficulty in obtaining funding on favorable terms, if at all. Any financing we obtain may contain covenants that restrict our freedom to operate our business or may require us to issue securities that have rights, preferences or privileges senior to our Common Stock and may dilute your ownership interest.

<u>Our stock price may be volatile and, as a result, you may lose some or all of your investment.</u>

The stock prices of technology companies tend to fluctuate significantly. We believe factors such as announcements of new products or services by us or our competitors and quarterly variations in financial results and outlook may cause the market price of our Common Stock to fluctuate substantially. In addition, overall volatility in the stock market, particularly in the technology company sector, is often unrelated to the operating performance of companies. If these market fluctuations continue in the future, they may adversely affect the price of our Common Stock.

<u>Cyber security breaches or terrorism could result in liabilities or costs as well as damage to or loss of our data or customer access to our website and information systems. The collection, storage, transmission, use and disclosure of user data and personal information, if accessed improperly, could give rise to liabilities or additional costs as a result of laws, governmental regulations and evolving views of personal privacy rights.</u>

Cyber security breaches or terrorism could result in the exposure or theft of private or confidential information as well as interrupt our business, including denying customer access to our website and information systems. We transmit, and in some cases store, end-user data, including personal information. In jurisdictions around the world, personal information is becoming increasingly subject to legislation and regulations intended to protect consumers' privacy and security. The interpretation of privacy and data protection laws and regulations regarding the collection, storage, transmission, use and disclosure of such information in some jurisdictions is unclear and evolving. These laws may be interpreted and applied in conflicting ways from country to country and in a manner that is not consistent with our current data protection practices. Complying with these varying international requirements could cause us to incur additional costs and change our business practices. Because our services are accessible in many foreign jurisdictions, some of these jurisdictions may claim that we are required to comply with their laws, even where we have no local entity, employees or infrastructure. We could be forced to incur significant expenses if we were required to modify our products, our services or our existing security and privacy procedures in order to comply with new or expanded regulations.

<u>Item 1B. Unresolved Staff Comments</u>

None.

Item 2. Properties

During the second quarter of 2015, we amended our lease agreement for the Redmond, Washington headquarters facility effective July 8, 2015. The amended lease resulted in our headquarters relocating to a nearby building, extending the term through April 2021, lowering the square footage to approximately 20,460, providing lease inducement incentives and lowering the rental rate. The new lease commitment of approximately $1.7 million will be paid over the term of the lease. As a result of this lease amendment, the remaining balance of the restructure liability relating to the lease of approximately $120,000 was incorporated into our deferred rent liability in July, 2015. The lease base annual rental payments during 2015, 2014, and 2013 were approximately $296,000, $531,000, and $501,000, respectively.

In addition to the Redmond facility, approximately 14,000 square feet is leased at two foreign locations, including our German sales, service and engineering operations located in Munich, Germany, and a sales, service, operations and engineering office located in Shanghai, China.

During the first quarter of 2014, we renewed our lease agreement for our Munich, Germany facility effective February 1, 2015 and extending the term through January 2018 and lowering the square footage to approximately 4,306 square feet. Effective June 1, 2014, the landlord was able to lease the excess space abandoned as part of Q2 2013 restructure actions to another tenant and the lease was revised to end May 31, 2017.

During the second quarter of 2015, we renewed our lease agreement for our Shanghai, China facility, effective June 15, 2015, extending the term through December 31, 2015. Operations were arranged to continue in this facility through January 31, 2016.

In October 2015, we signed a lease agreement for a new facility located in Shanghai, China which was effective November 1, 2015 and extends through October 31, 2021. The new lease will approximately double our space to 19,400 square feet at approximately 54% of the current lease rate. In February 2016, we moved our Shanghai operations into this new facility.

Item 3. Legal Proceedings

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of December 31, 2015, we were not a party to any legal proceedings or aware of any indemnification agreement claims, the adverse outcome of which in management's opinion, individually or in the aggregate, would have a material adverse effect on our results of operations or financial position.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The following table shows, for the periods indicated, the high and low price information for our Common Stock as reported by the NASDAQ Capital Market (NASDAQ symbol is DAIO). The closing price was $2.52 on December 31, 2015.

	Period	High	Low
2015	Fourth Quarter	$3.20	$2.34
	Third Quarter	3.62	2.26
	Second Quarter	3.80	2.85
	First Quarter	3.75	3.01
2014	Fourth Quarter	$3.83	$2.92
	Third Quarter	3.63	2.67
	Second Quarter	3.15	2.18
	First Quarter	3.48	2.16

The approximate number of shareholders of record as of March 24, 2016 was 482.

Except for special cash dividend of $4.15 per share paid on March 8, 1989, we have not paid cash dividends on our Common Stock and do not anticipate paying regular cash dividends in the foreseeable future.

No sales of unregistered securities were made by us during the periods ended December 31, 2015 and 2014.

See Item 12 for the Equity Compensation Plan Information.

ISSUER PURCHASES OF EQUITY SECURITIES

Not applicable for 2015.

On February 24, 2016, our Board of Directors approved a share repurchase program with provisions to buy back up to $1 million dollars of our stock during the period from March 2, 2016 through March 31, 2017. The program is expected to be established under a 10b5-1 plan under the Exchange Act to provide flexibility to make purchases throughout the period.

Item 6. Selected Financial Data

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. This Act provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about themselves as long as they identify these statements as forward-looking and provide meaningful cautionary statements identifying important factors that could cause actual results to differ from the projected results. All statements other than statements of historical fact made in this Annual Report on Form 10-K are forward-looking. In particular, statements herein regarding economic outlook, industry prospects and trends; future results of operations or financial position; breakeven revenue point; expected market growth; integration of acquired products and operations; market acceptance of our newly introduced or upgraded products or services; development, introduction and shipment of new products or services; changing foreign operations; and any other guidance on future periods are forward-looking statements. Forward-looking statements reflect management's current expectations and are inherently uncertain. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, achievements, or other future events. Moreover, neither Data I/O nor anyone else assumes responsibility for the accuracy and completeness of these forward-looking statements. We are under no duty to update any of these forward-looking statements after the date of this Annual Report. The Reader should not place undue reliance on these forward-looking statements. The following discussions and the section entitled "Risk Factors – Cautionary Factors That May Affect Future Results" describes some, but not all, of the factors that could cause these differences.

OVERVIEW

We continued our focus on managing the core programming business profitably, while developing and enhancing products to drive future revenue and earnings growth. Our challenge continues to be operating in a cyclical and rapidly evolving industry environment. We are continuing our efforts to balance business geography shifts, exchange rate volatility, increasing costs and strategic investments in our business with the level of demand and mix of business we expect. We continue to manage our costs carefully and create strategies for cost reduction.

We are focusing our research and development efforts in our strategic growth markets, namely new programming technology, automated programming systems and their enhancements for the manufacturing environment and software. We continue to focus on extending the capabilities and support for our product lines and supporting the latest semiconductor devices, including NAND Flash, e-MMC, and microcontrollers on our newer products. In 2015, we announced our new PSV5000 and our new LumenX™ programmer.

Our customer focus has been on strategic high volume manufacturers in key market segments like automotive electronics, IoT (Internet of Things), industrial controls, consumer electronics and wireless as well as programming centers.

CRITICAL ACCOUNTING POLICY JUDGMENTS AND ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires that we make estimates and judgments, which affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to sales returns, bad debts, inventories, intangible assets, income taxes, warranty obligations, restructuring charges, contingencies such as litigation and contract terms that have multiple elements and other complexities typical in the capital equipment industry. We base our estimates on historical experience and other assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our financial statements:

Revenue Recognition: We recognize revenue at the time the product is shipped. We have determined that our programming equipment has reached a point of maturity and stability such that product acceptance can be assured by testing at the factory prior to shipment and that the installation meets the criteria to be considered a separate element. These systems are standard products with published product specifications and are configurable with standard options. The evidence that these systems could be deemed as accepted was based upon having standardized factory production of the units, results from batteries of tests of product performance to our published specifications, quality inspections and installation standardization, as well as past product operation validation with the customer and the history provided by our installed base of products upon which the current versions were based.

The revenue related to products requiring installation that is perfunctory is recognized at the time of shipment. Installation that is considered perfunctory includes any installation that can be performed by other parties, such as distributors, other vendors, or in most cases the customers themselves. This takes into account the complexity, skill and training needed as well as customer expectations regarding installation.

We enter into multiple deliverables arrangements that arise during the sale of a system that includes an installation component, a service and support component and a software maintenance component. We allocate the value of each element based on relative selling prices. Relative selling price is based on the selling price of the standalone system. For the installation and service and support components, we use what we charge to distributors who perform these components. For software maintenance components, we use what we charge for annual software maintenance renewals after the initial year the system is sold. Revenue is recognized on the system sale based on shipping terms, installation revenue is recognized after the installation is performed, and hardware service and support and software maintenance revenue is recognized ratably over the term of the agreement, typically one year.

When we sell software separately, we recognize software revenue upon shipment provided that only inconsequential obligations remain on our part and substantive acceptance conditions, if any, have been met.

We recognize revenue when persuasive evidence of an arrangement exists, shipment has occurred, the price is fixed or determinable, the buyer has paid or is obligated to pay, collectability is reasonably assured, substantive acceptance conditions, if any, have been met, the obligation is not contingent on resale of the product, the buyer's obligation would not be changed in the event of theft, physical destruction or damage to the product, the buyer acquiring the product for resale has economic substance apart from us and we do not have significant obligations for future performance to directly bring about the resale of the product by the buyer. We establish a reserve for sales returns based on historical trends in product returns and estimates for new items.

We transfer certain products out of service from their internal use and make them available for sale. The products transferred are our standard products in one of the following areas: service loaners, rental or test units; engineering test units; or sales demonstration equipment. Once transferred, the equipment is sold by our regular sales channels as used equipment inventory. These product units often involve refurbishing and an equipment warranty, and are conducted as sales in our normal and ordinary course of business. The transfer amount is the product unit's net book value and the sale transaction is accounted for as revenue and cost of goods sold.

Allowance for Doubtful Accounts: We base the allowance for doubtful accounts receivable on our assessment of the collectability of specific customer accounts and the aging of accounts receivable. If there is deterioration of a major customer's credit worthiness or actual defaults are higher than historical experience, our estimates of the recoverability of amounts due to us could be adversely affected.

Inventory: Inventories are stated at the lower of cost or market. Adjustments are made to standard cost, which approximates actual cost on a first-in, first-out basis. We estimate reductions to inventory for obsolete, slow-moving, excess and non-salable inventory by reviewing current transactions and forecasted product demand. We evaluate our inventories on an item by item basis and record inventory adjustments accordingly. If there is a significant decrease in demand for our products, uncertainty during product line transitions, or a higher risk of inventory obsolescence because of rapidly changing technology and customer requirements, we may be required to increase our inventory adjustments and our gross margin could be adversely affected.

Warranty Accruals: We accrue for warranty costs based on the expected material and labor costs to fulfill our warranty obligations. If we experience an increase in warranty claims, which are higher than our historical experience, our gross margin could be adversely affected.

Tax Valuation Allowances: Given the uncertainty created by our loss history, as well as the ongoing uncertain economic outlook for our industry and capital and geographic spending, we expect to continue to limit the recognition of net deferred tax assets and accounting for uncertain tax positions and maintain the tax valuation allowances. At the current time, we expect, therefore, that reversals of the tax valuation allowance will take place only as we are able to take advantage of the underlying tax loss or other attributes in carry forward. The transfer pricing and expense or cost sharing arrangements are complex areas where judgments, such as the determination of arms-length arrangements, can be subject to challenges by different tax jurisdictions.

Share-based Compensation: We account for share-based awards made to our employees and directors, including employee stock option awards and restricted stock unit awards, using the estimated grant date fair value method of accounting. For options, we estimate the fair value using the Black-Scholes valuation model and an estimated forfeiture rate, which requires the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying stock. The expected stock price volatility assumption was determined using the historical volatility of our common stock. Changes in the subjective assumptions required in the valuation model may significantly affect the estimated value of the awards, the related stock-based compensation expense and, consequently, our results of operations. Restricted stock unit awards are valued based on the average of the high and low price on the date of the grant. For both options and restricted awards, expense is recognized as compensation expense on the straight-line basis. Employee Stock Purchase Plan ("ESPP") shares were issued under provisions that do not require us to record any equity compensation expense.

RESULTS OF OPERATIONS:

NET SALES

Net sales by product line	2015	Change	2014
(in thousands)			
Automated programming systems	$16,692	8.5%	$15,380
Non-automated programming systems	5,325	(18.6%)	6,544
Total programming systems	$22,017	0.4%	$21,924

Net sales by location	2015	Change	2014
(in thousands)			
United States	$2,229	5.9%	$2,104
% of total	10.1%		9.6%
International	$19,788	(0.2%)	$19,820
% of total	89.9%		90.4%

Net sales were approximately the same for the years ended December 31, 2015 and 2014. On a regional basis, net sales increased approximately 49% in Asia and 1% in Europe but declined 39% in the Americas. Automated system sales increased 17% during 2015 while non-automated system sales declined 27%. We expect to continue to see increases in automated system sales. On a product basis, sales increased primarily due to sales of our PSV product family, offset in part, by declines in the Roadrunner, PS, FLX, FlashPak and legacy (Unifamily and Sprint) product lines compared to 2014. During 2015, we experienced a strengthening U.S. Dollar versus foreign currencies, which is significant because approximately 90% of our sales are from international markets. Approximately 39% of our 2015 sales were European based and of those, a large portion of our sales through our German subsidiary are denominated in Euros.

Order bookings were $20.3 million for 2015 down 11% compared to $22.8 million in 2014. Backlog at December 31, 2015 and 2014 was $.7 million and $1.9 million, respectively.

GROSS MARGIN

	2015	Change	2014
(in thousands)			
Gross margin	$11,544	(2.4%)	$11,825
Percentage of net sales	52.4%		53.9%

Gross margin as a percentage of sales for the year ended December 31, 2015 was 52.4%, compared to 53.9% in 2014. The decrease in gross margin was primarily due to the unfavorable impact of foreign currency exchange rates and a less favorable product and channel mix.

RESEARCH AND DEVELOPMENT

	2015	Change	2014
(in thousands)			
Research and development	$4,701	(0.1%)	$4,708
Percentage of net sales	21.4%		21.5%

Research and development (“R&D”) was approximately the same for the years ended December 31, 2015 and 2014, with higher contractor costs, R&D materials and severance, offset by lower depreciation and recruiting costs.

We believe it is essential to invest in R&D to significantly enhance our existing products and to create new products as markets develop and technologies change. In addition to product development, a significant part of R&D spending is on creating software and support for new devices introduced by the semiconductor companies. We are focusing our R&D efforts on solutions for strategic growth markets, including new programming technology, automated programming systems for the manufacturing environment and extending the capabilities and support for our programmer architecture. Our R&D spending fluctuates based on the number, type, and the development stage of our product initiatives and projects.

SELLING, GENERAL AND ADMINISTRATIVE

(in thousands)	2015	Change	2014
Selling, general & administrative	$5,850	(2.5%)	$5,997
Percentage of net sales	26.6%		27.4%

Selling, General and Administrative ("SG&A") expenses decreased $147,000 for the year ended December 31, 2015 compared to 2014. The decrease was primarily related to lower commissions due to channel mix, rent and IT consulting savings, offset in part by the one-time expense of our Redmond headquarters move and higher investor relations and marketing costs.

INTEREST

(in thousands)	2015	Change	2014
Interest income	$105	(34.0%)	$159

Interest income was lower for the year ended December 31, 2015 compared to 2014, primarily due to lower invested cash balances.

INCOME TAXES

(in thousands)	2015	Change	2014
Income tax (expense) benefit	$5	*	($7)

* not meaningful

Income tax expense decreased by $12,000 for the year ended December 31, 2015 compared to 2014, primarily resulting from foreign subsidiary income tax offset in part by a refund adjustment for the 2014 tax year relating to foreign subsidiary incentive tax credits and deductions.

The effective tax rate differed from the statutory tax rate primarily due to the effect of valuation allowances, as well as foreign taxes. We have a valuation allowance of $11.7 million and $11.8 million as of December 31, 2015 and 2014, respectively. Our deferred tax assets and valuation allowance have been reduced by approximately $210,000 and $197,000 associated with the requirements of accounting for uncertain tax positions as of December 31, 2015 and 2014, respectively. Given the uncertainty created by our loss history, as well as the ongoing uncertain economic outlook for our industry as well as capital and geographic spending, we expect to continue to limit the recognition of net deferred tax assets and accounting for uncertain tax positions and maintain the tax valuation allowances.

INFLATION AND CHANGES IN FOREIGN CURRENCY EXCHANGE RATES

Sales and expenses incurred by foreign subsidiaries are denominated in the subsidiary's local currency and translated into U.S. Dollar amounts at average rates of exchange during the year. We recognized foreign currency transaction gains and (losses) of ($176,000) and ($160,000) in 2015 and 2014, respectively. The transaction gains or losses resulted primarily from translation adjustments to foreign inter-company accounts and U.S. Dollar accounts held by foreign subsidiaries; sales by our German subsidiary to certain customers, which were invoiced in U.S. Dollars; and Brazilian intercompany balances. Because 90% of our sales are to international markets, volatile exchange rates may also impact our competiveness and margins.

FINANCIAL CONDITION:

LIQUIDITY AND CAPITAL RESOURCES

	2015	Change	2014
(in thousands)			
Working capital	$13,823	$760	$13,063

At December 31, 2015, our principal sources of liquidity consisted of existing cash and cash equivalents. Our working capital increased by $760,000 for the twelve month period ending December 31, 2015 primarily due to the net income for the year. Our current ratio was 4.1 and 3.5 for December 31, 2015 and 2014, respectively.

For the twelve month period ending December 31, 2015, our cash position increased $1,907,000 primarily resulting from unusually strong collections converting customer receivables to cash. We expect our working capital cash mix will revert back to historical levels during 2016.

Although we have no significant external capital expenditure plans currently, we expect that we will continue to make capital expenditures to support our business. We plan to increase our internally developed sales demonstration and test equipment as we develop and release new products. Capital expenditures are expected to be funded by existing and internally generated funds or lease financing.

As a result of our significant product development, customer support, selling and marketing efforts, we have required substantial working capital to fund our operations. In 2015 and recent years, we have managed balancing profitable operations, while addressing rising costs and foreign exchange rate challenges. This included geographic shifts in our operations, optimized real estate usage strategies and differentiated product development and cost strategies.

We believe that we have sufficient cash or working capital available under our operating plan to fund our operations and capital requirements through at least the next one-year period. We may require additional cash for U.S. operations, which could cause potential repatriation of cash from the $6.2 million held in our foreign subsidiaries. Although we have no current repatriation plans, there may be tax and other impediments to any repatriation actions. Our working capital may be used to fund possible losses, business growth, project initiatives, share repurchases and business development initiatives including acquisitions, which could reduce our liquidity and result in a requirement for additional cash before that time. Any substantial inability to achieve our current business plan could have a material adverse impact on our financial position, liquidity, or results of operations and may require us to reduce expenditures and/or seek additional financing.

OFF-BALANCE SHEET ARRANGEMENTS

Except as noted in the accompanying consolidated financial statements in Note 7, “Operating Lease Commitments” and Note 8, “Other Commitments”, we had no off-balance sheet arrangements.

SHARE REPURCHASE PROGRAM

No stock repurchase programs were in effect during the twelve month period ending December 31, 2015 and 2014.

On February 24, 2016, our Board of Directors approved a share repurchase program with provisions to buy back up to $1 million dollars of our stock during the period from March 2, 2016 through March 31, 2017. The program is expected to be established under a 10b5-1 plan under the Exchange Act to provide flexibility to make purchases throughout the period.

NON-GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) FINANCIAL MEASURES

Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA") and Adjusted EBITDA excluding equity compensation (a non-cash item) and the 2014 restructure charge are set forth below. Non-GAAP financial measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding our results and facilitate the comparison of results. A reconciliation of net income to EBITDA and adjusted EBITDA follows:

	Year Ended December 31,	
	2015	2014
(in thousands)		
Net Income	$927	$1,099
Interest income	(105)	(159)
Taxes	(5)	7
Depreciation & amortization	542	593
EBITDA earnings	$1,359	$1,540
Equity compensation	435	400
Restructure charge	-	13
Adjusted EBITDA earnings excluding equity compensation and restructure charge	$1,794	$1,953

NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU 2014-09, *"Revenue from Contracts with Customers"* (ASU 2014-09). The standard provides companies with a single model for accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the model is to recognize revenue when control of the goods or services transfers to the customer, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the existing revenue guidance. ASU 2014-09 was originally effective for annual reporting periods beginning after December 15, 2016.

In August 2015, the FASB issued ASU 2015-14, "*Revenue from Contracts with Customers*" (ASU 2015-14). ASU 2015-14 defers the effective date of the new revenue recognition standard by one year. As such, it now takes effect for public entities in fiscal years beginning after December 15, 2017. All other entities have an additional year. However, early adoption is permitted for any entity that chooses to adopt the new standard as of the original effective date. We are in the process of evaluating the impact of adoption on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

See pages 26 through 44.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Data I/O Corporation

We have audited the accompanying consolidated balance sheets of Data I/O Corporation (a Washington Corporation) and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2015. Our audits of the basic consolidated financial statements included the consolidated financial statement schedule listed in the index appearing under Item 15 (Schedule II). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Data I/O Corporation and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/S/GRANT THORNTON LLP

Seattle, Washington
March 28, 2016

DATA I/O CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	December 31, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$11,268	$9,361
Trade accounts receivable, net of allowance for doubtful accounts of $43 and $93, respectively	2,790	4,109
Inventories	3,705	4,445
Other current assets	577	426
TOTAL CURRENT ASSETS	18,340	18,341
Property, plant and equipment – net	1,237	926
Other assets	63	65
TOTAL ASSETS	$19,640	$19,332
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$1,250	$968
Accrued compensation	1,689	1,756
Deferred revenue	1,038	1,801
Other accrued liabilities	540	640
Accrued costs of business restructuring	-	113
TOTAL CURRENT LIABILITIES	4,517	5,278
Long-term other payables	429	183
COMMITMENTS	-	-
STOCKHOLDERS' EQUITY		
Preferred stock - Authorized, 5,000,000 shares, including 200,000 shares of Series A Junior Participating Issued and outstanding, none	-	-
Common stock, at stated value - Authorized, 30,000,000 shares Issued and outstanding, 7,943,720 shares as of December 31, 2015 and 7,861,141 shares as of December 31, 2014	19,051	18,704
Accumulated earnings (deficit)	(5,016)	(5,943)
Accumulated other comprehensive income	659	1,110
TOTAL STOCKHOLDERS' EQUITY	14,694	13,871
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$19,640	$19,332

See notes to consolidated financial statements

DATA I/O CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	For the Years Ended December 31,	
	2015	**2014**
Net Sales	$22,017	$21,924
Cost of goods sold	10,473	10,099
Gross margin	11,544	11,825
Operating expenses:		
Research and development	4,701	4,708
Selling, general and administrative	5,850	5,997
Provision for business restructuring	-	13
Total operating expenses	10,551	10,718
Operating income	993	1,107
Non-operating income (expense):		
Interest income	105	159
Foreign currency transaction gain (loss)	(176)	(160)
Total non-operating income (expense)	(71)	(1)
Income before income taxes	922	1,106
Income tax (expense) benefit	5	(7)
Net income	$927	$1,099
Basic earnings per share	$0.12	$0.14
Diluted earnings per share	$0.12	$0.14
Weighted-average basic shares	7,907	7,826
Weighted-average diluted shares	8,054	7,948

See notes to consolidated financial statements

DATA I/O CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	For the Years Ended December 31,	
	2015	**2014**
Net Income	$927	$1,099
Other comprehensive income:		
Foreign currency translation gain (loss)	(451)	(451)
Comprehensive income	$476	$648

See notes to consolidated financial statements

DATA I/O CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Common Stock		Retained Earnings (Deficit)	Accumulated and Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2013	7,786,053	$18,343	($7,042)	$1,561	$12,862
Stock options exercised	1,721	-	-	-	-
Stock awards issued, net of tax withholding	68,291	(50)	-	-	(50)
Issuance of stock through: Employee Stock Purchase Plan	5,076	15	-	-	15
Share-based compensation	-	396	-	-	396
Net income	-	-	1,099	-	1,099
Other comprehensive income (loss)	-	-	-	(451)	(451)
Balance at December 31, 2014	7,861,141	$18,704	($5,943)	$1,110	$13,871
Stock options exercised	1,360	(2)			(2)
Stock awards issued, net of tax withholding	77,226	(83)	-	-	(83)
Issuance of stock through: Employee Stock Purchase Plan	3,993	12	-	-	12
Share-based compensation	-	420	-	-	420
Net income	-	-	927	-	927
Other comprehensive income (loss)	-	-	-	(451)	(451)
Balance at December 31, 2015	7,943,720	$19,051	($5,016)	$659	$14,694

DATA I/O CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Years Ended December 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$927	$1,099
Adjustments to reconcile net income		
to net cash provided by (used in) operating activities:		
Depreciation and amortization	542	593
Equipment transferred to cost of goods sold	192	726
Share-based compensation	435	400
Net change in:		
Trade accounts receivable	1,204	(2,270)
Inventories	645	(754)
Other current assets	(169)	(40)
Accrued cost of business restructuring	(66)	(687)
Accounts payable and accrued liabilities	20	982
Deferred revenue	(652)	742
Other long-term liabilities	289	(72)
Deposits and other long-term assets	-	20
Net cash provided by (used in) operating activities	3,367	739
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(1,045)	(1,402)
Cash provided by (used in) investing activities	(1,045)	(1,402)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock, net of tax withholding	(73)	(35)
Cash provided by (used in) financing activities	(73)	(35)
Increase/(decrease) in cash and cash equivalents	2,249	(698)
Effects of exchange rate changes on cash	(342)	(367)
Cash and cash equivalents at beginning of period	9,361	10,426
Cash and cash equivalents at end of period	$11,268	$9,361
Supplemental disclosure of cash flow information:		
Cash paid (received) during the period for:		
Income Taxes	($13)	$16

See notes to consolidated financial statements

DATA I/O CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Data I/O Corporation ("Data I/O", "We", "Our", "Us") designs, manufactures and sells programming systems used by designers and manufacturers of electronic products. Our programming system products are used to program integrated circuits ("ICs" or "devices" or "semiconductors") with the specific unique data necessary for the ICs contained in various products, and are an important tool for the electronics industry experiencing growing use of programmable ICs. Customers for our programming system products are located around the world, primarily in the Far East, Europe and the Americas. Our manufacturing operations are currently located in Redmond, Washington, United States and Shanghai, China.

Principles of Consolidation

The consolidated financial statements include the accounts of Data I/O Corporation and our wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates include:
- Revenue Recognition
- Allowance for Doubtful Accounts
- Inventory
- Warranty Accruals
- Tax Valuation Allowances
- Share-based Compensation

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries are translated at the exchange rate on the balance sheet date. Revenues, costs and expenses of foreign subsidiaries are translated at average rates of exchange prevailing during the year. Translation adjustments resulting from this process are charged or credited to stockholders' equity, net of taxes recognized. Realized and unrealized gains and losses resulting from the effects of changes in exchange rates on assets and liabilities denominated in foreign currencies are included in non-operating expense as foreign currency transaction gains and losses.

Cash and Cash Equivalents

All highly liquid investments purchased with an original maturity of 90 days or less are considered cash equivalents. We maintain our cash and cash equivalents with major financial institutions in the United States of America, which are insured by the Federal Deposit Insurance Corporation (FDIC), and foreign jurisdictions. Deposits in U.S. banks exceed the FDIC insurance limit. We have not experienced any losses on our cash and cash equivalents. Cash and cash equivalents held in foreign bank accounts, primarily China, Germany and Canada, totaled (in millions) $6.2 at December 31, 2015 and $6.7 at December 31, 2014.

Fair Value of Financial Instruments

Certain financial instruments are carried at cost on the consolidated balance sheets, which approximates fair value due to their short-term, highly liquid nature. These instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and other short-term liabilities.

Accounts Receivable

The majority of our accounts receivable are due from companies in the electronics manufacturing industries. Credit is extended based on an evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are typically due within 30 to 60 days and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts receivable outstanding longer than the contractual payment terms are considered past due. We determine the allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the industry and geographic payment practices involved, our previous bad debt experience, the customer's current ability to pay their obligation to us, and the condition of the general economy and the industry as a whole. We write off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Interest may be accrued, at the discretion of management and according to our standard sales terms, beginning on the day after the due date of the receivable. However, interest income is subsequently recognized on these accounts either to the extent cash is received, or when the future collection of interest and the receivable balance is considered probable by management.

Inventories

Inventories are stated at the lower of cost or market with cost being the currently adjusted standard cost, which approximates cost on a first-in, first-out basis. We estimate changes to inventory for obsolete, slow-moving, excess and non-salable inventory by reviewing current transactions and forecasted product demand. We evaluate our inventories on an item by item basis and record an adjustment (lower of cost or market) accordingly.

Property, Plant and Equipment

Property, plant and equipment, including leasehold improvements, are stated at cost and depreciation is calculated over the estimated useful lives of the related assets or lease terms on the straight-line basis. We depreciate substantially all manufacturing and office equipment over periods of three to seven years. We depreciate leasehold improvements over the remaining portion of the lease or over the expected life of the asset if less than the remaining term of the lease.

We regularly review all of our property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the total of future undiscounted cash flows is less than the carrying amount of these assets, an impairment loss, if any, based on the excess of the carrying amount over the fair value of the assets, is recorded. Based on this evaluation, no impairment was noted for property, plant and equipment for the years ended December 31, 2015 and 2014.

Patent Costs

We expense external costs, such as filing fees and associated attorney fees, incurred to obtain initial patents, but capitalize as intangible assets acquired patents. We also expense costs associated with maintaining and defending patents subsequent to their issuance.

Income Taxes

Income taxes are computed at current enacted tax rates, less tax credits using the asset and liability method. Deferred taxes are adjusted both for items that do not have tax consequences and for the cumulative effect of any changes in tax rates from those previously used to determine deferred tax assets or liabilities. Tax provisions include amounts that are currently payable, changes in deferred tax assets and liabilities that arise because of temporary differences between the timing of when items of income and expense are recognized for financial reporting and income tax purposes, and any changes in the valuation allowance caused by a change in judgment about the reliability of the related deferred tax assets. A valuation allowance is established when necessary to reduce deferred tax assets to amounts expected to be realized.

Share-Based Compensation

All stock-based compensation awards are measured based on estimated fair values on the date of grant and recognized as compensation expense on the straight-line single-option method. Our share-based compensation is reduced for estimated forfeitures at the time of grant and revised as necessary in subsequent periods if actual forfeitures differ from those estimates.

Revenue Recognition

We recognize revenue at the time the product is shipped. We have determined that our programming equipment has reached a point of maturity and stability such that product acceptance can be assured by testing at the factory prior to shipment and that the installation meets the criteria to be considered a separate element. These systems are standard products with published product specifications and are configurable with standard options. The evidence that these systems could be deemed as accepted was based upon having standardized factory production of the units, results from batteries of tests of product performance to our published specifications, quality inspections and installation standardization, as well as past product operation validation with the customer and the history provided by our installed base of products upon which the current versions were based.

The revenue related to products requiring installation that is perfunctory is recognized at the time of shipment. Installation that is considered perfunctory includes any installation that can be performed by other parties, such as distributors, other vendors, or in most cases the customers themselves. This takes into account the complexity, skill and training needed as well as customer expectations regarding installation.

We enter into multiple deliverables arrangements that arise during the sale of a system that includes an installation component, a service and support component and a software maintenance component. We allocate the value of each element based on relative selling prices. Relative selling price is based on the selling price of the standalone system. For the installation and service and support components, we use what we charge to distributors who perform these components. For software maintenance components, we use what we charge for annual software maintenance renewals after the initial year the system is sold. Revenue is recognized on the system sale based on shipping terms, installation revenue is recognized after the installation is performed, and hardware service and support and software maintenance revenue is recognized ratably over the term of the agreement, typically one year.

When we sell software separately, we recognize software revenue upon shipment provided that only inconsequential obligations remain on our part and substantive acceptance conditions, if any, have been met.

We recognize revenue when persuasive evidence of an arrangement exists, shipment has occurred, the price is fixed or determinable, the buyer has paid or is obligated to pay, collectability is reasonably assured, substantive acceptance conditions, if any, have been met, the obligation is not contingent on resale of the product, the buyer's obligation would not be changed in the event of theft, physical destruction or damage to the product, the buyer acquiring the product for resale has economic substance apart from us and we do not have significant obligations for future performance to directly bring about the resale of the product by the buyer. We establish a reserve for sales returns based on historical trends in product returns and estimates for new items.

Sales were recorded net of actual sales returns and changes to the associated sales return reserve. Sales return reserves were $61,000 and $55,000 at December 31, 2015 and 2014, respectively.

We transfer certain products out of service from their internal use and make them available for sale. The products transferred are our standard products in one of the following areas: service loaners, rental or test units; engineering test units; or sales demonstration equipment. Once transferred, the equipment is sold by our regular sales channels as used equipment inventory. These product units often involve refurbishing and an equipment warranty, and are conducted as sales in our normal and ordinary course of business. The transfer amount is the product unit's net book value and the sale transaction is accounted for as revenue and cost of goods sold.

Research and Development

Research and development costs are expensed as incurred.

Advertising Expense

Advertising costs are expensed as incurred. Total advertising expenses were approximately $137,000 and $78,000 in 2015 and 2014, respectively.

Warranty Expense

We record a liability for an estimate of costs that we expect to incur under our basic limited warranty when product revenue is recognized. Factors affecting our warranty liability include the number of units sold and historical and anticipated rates of claims and costs per claim. We normally provide a warranty for our products against defects for periods ranging from ninety days to one year. We provide for the estimated cost that may be incurred under our product warranties and periodically assess the adequacy of our warranty liability based on changes in the above factors. We record revenues on extended warranties on a straight-line basis over the term of the related warranty contracts. Service costs are expensed as incurred.

Earnings (Loss) Per Share

Basic earnings (loss) per share exclude any dilutive effects of stock options. Basic earnings (loss) per share are computed using the weighted-average number of common shares outstanding during the period. Diluted earnings per share are computed using the weighted-average number of common shares and common stock equivalent shares outstanding during the period. The common stock equivalent shares from equity awards used in calculating diluted earnings per share were 147,000 and 122,000 for the years ended December 31, 2015 and 2014, respectively. Options to purchase 166,720 and 361,161 shares of common stock were outstanding as of December 31, 2015 and 2014, respectively, but were excluded from the computation of diluted EPS for the period then ended because the options were anti-dilutive.

Diversification of Credit Risk

Financial instruments, which potentially subject us to concentrations of credit risk, consist primarily of trade receivables. Our trade receivables are geographically dispersed and include customers in many different industries. As of December 31, 2015, four customers accounted for greater than 10% of our consolidated accounts receivable balance at December 31, 2015: Data Copy Limited, our distributor in China and LeChamp, our distributor in south-east Asia, together represented 37% of that balance and our direct customers, Flextronics and Arrow, together represented 23%. As of December 31, 2014, no customers accounted for more than 10% of our consolidated accounts receivable balance. Our consolidated accounts receivable balance as of December 31, 2015 and 2014 includes foreign accounts receivable in the functional currency of our foreign subsidiaries amounting to $569,000 and $1,208,000, respectively. We generally do business with our foreign distributors in U.S. Dollars. We believe that risk of loss is significantly reduced due to the diversity of our end-customers and geographic sales areas. We perform on-going credit evaluations of our customers' financial condition and require collateral, such as letters of credit and bank guarantees, or prepayment whenever deemed necessary.

New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *"Revenue from Contracts with Customers"* (ASU 2014-09). The standard provides companies with a single model for accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the model is to recognize revenue when control of the goods or services transfers to the customer, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the existing revenue guidance. ASU 2014-09 was originally effective for annual reporting periods beginning after December 15, 2016.

In August 2015, the FASB issued ASU 2015-14, *"Revenue from Contracts with Customers"* (ASU 2015-14). ASU 2015-14 defers the effective date of the new revenue recognition standard by one year. As such, it now takes effect for public entities in fiscal years beginning after December 15, 2017. All other entities have an additional year. However, early adoption is permitted for any entity that chooses to adopt the new standard as of the original effective date. We are in the process of evaluating the impact of adoption on our consolidated financial statements.

NOTE 2-PROVISION FOR BUSINESS RESTRUCTURING

Our previous years' restructure actions have been fully implemented and a true up of estimates resulted in a $13,000 charge during the first quarter of 2014. As a result of the lease amendment discussed in Note 7, "Operating Lease Commitments", in July 2015, the balance of the restructure liability of approximately $120,000 was incorporated into our deferred rent liability as part of the new lease incentive.

An analysis of the restructuring is as follows:

(in thousands)	Reserve Balance Dec. 31, 2013	2014 Expense	2014 Payments/ Write-Offs	Reserve Balance Dec. 31, 2014	2015 Expense	2015 Payments/Reclass/ Write-Offs	Reserve Balance Dec. 31, 2015
Downsizing US operations:							
Employee severance	$230	($16)	$214	$0	$0	$0	$0
Other costs	240	25	94	171	-	171	-
Downsizing foreign operations:							
Employee severance	372	16	371	17	-	17	-
Other costs	31	(12)	19	-	-	-	-
Total	$873	$13	$698	$188	$0	$188	$0

NOTE 3 – ACCOUNTS RECEIVABLE, NET

Receivables consist of the following:

(in thousands)	December 31, 2015	December 31, 2014
Trade accounts receivable	$2,833	$4,202
Less allowance for doubtful receivables	43	93
Trade accounts receivable, net	$2,790	$4,109

Changes in Data I/O's allowance for doubtful accounts are as follow:

(in thousands)	December 31, 2015	December 31, 2014
Beginning balance	$93	$87
Bad debt expense (reversal)	(36)	6
Accounts written-off	(14)	-
Recoveries	-	-
Ending balance	$43	$93

NOTE 4 – INVENTORIES

Inventories consisted of the following components:

(in thousands)	December 31, 2015	December 31, 2014
Raw material	$2,262	$2,429
Work-in-process	1,099	1,288
Finished goods	344	728
Inventories	$3,705	$4,445

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT, NET

Property and equipment consisted of the following components:

(in thousands)	December 31, 2015	December 31, 2014
Leasehold improvements	$77	$415
Equipment	5,739	6,208
	5,816	6,623
Less accumulated depreciation	4,579	5,697
Property and equipment, net	$1,237	$926

Total depreciation expense recorded for 2015 and 2014 was $542,000 and $593,000, respectively.

NOTE 6 – OTHER ACCRUED LIABILITIES

Other accrued liabilities consisted of the following components:

(in thousands)	December 31, 2015	December 31, 2014
Product warranty	$368	$339
Sales return reserve	61	55
Other taxes	92	87
Other	19	159
Other accrued liabilities	$540	$640

The changes in our product warranty liability for the year ending December 31, 2015 are follows:

(in thousands)	December 31, 2015
Liability, beginning balance	$339
Net expenses	789
Warranty claims	(789)
Accrual revisions	29
Liability, ending balance	$368

NOTE 7 –OPERATING LEASE COMMITMENTS

We have commitments under non-cancelable operating leases and other agreements, primarily for factory and office space, with initial or remaining terms of one year or more as follows:

For the years ending December 31:

(in thousands)	Operating Leases
2016	$757
2017	828
2018	813
2019	846
2020	843
Thereafter	436
Total	$4,523

Lease and rental expense was $955,000 and $1,041,000 in 2015 and 2014, respectively. Rent expense is recorded on a straight line basis, over the term of the lease, for leases that contain fixed escalation clauses, and excludes the portion that was charged to restructure expense. During the second quarter of 2015, we amended our lease agreement for the Redmond, Washington headquarters facility effective July 8, 2015. The amended lease resulted in our headquarters relocating to a nearby building, extending the term through April 2021, lowering the square footage to approximately 20,460, providing lease inducement incentives and lowering the rental rate. The new lease commitment of approximately $1.7 million will be paid over the term of the lease. As a result of this lease amendment, the remaining balance of the restructure liability of approximately $120,000 was incorporated into our deferred rent liability in July, 2015. The lease base annual rental payments during 2015, 2014, and 2013 were approximately $296,000, $531,000, and $501,000, respectively.

In addition to the Redmond facility, approximately 14,000 square feet is leased at two foreign locations, including our German sales, service and engineering operations located in Munich, Germany, and a sales, service, operations and engineering office located in Shanghai, China.

During the first quarter of 2014, we renewed our lease agreement for our Munich, Germany facility effective February 1, 2015 and extending the term through January 2018 and lowering the square footage to approximately 4,306 square feet. Effective June 1, 2014, the landlord was able to lease the excess space abandoned as part of Q2 2013 restructure actions to another tenant and the lease was revised to end May 31, 2017.

During the second quarter of 2015, we renewed our lease agreement for our Shanghai, China facility, effective June 15, 2015, extending the term through December 31, 2015. Operations were arranged to continue in this facility through January 31, 2016.

In October 2015, we signed a lease agreement for a new facility located in Shanghai, China which was effective November 1, 2015 and extends through October 31, 2021. The new lease will approximately double our space to 19,400 square feet at approximately 54% of the current lease rate.

NOTE 8 –OTHER COMMITMENTS

We have purchase obligations for inventory and production costs as well as other obligations such as capital expenditures, service contracts, marketing, and development agreements. Arrangements are considered purchase obligations if a contract specifies all significant terms, including fixed or minimum quantities to be purchased, a pricing structure and approximate timing of the transaction. Most arrangements are cancelable without a significant penalty, and with short notice, typically less than 90 days. At December 31, 2015, the purchase commitments and other obligations totaled $965,000 of which all but $54,000 are expected to be paid over the next twelve months.

NOTE 9 – CONTINGENCIES

As of December 31, 2015, we were not a party to any legal proceedings or aware of any indemnification agreement claims, the adverse outcome of which in management's opinion, individually or in the aggregate, would have a material adverse effect on our results of operations or financial position.

NOTE 10 – STOCK AND RETIREMENT PLANS

Stock Option Plans

At December 31, 2015, there were 693,436 shares available for future grant under Data I/O Corporation 2000 Stock Compensation Incentive Plan ("2000 Plan"). At December 31, 2015 there were 963,100 shares of Common Stock reserved for issuance consisting of 644,350 under the 2000 plan and 318,750 under the inducement grant reserves. Pursuant to this 2000 Plan, options are granted to our officers and key employees with exercise prices equal to the fair market value of the Common Stock at the date of grant and generally vest over four years. Options granted under the plans have a maximum term of six years from the date of grant. Stock awards may also be granted under the 2000 Plan. Inducement grants were made in 2012 and 2013. In 2012, inducement grants were made to our chief executive officer consisting of 200,000 options and 75,000 restricted shares, of which 18,750 shares were issued in both 2015 and 2014. In 2013, an inducement grant was made to our chief technology officer consisting of 100,000 options. The inducement grants were not made out of the 2000 Plan shares but were made under the terms of the 2000 Plan.

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan ("ESPP"), eligible employees may purchase shares of our Common Stock at six-month intervals at 95% of the fair market value on the last day of each six-month period. Employees may purchase shares having a value not exceeding 10% of their gross compensation during an offering period. During 2015 and 2014, a total of 3,993 and 5,076 shares, respectively, were purchased under the plan at average prices of $2.90 and $2.89 per share, respectively. At December 31, 2015, a total of 56,373 shares were reserved for future issuance.

Stock Appreciation Rights Plan

We have a Stock Appreciation Rights Plan ("SAR") under which each director, executive officer or holder of 10% or more of our Common Stock has a SAR with respect to each exercisable stock option. The SAR entitles the SAR holder to receive cash from us for the difference between the market value of the stock and the exercise price of the option in lieu of exercising the related option. SARs are only exercisable following a tender offer or exchange offer for our stock, or following approval by shareholders of Data I/O of any merger, consolidation, reorganization or other transaction providing for the conversion or exchange of more than 50% of the common shares outstanding. As no event has occurred, which would make the SARs exercisable, and no such event is deemed probable, no compensation expense has been recorded under this plan.

Director Fee Plan

We have a Director Fee Plan, not currently in use, which had provided for payment to directors who are not employees of Data I/O Corporation by delivery of shares of our Common Stock. No shares were issued from the plan for 2015 or 2014 board service and 151,332 shares remain available in the plan as of December 31, 2015.

Retirement Savings Plan

We have a savings plan that qualifies as a cash or deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the plan, participating U.S. employees may defer their pre-tax salary or post-tax salary if Roth is elected, subject to IRS limitations. In fiscal years 2015 and 2014, we contributed one dollar for each dollar contributed by a participant, with a maximum contribution of 4% of a participant's eligible earnings. Our matching contribution expense for the savings plan was approximately $174,000 and $173,000 in 2015 and 2014, respectively. Employer matching contributions owed to the plan were $178,000 and $160,000 at December 31, 2015 and 2014, respectively.

NOTE 11– SHARE-BASED COMPENSATION

For share-based awards granted, we have recognized compensation expense based on the estimated grant date fair value method. For these awards we have recognized compensation expense using a straight-line amortization method and reduced for estimated forfeitures.

The impact on our results of operations of recording share-based compensation for the year ended December 31, 2015 and 2014 was as follows:

	Year Ended December 31,	
	2015	2014
(in thousands)		
Cost of goods sold	$13	$6
Research and development	76	80
Selling, general and administrative	346	314
Total share-based compensation	$435	$400
Impact on net income per share:		
Basic and diluted	($0.05)	($0.05)

An immaterial amount of share-based compensation was capitalized into inventory as overhead for the years ended December 31, 2015 and 2014, respectively.

The fair values of share-based awards for employee stock option awards were estimated at the date of grant using the Black-Scholes valuation model. The volatility and expected life of the options used in calculating the fair value of share-based awards may exclude certain periods of historical data that we considered atypical and not likely to occur in future periods. The following weighted average assumptions were used to calculate the fair value of options granted during the years ended December 31:

	Employee Stock Options	
	2015	2014
Risk-free interest rates	-	1.31%
Volatility factors	-	0.51
Expected life of the option in years	-	4.00
Expected dividend yield	-	None

There were no stock option awards in 2015. The risk-free interest rate used in the Black-Scholes valuation method is based on the implied yield currently available in U.S. Treasury securities at maturity with an equivalent term. We have not recently declared or paid any dividends and do not currently expect to do so in the future. The expected term of options represents the period that our stock-based awards are expected to be outstanding and was determined based on historical weighted average holding periods and projected holding periods for the remaining unexercised shares. Consideration was given to the contractual terms of our stock-based awards, vesting schedules and expectations of future employee behavior. Expected volatility is based on the annualized daily historical volatility of our stock over a representative period.

The weighted average grant date fair value of options granted under our stock option plans for the twelve month period ending December 31, 2015 and 2014 was $0 and $.94, respectively. The following table summarizes stock option activity under our stock option plans for the twelve months ended December 31:

	2015			2014		
	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life in Years	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life in Years
Outstanding at beginning of year	606,187	$3.02		904,656	$3.49	
Granted	-	0.00		3,000	2.30	
Exercised	(20,625)	3.03		(31,250)	3.07	
Cancelled, Expired or Forfeited	(11,562)	5.39		(270,219)	4.60	
Outstanding at end of year	574,000	$2.97	2.40	606,187	$3.02	3.29
Vested or expected to vest at the end of the period	564,527	$2.99	2.39	574,188	$3.07	3.25
Exercisable at end of year	467,126	$3.19	2.24	383,001	$3.49	2.90

The aggregate intrinsic value of outstanding options is $206,152. This represents the total pretax intrinsic value, based on the closing stock price of $2.52 at December 31, 2015, which would have been received by award holders had all award holders exercised their stock options that were in-the-money as of that date. The aggregate intrinsic value of awards exercised during the twelve month period ended December 31, 2015 was $6,892.

Restricted stock award including performance-based stock award activity under our share-based compensation plan was as follows:

	2015		2014	
	Awards	Weighted - Average Grant Date Fair Value	Awards	Weighted - Average Grant Date Fair Value
Outstanding at beginning of year	320,900	$2.57	247,075	$2.18
Granted	193,800	3.16	189,900	2.88
Vested	(109,250)	2.58	(85,200)	2.22
Cancelled	(16,350)	2.60	(30,875)	2.28
Outstanding at end of year	389,100	$2.86	320,900	$2.57

The remaining unamortized expected future compensation expense and remaining amortization period associated with unvested option grants and restricted stock awards are:

	December 31, 2015	December 31, 2014
Unamortized future compensation expense	$1,028,961	$896,450
Remaining weighted average amortization period in years	2.59	2.60

NOTE 12– INCOME TAXES

Components of income (loss) before taxes:

Components of income (loss) before taxes:

(in thousands)	Year Ended December 31, 2015	2014
U.S. operations	$420	$1,011
Foreign operations	502	95
Total income (loss) before taxes	$922	$1,106

Income tax expense (benefit) consists of:

(in thousands)	Year Ended December 31, 2015	2014
Current tax expense (benefit)		
U.S. federal	$0	$0
State	(1)	(4)
Foreign	(4)	11
	(5)	7
Deferred tax expense (benefit) – U.S. federal	-	-
Total income tax expense (benefit)	($5)	$7

A reconciliation of our effective income tax and the U.S. federal tax rate is as follows:

(in thousands)	Year Ended December 31, 2015	2014
Statutory tax	$313	$376
State and foreign income tax, net of federal income tax benefit	(105)	(80)
Valuation allowance for deferred tax assets	(213)	(289)
Total income tax expense (benefit)	($5)	$7

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets are presented below:

(in thousands)	Year Ended December 31, 2015	Year Ended December 31, 2014
Deferred income tax assets:		
Allowance for doubtful accounts	$11	$25
Inventory and product return reserves	723	739
Compensation accruals	1,533	1,392
Accrued liabilities	311	106
Book-over-tax depreciation and amortization	99	1,018
Foreign net operating loss carryforwards	809	970
U.S. net operating loss carryforwards	6,919	6,340
U.S. credit carryforwards	1,264	1,212
	11,669	11,802
Valuation Allowance	(11,669)	(11,802)
Total Deferred Income Tax Assets	$ -	$ -

The valuation allowance for deferred tax assets decreased $133,000 during the year ended December 31, 2015, and decreased $239,000 during the year ended December 31, 2014. The net deferred tax assets have a full valuation allowance provided due to uncertainty regarding our ability to utilize such assets in future years. This full valuation allowance evaluation is based upon our volatile history of losses and the cyclical nature of our industry and capital spending. Credit carryforwards consist primarily of research and experimental and alternative minimum tax credits with expiration years from 2020 to 2035. U.S. net operating loss carryforwards are $20,349,000 at December 31, 2015 with expiration years from 2020 to 2035. Utilization of net operating loss and credit carryforwards is subject to certain limitations under Section 382 of the Internal Revenue Code of 1986, as amended.

The gross changes in uncertain tax positions resulting in unrecognized tax benefits are presented below:

(in thousands)	Year Ended December 31, 2015	Year Ended December 31, 2014
Unrecognized tax benefits, opening balance	$197	$180
Prior period tax position increases	(3)	-
Additions based on tax positions related to current year	16	17
Unrecognized tax benefits, ending balance	$210	$197

Historically, we have not incurred any interest or penalties associated with tax matters and no interest or penalties were recognized during 2015. However, we have adopted a policy whereby amounts related to penalties associated with tax matters are classified as general and administrative expense when incurred and amounts related to interest associated with tax matters are classified as interest income or interest expense.

Tax years that remain open for examination include 2012, 2013, 2014 and 2015 in the United States of America. In addition, tax years from 2000 to 2011 may be subject to examination in the event that we utilize the net operating losses and credit carryforwards from those years in our current or future year tax returns.

NOTE 13 – SEGMENT AND GEOGRAPHIC INFORMATION

We consider our operations to be a single operating segment, focused on the design, manufacturing and sale of programming systems used by designers and manufacturers of electronic products.

Major operations outside the U.S. include sales, engineering and service support subsidiaries in Germany and China. For the years ended December 31, 2015 and 2014, one customer, Data Copy Limited, our distributor in China, accounted for approximately 15% and 12% of net sales, respectively.

The following tables provide summary operating information by geographic area:

	Year Ended December 31,	
(in thousands)	2015	2014
Net sales:		
U.S.	$2,229	$2,104
Europe	8,744	8,596
Rest of World	11,044	11,224
	$22,017	$21,924
Included in Europe and Rest of World net sales are the following significant balances:		
Germany	$3,702	$4,856
China	$4,682	$2,733
Operating income (loss):		
U.S.	$473	$284
Europe	(356)	274
Rest of World	876	549
	$993	$1,107
Identifiable assets:		
U.S.	$9,441	$7,215
Europe	3,128	3,689
Rest of World	7,071	8,428
	$19,640	$19,332

NOTE 14 –SUBSEQUENT EVENTS

On February 24, 2016, our Board of Directors approved a share repurchase program with provisions to buy back up to $1 million dollars of our stock during the period from March 2, 2016 through March 31, 2017. The program is expected to be established under a 10b5-1 plan under the Exchange Act to provide flexibility to make purchases throughout the period.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. _ Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) as of the end of the period covered by this report (the "Evaluation Date"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective at the reasonable assurance level. Disclosure controls are controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls are also designed to ensure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control systems are designed to provide reasonable assurance to the Company's management and board of directors regarding reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Exchange Act and includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

All internal controls, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statements preparation and presentation.

Our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework (2013). Based on this assessment we concluded that, as of December 31, 2015, our internal control over financial reporting was effective.

This annual report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, which permanently exempts non-accelerated filers from complying with Section 404(b) of the Sarbanes-Oxley Act of 2002.

(c) Changes in internal controls.

There were no changes made in our internal controls during the period covered by this report that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding the Registrant's directors is set forth under "Election of Directors" in our Proxy Statement relating to our annual meeting of shareholders to be held on May 24, 2016 and is incorporated herein by reference. Such Proxy Statement will be filed within 120 days of our year-end. Information regarding the Registrant's executive officers is set forth in Item 1 of Part I herein under the caption "Executive Officers of the Registrant."

Code of Ethics

We have adopted a Code of Ethics that applies to all directors, officers and employees of Data I/O, including the Chief Executive Officer and Chief Financial Officer. The key principles of the Code of Ethics are to act legally and with integrity in all work for Data I/O. The Code of Ethics is posted on the corporate governance page of our website at http://www.dataio.com/Company/InvestorRelations/CorporateGovernance.aspx. We will post any amendments to our Code of Ethics on our website. In the unlikely event that the Board of Directors approves any sort of waiver to the Code of Ethics for our executive officers or directors, information concerning such waiver will also be posted on our website. In addition to posting information regarding amendments and waivers on our website, the same information will be included in a Current Report on Form 8-K within four business days following the date of the amendment or waiver, unless website posting of such amendments or waivers is permitted by Nasdaq's rules.

Item 11. Executive Compensation

Information called for by Part III, Item 11, is included in our Proxy Statement relating to our annual meeting of shareholders to be held on May 24, 2016 and is incorporated herein by reference. The information appears in the Proxy Statement under the caption "Executive Compensation." Such Proxy Statement will be filed within 120 days of our year-end.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information called for by Part III, Item 12, is included in our Proxy Statement relating to our annual meeting of shareholders to be held on May 24, 2016 and is incorporated herein by reference. The information appears in the Proxy Statement under the caption "Voting Securities and Principal Holders." Such Proxy Statement will be filed within 120 days of our year end.

Equity Compensation Plan Information

The following table gives information about our Common Stock that may be issued upon the exercise of options and rights under all of our existing equity compensation plans as of December 31, 2015. See Notes 10 and 11 of "Notes to Consolidated Financial Statements."

	(a) Number of securities to be issued upon the exercise of outstanding options, warrants and rights	(b) Weighted–average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by the security holders (1) (2)	276,028	$4.10	747,781
Equity compensation plans not approved by the security holders (3)	300,000	$1.94	-
Total	576,028	$2.97	747,781

(1) Represents shares of our Common Stock issuable pursuant to the Data I/O Corporation 2000 Stock Incentive Compensation Plan, 1982 Employee Stock Purchase Plan and 1996 Director Fee Plan. Table excludes unvested restricted stock awards of 389,100 from the 2000 Plan.

(2) Stock Appreciation Rights Plan ("SAR") provides that directors, executive officers or holders of 10% or more of our Common Stock have an accompanying SAR with respect to each exercisable option. While the plan has been approved by the security holders, no amounts are included in columns (a), (b), or (c) relating to the SAR.

(3) Represents inducement grants of 200,000 nonqualified stock options to Anthony Ambrose as part of his hiring and inducement grants of 100,000 nonqualified stock options to Rajeev Gulati as part of his hiring. Table excludes unvested restricted stock award inducement grants of 18,750 to Anthony Ambrose.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is contained in, and incorporated by reference from, the Proxy Statement for our 2016 Annual Meeting of Shareholders under the caption "Certain Relationships and Related Transactions."

Item 14. _ Principle Accounting Fees and Services

The information required by this Item with respect to principal accountant fees and services is incorporated by reference to the section captioned "Principal Accountant's Fees and Services" in the Proxy Statement relating to our annual meeting of shareholders to be held on May 24, 2016. Such Proxy Statement will be filed within 120 days of our year-end.

PART IV

Item 15. Exhibits, Financial Statement Schedules

Executive Compensation Plans and Arrangements

The following list is a subset of the list of exhibits described below and contains all compensatory plans, contracts or arrangements in which any director or executive officer of Data I/O is a participant, unless the method of allocation of benefits thereunder is the same for management and non-management participants:

(1) Amended and Restated 1982 Employee Stock Purchase Plan. See Exhibit 10.5.

(2) Data I/O Corporation Tax Deferral Retirement Plan and Trust with Great West Financial (formerly Orchard Trust Company). See Exhibits 10.15, 10.16, 10.17 and 10.30.

(3) Summary of Amended and Restated Management Incentive Compensation Plan. See Exhibit 10.2.

(4) Amended and Restated 1983 Stock Appreciation Rights Plan. See Exhibit 10.1.

(5) Amended and Restated Executive Agreements. See Exhibit 10.8, 10.20, and 10.23.

(6) 1996 Director Fee Plan. See Exhibit 10.4.

(7) Data I/O Corporation 2000 Stock Compensation Incentive Plan. See Exhibit 10.6, 10.11, 10.22 and 10.26.

(8) Form of Option Agreement. See Exhibit 10.7.

(9) Form of Indemnification Agreement. See Exhibit 10.18.

(10) Letter Agreement with Anthony Ambrose. See Exhibit 10.21.

(11) Letter Agreement with Rajeev Gulati. See Exhibit 10.24.

(12) Form of Restricted Stock Agreement. See Exhibit 10.12.

(13) Letter Agreement with Joel S. Hatlen. See Exhibit 10.28.

(14) Form of Executive Agreement. See Exhibit 10.27.

(15) Form of Restricted Stock Unit Award Agreement. See Exhibit 10.25.

(a) **List of Documents Filed as a Part of This Report:** Page

(1) Index to Financial Statements:

(2) Index to Financial Statement Schedules:

Schedule II – Consolidated Valuation and Qualifying Accounts

All other schedules not listed above have been omitted because the required information is included in the consolidated financial statements or the notes thereto, or is not applicable or required.

(3) Index to Exhibits:

3 **Articles of Incorporation:**

3.1 Data I/O's restated Articles of Incorporation filed November 2, 1987 (Incorporated by reference to Exhibit 3.1 of Data I/O's 1987 Annual Report on Form 10-K (File No. 0-10394)).

3.2 Data I/O's Bylaws as amended and restated as of July 20, 2011 (Incorporated by reference to Data I/O's Current Report on Form 8-K filed July 26, 2011).

3.3 Certification of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock (Incorporated by reference to Exhibit 1 of Data I/O's Registration Statement on Form 8-A filed March 13, 1998 (File No. 0-10394)).

4 **Instruments Defining the Rights of Security Holders, Including Indentures:**

4.1 Rights Agreement dated as of April 4, 1998, between Data I/O Corporation and ChaseMellon Shareholder Services, L.L.C. as Rights Agent, which includes: as Exhibit A thereto, the Form of Right Certificate; and, as Exhibit B thereto, the Summary of Rights to Purchase Series A Junior Participating Preferred Stock (Incorporated by reference to Data I/O's Current Report on Form 8-K filed on March 13, 1998).

4.2 Rights Agreement, dated as of March 31, 1988, between Data I/O Corporation and First Jersey National Bank, as Rights Agent, as amended by Amendment No. 1 thereto, dated as of May 28, 1992 and Amendment No. 2 thereto, dated as of July 16, 1997 (Incorporated by reference to Data I/O's Report on Form 8-K filed on March 13, 1998).

4.3 Amendment No. 1, dated as of February 10, 1999, to Rights Agreement, dated as of April 4, 1998, between Data I/O Corporation and ChaseMellon Shareholder Services, L.L.C. as Rights Agent (Incorporated by reference to Exhibit 4.1 of Data I/O's Form 8-A/A dated February 10, 1999).

4.4 Amendment No. 2 to Rights Agreement, dated as of April 3, 2008, between Data I/O Corporation and Computershare (formerly BNY Mellon Investor Services LLC, and ChaseMellon Shareholder Services, L.L.C.). (Incorporated by reference to Exhibit 4.3 of Data I/O's Form 8-K dated April 3, 2008).

10 **Material Contracts:**

10.1 Amended and Restated 1983 Stock Appreciation Rights Plan dated February 3, 1993 (Incorporated by reference to Exhibit 10.23 of Data I/O's 1992 Annual Report on Form 10-K (File No. 0-10394)).

10.2 Amended and Restated Management Incentive Compensation Plan dated January 1, 1997 (Incorporated by reference to Exhibit 10.25 of Data I/O's 1997 Annual Report on Form 10-K (File No. 0-10394)).

10.3 Amended and Restated Performance Bonus Plan dated January 1, 1997 (Incorporated by reference to Exhibit 10.26 of Data I/O's 1997 Annual Report on Form 10-K (File No. 0-10394)).

10.4 Amended and Restated Data I/O Corporation 1996 Director Fee Plan (Incorporated by reference to Exhibit 10.32 of Data I/O's 1997 Annual Report on Form 10-K (File No. 0-10394)).

10.5 Amended and Restated 1982 Employee Stock Purchase Plan dated May 16, 2003 (Incorporated by reference to Data I/O's 2003 Proxy Statement dated March 31, 2003).

10.6 Amended and Restated Data I/O Corporation 2000 Stock Compensation Incentive Plan dated May 24, 2006 (Incorporated by reference to Data I/O's 2006 Proxy Statement dated April 6, 2006).

10.7 Form of Option Agreement (Incorporated by reference to Data I/O's 2004 Annual Report on Form 10-K (File No. 0-10394)).

10.8 Amended and Restated Executive Agreement with Joel S. Hatlen dated December 31, 2011 (Incorporated by reference to Data I/O's 2011 Annual Report on Form 10K (File No. 0-10394)).

10.9 Lease, Redmond East Business Campus between Data I/O Corporation and Carr Redmond PLCC dated February 28, 2006 (Incorporated by reference to Data I/O's 2005 Annual Report on Form 10K (File No. 0-10394)).

10.10 Second Amendment to Lease, (Redmond East) between Data I/O Corporation and Arden Realty Limited Partnership, made as of January 31, 2011. (Incorporated by reference to Data I/O's 2010 Annual Report on Form 10-K (File No. 0-10394)).

10.11 Amended and Restated Data I/O Corporation 2000 Stock Compensation Incentive Plan approved May 17, 2011 (Incorporated by reference to Data I/O's 2011 Proxy Statement filed April 5, 2011).

10.12 Form of Restricted Stock Award Agreement (Incorporated by reference to Exhibit 10.29 of Data I/O's June 30, 2006 Quarterly Report on Form 10-Q (File No. 0-10394)).

10.13 Patent Purchase Agreement (Incorporated by reference to Data I/O's Current Report on Form 8-K filed on March 25, 2008)).

10.14 First Amendment to the Patent Purchase Agreement (Incorporated by reference to Data I/O's Current Report on Form 8-K filed on March 25, 2008).

10.15 Great West Financial (formerly Orchard Trust Company) Defined Contribution Prototype Plan and Trust (Incorporated by reference to Data I/O's 2007 Annual Report on Form 10-K (File No. 0-10394)).

10.16 Great West Financial (formerly Orchard Trust Company) Non-standardized 401(k) Plan (Incorporated by reference to Data I/O's 2007 Annual Report on Form 10-K (File No. 0-10394)).

10.17 Great West Financial (formerly Orchard Trust Company) Defined Contribution Prototype Plan and Trust Amendment for Pension Protection Act and Heart Act. (Incorporated by reference to Data I/O's 2009 Annual Report on Form 10-K (File No. 0-10394)).

10.18 Form of Indemnification Agreement. (Incorporated by reference to Data I/O's 2010 Annual Report on Form 10-K (File No. 0-10394)).

10.19 Asset Purchase Agreement dated April 29, 2011, with the Miller Trust, for acquisition of Software Technology (Incorporated by reference to Data I/O's Current Report on Form 8-K filed May 3, 2011 with portions omitted pursuant to a confidential treatment request, and by reference to Data I/O's Form 10-Q filed April 3, 2012, which included the redacted portions that had been made in the original Form 8-K filing).

10.20 Executive Agreement with Anthony Ambrose dated October 25, 2012. (Incorporated by reference to Data I/O's 2012 Annual Report on Form 10-K (File No. 0-10394)).

10.21 Letter Agreement with Anthony Ambrose (Incorporated by reference to Data I/O's Current Report on Form 8-K filed on October 29, 2012).

10.22 Amended and Restated Data I/O Corporation 2000 Stock Compensation Incentive Plan approved May 10, 2012 (Incorporated by reference to Data I/O's 2012 Proxy Statement filed April 3, 2012).

10.23 Executive Agreement with Rajeev Gulati dated July 25, 2013. (Incorporated by reference to Data I/O's 2013 Annual Report on Form 10-K (File No. 0-10394)).

10.24 Letter Agreement with Rajeev Gulati (Incorporated by reference to Data I/O's Current Report on Form 8-K filed on July 31, 2013).

10.25 Form of Restricted Stock Unit Award Agreement (Incorporated by reference to Exhibit 10.29 of Data I/O's March 31, 2014 Quarterly Report on Form 10-Q (File No. 0-10394)).

10.26 Amended and Restated Data I/O Corporation 2000 Stock Compensation Incentive Plan approved April 30, 2014 (Incorporated by reference to Exhibit 10.30 of Data I/O's March 31, 2014 Quarterly Report on Form 10-Q (File No. 0-10394)).

10.27 Form of Executive Agreement (Incorporated by reference to Exhibit 10.31 of Data I/O's June 30, 2014 Quarterly Report on Form 10-Q (File No. 0-10394))

10.28 Letter Agreement with Joel S. Hatlen (Incorporated by reference to Exhibit 10.32 of Data I/O's June 30, 2014 Quarterly Report on Form 10-Q (File No. 0-10394)).

10.29 Third Amendment to Lease, (Redmond East) between Data I/O Corporation and Arden Realty Limited Partnership, made as of June 1, 2015 (Incorporated by reference to Exhibit 10.29 of Data I/O's June 30, 2015 Quarterly Report on Form 10-Q (File No. 0-10394)).

10.30 Great West Financial Adoption Agreement #005 Non-standardized 401(k) Plan. 61

21.1 Subsidiaries of the Registrant 55

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATA I/O CORPORATION
(REGISTRANT)

DATED: March 28, 2016

By: /s/Anthony Ambrose
Anthony Ambrose
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

NAME & DATE		TITLE
By: /s/Anthony Ambrose Anthony Ambrose	March 28, 2016	President and Chief Executive Officer (Principal Executive Officer), Director
By: /s/Joel S. Hatlen Joel S. Hatlen	March 28, 2016	Chief Financial Officer Vice President Secretary, Treasurer (Principal Financial and Accounting Officer)
By: /s/Douglas W. Brown Douglas W. Brown	March 28, 2016	Director
By: /s/Brian T. Crowley Brian T. Crowley	March 28, 2016	Director
By: /s/Alan B. Howe Alan B. Howe	March 28, 2016	Director
By: /s/Mark J. Gallenberger Mark J. Gallenberger	March 28, 2016	Director

DATA I/O CORPORATION
SCHEDULE II – CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

(in thousands)	Balance at Beginning of Period	Charged/ (Credited) to Costs and Expenses	Deductions-Describe	Balance at End of Period
Year Ended December 31, 2014:				
Allowance for bad debts	$87	$6	$ - [1]	$93
Year Ended December 31, 2015:				
Allowance for bad debts	$93	($36)	($14) [1]	$43

[1] Uncollectable accounts written off, net of recoveries

EXHIBIT 21.1

DATA I/O CORPORATION

SUBSIDIARIES OF THE REGISTRANT

The following table indicates the name, jurisdiction of incorporation and basis of ownership of each of Data I/O's subsidiaries:

Name of Subsidiary	State or Jurisdiction of Organization	Percentage of Voting Securities Owned
Data I/O International, Inc.	Washington	100%
RTD, Inc.	Washington	100%
Data I/O FSC International, Inc.	Territory of Guam	100%
Data I/O Canada Corporation	Canada	100%
Data I/O China, Ltd.	Hong Kong, China	100%
Data I/O GmbH	Germany	100%
Data I/O Electronics (Shanghai) Co., Ltd.	China	100%
Data I/O Programação de Sistemas Ltda.	Brazil	100%

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 28, 2016, with respect to the consolidated financial statements and schedule included in the Annual Report of Data I/O Corporation on Form 10-K for the year ended December 31, 2015. We consent to the incorporation by reference of said report in the Registration Statements of Data I/O Corporation on Form S-8 (File Nos. 002-76164, 002-86785, 002-98115, 002-78394, 33-95608, 33-66824, 33-42010, 33-26472, 33-54422, 333-20657, 333-55911, 33-02254, 33-03958, 333-107543, 333-81986, 333-48595, 333-121861, 333-151006, 333-166730, and 333-175840) and on Form S-3 (File No. 333-121566).

/s/Grant Thornton LLP

Seattle, Washington
March 28, 2016

EXHIBIT 31.1

Certification by Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 302(a) of the Sarbanes-Oxley Act of 2002

I, Anthony Ambrose, certify that:

1) I have reviewed this annual report on Form 10-K of Data I/O Corporation;
2) Based upon my knowledge, this annual report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4) The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f)0 for the registrant and we have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
    d) Disclosed in this annual report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.
5) The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls over financial reporting.

Date: March 28, 2016

/s/ Anthony Ambrose
Anthony Ambrose
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Certification by Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 302(a) of the Sarbanes-Oxley Act of 2002

I, Joel S. Hatlen, certify that:

1) I have reviewed this annual report on Form 10-K of Data I/O Corporation;
2) Based upon my knowledge, this annual report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f)0 for the registrant and we have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
    d) Disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 28, 2016

/s/ Joel S. Hatlen
Joel S. Hatlen
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification by Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of Data I/O Corporation (the “Company”) on Form 10-K for the period ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Anthony Ambrose, Chief Executive Officer of the Company, certify, that pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of § 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Anthony Ambrose
Anthony Ambrose
Chief Executive Officer
(Principal Executive Officer)

Date: March 28, 2016

Exhibit 32.2

Certification by Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of Data I/O Corporation (the “Company”) on Form 10-K for the period ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Joel S. Hatlen, Chief Financial Officer of the Company, certify, that pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joel S. Hatlen
Joel S. Hatlen
Chief Financial Officer
(Principal Financial Officer)

Date: March 28, 2016

DATA I/O CORPORATION TAX DEFERRAL RETIREMENT PLAN

ADOPTION AGREEMENT #005
NONSTANDARDIZED 401(k) PLAN

The undersigned Employer, by executing this Adoption Agreement, establishes a retirement plan and trust (collectively "Plan") under the Great-West Trust Company Defined Contribution Prototype Plan and Trust (basic plan document #11). The Employer, subject to the Employer's Adoption Agreement elections, adopts fully the Prototype Plan and Trust provisions. This Adoption Agreement, the basic plan document and any attached Appendices or agreements permitted or referenced therein, constitute the Employer's entire plan and trust document. *All "Election" references within this Adoption Agreement are Adoption Agreement Elections. All "Article" or "Section" references are basic plan document references. Numbers in parentheses which follow election numbers are basic plan document references.* Where an Adoption Agreement election calls for the Employer to supply text, the Employer (without altering the content of any existing printed text) may lengthen any space or line, or create additional tiers. When Employer-supplied text uses terms substantially similar to existing printed options, all clarifications and caveats applicable to the printed options apply to the Employer-supplied text unless the context requires otherwise. The Employer makes the following elections granted under the corresponding provisions of the basic plan document.

ARTICLE I
DEFINITIONS

1. EMPLOYER **(1.24)**.

Name: Data I/O Corporation

Address: 6464 185th Avenue NE, Suite 101, Redmond, Washington 98052

Phone number: (425) 867-6987

Taxpayer Identification Number (TIN): 91-0864123

E-mail *(optional)*:

Employer's Taxable Year *(optional)*: December 31

2. PLAN **(1.42)**.

Name: Data I/O Corporation Tax Deferral Retirement Plan

Plan number: 002 *(3-digit number for Form 5500 reporting)*

Trust EIN *(optional)*:

3. PLAN/LIMITATION YEAR **(1.44/1.34)**. Plan Year and Limitation Year mean the 12 consecutive month period (except for a short Plan/Limitation Year) ending every:

[*Note: Complete any applicable blanks under Election 3 with a specific date, e.g., June 30 OR the last day of February OR the first Tuesday in January. In the case of a Short Plan Year or a Short Limitation Year, include the year, e.g., May 1, 2014.*]

Plan Year *(Choose one of (a) or (b). Choose (c) if applicable.)*:

(a) **[X]** **December 31.**

(b) **[ ]** **Fiscal Plan Year:** ending: ____________________.

(c) **[ ]** **Short Plan Year:** commencing: ____________________ and ending: ____________________.

Limitation Year *(Choose one of (d) or (e). Choose (f) if applicable.)*:

(d) **[X]** **Generally same as Plan Year.** The Limitation Year is the same as the Plan Year except where the Plan Year is a short year in which event the Limitation Year is always a 12 month period, unless the short Plan Year (and short Limitation Year) result from a Plan amendment.

(e) **[ ]** **Different Limitation Year:** ending: ____________________.

(f) **[ ]** **Short Limitation Year:** commencing: ____________________ and ending: ____________________.

4. EFFECTIVE DATE **(1.20)**. The Employer's adoption of the Plan is a *(Choose one of (a) or (b). Complete (c) if new plan OR complete (c) and (d) if an amendment and restatement. Choose (e) and (f) if applicable.)*:

(a) **[ ]** **New Plan.**

(b) **[X]** **Restated Plan.**

PPA RESTATEMENT (leave blank if not applicable)

(1) **[X]** This is an amendment and restatement to bring a plan into compliance with the Pension Protection Act of 2006 ("PPA") and other legislative and regulatory changes.

Initial Effective Date of Plan *(enter date)*

(c) **[X]** February 1, 1984 (hereinafter called the "Effective Date" unless 4(d) is entered below)

Restatement Effective Date *(If this is an amendment and restatement, enter effective date of the restatement.)*

(d) **[X]** July 1, 2015 (enter month day, year; may enter a restatement date that is the first day of the current Plan Year. The Plan contains appropriate retroactive effective dates with respect to provisions for the appropriate laws if the Plan is a PPA Restatement.) (hereinafter called the "Effective Date")

[*Note*: *See Section 1.54 for the definition of Restated Plan. If this Plan is a PPA Restatement, the PPA restatement Effective Date may be a current date (as the basic plan document supplies the Effective Dates of various PPA and other provisions) or may be a retroactive date. If specific Plan provisions, as reflected in this Adoption Agreement and the basic plan documents, do not have the Effective Date stated in this Election 4, indicate as such in the election where called for or in Appendix A.*]

(e) **[ ] Restatement of surviving and merging plans.** The Plan restates two (or more) plans *(Complete 4(c) and (d) above for this (surviving) Plan. Complete (1) below for the merging plan. Choose (2) if applicable. Unless otherwise noted, the restated Effective Date with regard to a merging plan is the later of the date of the merger or the restated Effective Date of this Plan.)*:

(1) **Merging plan.** The ________________________________ Plan was or will be merged into this surviving Plan as of: ____________________. The merging plan's restated Effective Date is: ____________________. The merging plan's original Effective Date was: ____________________.

[*See the Note under Election 4(d) if this document is the merging plan's PPA restatement.*]

(2) **[ ] Additional merging plans.** The following additional plans were or will be merged into this surviving Plan *(Complete a. and b. as applicable.)*:

	Name of merging plan	Merger date	Restated Effective Date	Original Effective Date
a.	____________	____________	____________	____________
b.	____________	____________	____________	____________

(f) **[ ] Special Effective Date for Elective Deferral provisions:**

[*Note: If Elective Deferral provision is not effective as of the Initial Effective Date or the Restatement Effective Date, enter the date as of which the Elective Deferral provision is effective. The Special Effective Date may not precede the date on which the Employer adopted the Plan.*]

5. TRUSTEE **(1.67)**. The Trustee executing this Adoption Agreement is *(Choose one or more of (a), (b), or (c). Choose (d) or (e) if applicable.)*:

(a) **[ ] A discretionary Trustee.** See Section 8.02(A).

(b) **[X] A nondiscretionary (directed) Trustee or Custodian.** See Section 8.02(B).

(c) **[ ] A Trustee under the: ____________________** *(specify name of trust)*, a separate trust agreement the Trustee has executed and that the IRS has approved for use with this Plan. Under this Election 5(c) the Trustee is not executing the Adoption Agreement and Article VIII of the basic plan document does not apply, except as indicated otherwise in the separate trust agreement. See Section 8.11(C).

(d) **[X] Permitted Trust amendments apply.** Under Section 8.11(B) the Employer has made certain permitted amendments to the Trust. Such amendments do not constitute a separate trust under Election 5(c). See Election 59 in Appendix C.

(e) **[ ] Use of non-approved trust.** A Trustee under the: ____________________ *(specify name of trust)*, a separate trust agreement the Trustee has executed for use with this Plan. Under this Election 5(e) the Trustee is not executing the Adoption Agreement and Article VIII of the basic plan document does not apply, except as indicated otherwise in the separate trust agreement. See Section 8.11(C). [*Caution: Election 5(e) will result in the Plan losing reliance on its Opinion Letter and the Plan will be an individually designed plan.*]

6. CONTRIBUTION TYPES **(1.12)**. The selections made below should correspond with the selections made under Article III of this Adoption Agreement. *(If this is a frozen Plan (i.e., all contributions have ceased), choose (a) only.)*:

Frozen Plan. See Sections 3.01(J) and 11.04.

(a) **[ ] Contributions cease.** All Contributions have ceased or will cease (Plan is frozen).

(1) **[ ] Effective date of freeze: ______________________** [*Note: Effective date is optional unless this is the amendment or restatement to freeze the Plan.*]

[*Note: Elections 20 through 30 and Elections 36 through 38 do not apply to any Plan Year in which the Plan is frozen*.]

Contributions. The Employer and/or Participants, in accordance with the Plan terms, make the following Contribution Types to the Plan/Trust *(Choose one or more of (b) through (h).)*:

(b) **[X]** **Pre-Tax Deferrals.** See Section 3.02 and Elections 20-23, and 34.

(1) **[X]** **Roth Deferrals.** See Section 3.02(E) and Elections 20, 21, and 23. [*Note: The Employer may not limit Elective Deferrals to Roth Deferrals only.*]

(c) **[X]** **Matching.** See Sections 1.35 and 3.03 and Elections 24-26. [*Note: The Employer may make an Operational QMAC without electing 6(c). See Section 3.03(C)(2). Do not elect for a safe harbor plan; use 6(e) instead.*]

(d) **[X]** **Nonelective.** See Sections 1.38 and 3.04 and Elections 27-29. [*Note: The Employer may make an Operational QNEC without electing 6(d). See Section 3.04(C)(2).*]

(e) **[ ]** **Safe Harbor/Additional Matching.** The Plan is (or pursuant to a delayed election, may be) a safe harbor 401(k) Plan. The Employer will make (or under a delayed election, may make) Safe Harbor Contributions as it elects in Election 30. The Employer may or may not make Additional Matching Contributions as it elects in Election 30. See Election 26 as to matching Catch-Up Deferrals. See Section 3.05.

(f) **[ ]** **Employee (after-tax).** See Section 3.09 and Election 36.

(g) **[ ]** **SIMPLE 401(k).** The Plan is a SIMPLE 401(k) Plan. See Section 3.10. [*Note: The Employer electing 6(g) must elect a calendar year under 3(a) and may not elect any other Contribution Types except under Elections 6(b) and 6(h).*]

(h) **[ ]** **Designated IRA.** See Section 3.12 and Election 37.

7. DISABILITY **(1.16)**. Disability means *(Choose one of (a) or (b).)*:

(a) **[ ]** **Basic Plan.** Disability as defined in Section 1.16(A).

(b) **[X]** **Describe:** the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months. The disability of a Participant shall be determined by a licensed physician chosen by the Administrator. However, if the condition constitutes total disability under the federal Social Security Acts, the Administrator may rely upon such determination that the Participant is totally and permanently disabled for the purposes of the Plan. The determination shall be applied uniformly to all Participants.

[*Note: The Employer may elect an alternative definition of Disability for purposes of Plan distributions. However, the use of an alternative definition may result in loss of favorable tax treatment of the Disability distribution.*]

8. EXCLUDED EMPLOYEES **(1.22(D))**. The following Employees are not Eligible Employees but are Excluded Employees *(Choose one of (a), (b), or (c).)*:

[*Note: Regardless of the Employer's elections under Election 8: (i) Employees of any Related Employers (excluding the Signatory Employer) are Excluded Employees unless the Related Employer becomes a Participating Employer; and (ii) Reclassified Employees and Leased Employees are Excluded Employees unless the Employer in Appendix B elects otherwise. See Sections 1.22(B), 1.22(D)(3), and 1.24(D). However, in the case of a Multiple Employer Plan, see Section 12.02(B) as to the Employees of the Lead Employer.*]

(a) **[ ]** **No Excluded Employees.** There are no additional excluded Employees under the Plan as to any Contribution Type *(skip to Election 9)*.

(b) **[X]** **Exclusions - same for all Contribution Types.** The following Employees are Excluded Employees for all Contribution Types *(Choose one or more of (e) through (j). Choose column (1) for each exclusion elected at (e) through (i).)*:

(c) **[ ]** **Exclusions - different exclusions apply.** The following Employees are Excluded Employees for the designated Contribution Type *(Choose one or more of (d) through (j). Choose Contribution Type as applicable.)*:

[*Note: For this Election 8, unless described otherwise in Election 8(j), Elective Deferrals includes Pre-Tax Deferrals, Roth Deferrals, Employee Contributions and Safe Harbor Contributions. Matching includes all Matching Contributions except Safe Harbor Matching Contributions. Nonelective includes all Nonelective Contributions except Safe Harbor Nonelective Contributions.*]

Exclusions	**(1) All Contributions**		**(2) Elective Deferrals**	**(3) Matching**	**(4) Nonelective**
(d) **[ ]** **No exclusions.** No exclusions as to the designated Contribution Type.	**N/A** (See Election 8(a))		[ ]	[ ]	[ ]
(e) **[X]** **Collective Bargaining (union) Employees.** As described in Code §410(b)(3)(A). See Section 1.22(D)(1).	**[X]**	**OR**	[ ]	[ ]	[ ]
(f) **[X]** **Non-Resident Aliens.** As described in Code §410(b)(3)(C). See Section 1.22(D)(2).	**[X]**	**OR**	[ ]	[ ]	[ ]

(g)	**[ ]**	**HCEs.** See Section 1.22(E). See Election 30(f) as to exclusion of some or all HCEs from Safe Harbor Contributions.	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(h)	**[ ]**	**Hourly paid Employees.**	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(i)	**[ ]**	**Part-Time/Temporary/Seasonal Employees.** See Section 1.22(D)(4). A Part-Time, Temporary or Seasonal Employee is an Employee whose regularly scheduled Service is less than _______ *(specify a maximum of 1,000)* Hours of Service in the relevant Eligibility Computation Period. [*Note: The "relevant" Eligibility Computation Period is the Initial or Subsequent Eligibility Computation Period as defined in Section 2.02(C).*]	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**

[*Note: If the Employer under Election 8(i) elects to treat Part-Time, Temporary and Seasonal Employees as Excluded Employees and any such an Employee actually completes at least 1,000 Hours of Service during the relevant Eligibility Computation Period, the Employee becomes an Eligible Employee. See Section 1.22(D)(4).*]

(j) **[ ]** **Describe exclusion category and/or Contribution Type:**
(e.g., Exclude Division B Employees OR Exclude salaried Employees from Discretionary Matching Contributions.)

[*Note: Any exclusion under Election 8(j), except as to Part-Time/Temporary/Seasonal Employees, may not be based on age or Service or level of Compensation. See Election 14 for eligibility conditions based on age or Service. The exclusions entered under Election 8(j) cannot result in the group of Nonhighly Compensated Employees (NHCEs) participating under the plan being only those NHCEs with the lowest amount of compensation and/or the shortest periods of service and who may represent the minimum number of these employees necessary to satisfy coverage under Code §410(b).*]

9. COMPENSATION **(1.11(B))**. The following base Compensation (as adjusted under Elections 10 and 11) applies in allocating Employer Contributions (or the designated Contribution Type) *(Choose one or more of (a) through (d) and choose Contribution Type as applicable. Choose (e) if applicable.)*:

[*Note: For this Election 9 all definitions include Elective Deferrals unless excluded under Election 11. See Section 1.11(D). Unless described otherwise in Election 9(d), Elective Deferrals includes Pre-Tax Deferrals, Roth Deferrals and Employee Contributions, Matching includes all Matching Contributions and Nonelective includes all Nonelective Contributions. In applying any Plan definition which references Section 1.11 Compensation, where the Employer in this Election 9 elects more than one Compensation definition for allocation purposes, the Plan Administrator will use W-2 Wages for other Plan definitions of Compensation if the Employer has elected W-2 Wages for any Contribution Type or Participant group under Election 9. If the Employer has not elected W-2 Wages, the Plan Administrator for such other Plan definitions will use 415 Compensation. If the Plan is a Multiple Employer Plan, see Section 12.07. Election 9(d) below may cause allocation Compensation to fail to be nondiscriminatory under Treas. Reg. §1.414(s).*]

			(1) All Contributions		**(2) Elective Deferrals**	**(3) Matching**	**(4) Nonelective**
(a)	**[ ]**	**W-2 Wages (plus Elective Deferrals).** See Section 1.11(B)(1).	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(b)	**[ ]**	**Code §3401 Federal Income Tax Withholding Wages (plus Elective Deferrals).** See Section 1.11(B)(2).	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(c)	**[X]**	**415 Compensation (simplified).** See Section 1.11(B)(3). [*Note: The Employer may elect an alternative "general 415 Compensation" definition by electing 9(c) and by electing the alternative definition in Appendix B. See Section 1.11(B)(4).*]	**[X]**	**OR**	**[ ]**	**[ ]**	**[ ]**

(d) **[ ]** **Describe Compensation by Contribution Type or by Participant group: ____**

[*Note: Under Election 9(d), the Employer may: (i) elect Compensation from the elections available under Elections 9(a), (b), or (c), or a combination thereof as to a Participant group (e.g., W-2 Wages for Matching Contributions for Division A Employees and 415 Compensation in all other cases); and/or (ii) define the Contribution Type column headings in a manner which differs from the "all-inclusive" description in the Note immediately preceding Election 9(a) (e.g., Compensation for Safe Harbor Matching Contributions means W-2 Wages and for Additional Matching Contributions means 415 Compensation).*]

(e)	**[ ]**	**Allocate based on specified 12-month period.** The allocation of all Contribution Types (or specified Contribution Types) will be made based	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**

on Compensation within a specified 12-month period ending within the Plan Year as follows: ____.

10. <u>PRE-ENTRY/POST-SEVERANCE COMPENSATION</u> **(1.11(H)/(I))**. Compensation under Election 9:

[*Note: For this Election 10, unless described otherwise in Elections 10(c) or (n), Elective Deferrals includes Pre-Tax Deferrals, Roth Deferrals and Employee Contributions, Matching includes all Matching Contributions and Nonelective includes all Nonelective Contributions. Election 10(c) below may cause allocation Compensation to fail to be nondiscriminatory under Treas. Reg. §1.414(s).*]

Pre-Entry Compensation *(Choose one of (a) or (b). Choose Contribution Type as applicable.)*:	**(1) All Contributions**		**(2) Elective Deferrals**	**(3) Matching**	**(4) Nonelective**
(a) **[X]** **Plan Year.** Compensation for the entire Plan Year which includes the Participant's Entry Date. [*Note: If the Employer under Election 9(e) elects to allocate some or all Contribution Types based on a specified 12-month period, Election 10(a) applies to that 12-month period in lieu of the Plan Year.*]	**[X]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(b) **[ ]** **Participating Compensation.** Only Participating Compensation. See Section 1.11(H)(1).	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**

[*Note: Under a Participating Compensation election, in applying any Adoption Agreement elected contribution limit or formula, the Plan Administrator will count only the Participant's Participating Compensation. See Section 1.11(H)(1) as to plan disaggregation.*]

(c) **[ ]** **Describe Pre-Entry Compensation by Contribution Type or by Participant group:**

[*Note: Under Election 10(c), the Employer may: (i) elect Compensation from the elections available under Pre-Entry Compensation or a combination thereof as to a Participant group (e.g., Participating Compensation for all Contribution Types as to Division A Employees, Plan Year Compensation for all Contribution Types to Division B Employees); and/or (ii) define the Contribution Type column headings in a manner which differs from the "all-inclusive" description in the Note immediately preceding Pre-Entry Compensation (e.g., Compensation for Nonelective Contributions is Participating Compensation and for Safe Harbor Nonelective Contributions is Plan Year Compensation).*]

Post-Severance Compensation. The following adjustments apply to Post-Severance Compensation paid within any applicable time period as may be required *(Choose one of (d), (e), or (f).)*:

[*Note: Under the basic plan document, if the Employer does not elect any adjustments, post-severance compensation includes regular pay, leave cashouts, and deferred compensation, and excludes military and disability continuation payments.*]

(d) **[X]** **None.** The Plan includes post-severance regular pay, leave cashouts, and deferred compensation, and excludes post-severance military and disability continuation payments as to any Contribution Type except as required under the basic plan document *(skip to Election 11).*

(e) **[ ]** **Same for all Contribution Types.** The following adjustments to Post-Severance Compensation apply to all Contribution Types *(Choose one or more of (h) through (n). Choose column (1) for each option elected at (h) through (m).)*:

(f) **[ ]** **Adjustments - different conditions apply.** The following adjustments to Post-Severance Compensation apply to the designated Contribution Types *(Choose one or more of (g) through (n). Choose Contribution Type as applicable.)*:

Post-Severance Compensation:	**(1) All Contributions**		**(2) Elective Deferrals**	**(3) Matching**	**(4) Nonelective**
(g) **[ ]** **None.** The Plan takes into account Post-Severance Compensation as to the designated Contribution Types as specified under the basic plan document.	**N/A** (See Election 10(d))		**[ ]**	**[ ]**	**[ ]**
(h) **[ ]** **Exclude All.** Exclude all Post-Severance Compensation. [*Note: 415 testing Compensation (versus allocation Compensation) must include Post-Severance Compensation comprised of regular pay. See Section 4.05(F).*]	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(i) **[ ]** **Regular Pay.** Exclude Post-Severance Compensation comprised of regular pay. See Section 1.11(I)(1)(a). [*Note: 415 testing Compensation (versus allocation Compensation) must include*	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**

			(1) All Contributions		(2) Elective Deferrals	(3) Matching	(4) Nonelective
		Post-Severance Compensation comprised of regular pay. See Section 4.05(F).]					
(j)	**[ ]**	**Leave cash-out.** Exclude Post-Severance Compensation comprised of leave cash-out. See Section 1.11(I)(1)(b).	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(k)	**[ ]**	**Deferred Compensation.** Exclude Post-Severance Compensation comprised of deferred compensation. See Section 1.11(I)(1)(c).	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(l)	**[ ]**	**Salary continuation for military service.** Include Post-Severance Compensation comprised of salary continuation for military service. See Section 1.11(I)(2).	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(m)	**[ ]**	**Salary continuation for disabled Participants.** Include Post-Severance Compensation comprised of salary continuation for disabled Participants. See Section 1.11(I)(3). *(Choose one of (1) or (2).)*:	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**

(1) **[ ]** **For NHCEs only.**

(2) **[ ]** **For all Participants.** The salary continuation will continue for the following fixed or determinable period: ____________________ *(specify period)*.

(n) **[ ]** **Describe Post-Severance Compensation by Contribution Type or by Participant group:**

[*Note: Under Election 10(n), the Employer may: (i) elect Compensation from the elections available under Post-Severance Compensation or a combination thereof as to a Participant group (e.g., Include regular pay Post-Severance Compensation for all Contribution Types as to Division A Employees, no Post-Severance Compensation for all Contribution Types to Division B Employees); and/or (ii) define the Contribution Type column headings in a manner which differs from the "all-inclusive" description in the Note immediately preceding Pre-Entry Compensation (e.g., Compensation for Nonelective Contributions does not include any Post-Severance Compensation and for Safe Harbor Nonelective Contributions includes regular pay Post-Severance Compensation).*]

11. EXCLUDED COMPENSATION **(1.11(G))**. Apply the following Compensation exclusions to Elections 9 and 10 *(Choose one of (a), (b), or (c).)*:

(a) **[ ]** **No exclusions.** Compensation as to all Contribution Types means Compensation as elected in Elections 9 and 10 *(skip to Election 12)*.

(b) **[X]** **Exclusions - same for all Contribution Types.** The following exclusions apply to all Contribution Types *(Choose one or more of (e) through (l). Choose column (1) for each option elected at (e) through (k).)*:

(c) **[ ]** **Exclusions - different conditions apply.** The following exclusions apply for the designated Contribution Types *(Choose one or more of (d) through (l) below. Choose Contribution Type as applicable.)*:

[*Note: In a safe harbor 401(k) plan, allocations qualifying for the ADP or ACP test safe harbors must be based on a nondiscriminatory definition of Compensation. If the Plan applies permitted disparity, allocations also must be based on a nondiscriminatory definition of Compensation if the Plan is to avoid more complex testing. Elections 11(g) through (l) below may cause allocation Compensation to fail to be nondiscriminatory under Treas. Reg. §1.414(s). In a non-safe harbor 401(k) plan, Elections 11(g) through (l) which result in Compensation failing to be nondiscriminatory, may result in more complex nondiscrimination testing. For this Election 11, unless described otherwise in Election 11(l), Elective Deferrals includes Pre-Tax Deferrals, Roth Deferrals and Employee Contributions, Matching includes all Matching Contributions and Nonelective includes all Nonelective Contributions*.]

Compensation Exclusions			**(1) All Contributions**		**(2) Elective Deferrals**	**(3) Matching**	**(4) Nonelective**
(d)	**[ ]**	**No exclusions - limited.** No exclusion as to the designated Contribution Type(s).	**N/A** (See Election 11(a))		**[ ]**	**[ ]**	**[ ]**
(e)	**[ ]**	**Elective Deferrals.** See Section 1.21.	**N/A**		**N/A**	**[ ]**	**[ ]**
(f)	**[ ]**	**Fringe benefits.** As described in Treas. Reg. §1.414(s)-1(c)(3).	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(g)	**[ ]**	**Compensation exceeding $_____.** Apply this election to *(Choose one of (1) or (2).)*:	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**

(1) **[ ]** **All Participants.**
[*Note: If the Employer elects Safe Harbor Contributions under Election 6(e), the Employer*

may not elect 11(g)(1) to limit the Safe Harbor Contribution allocation to the NHCEs.]

(2)	[ ]	**HCE Participants only.**					
(h)	[ ]	**Bonus.**	[ ]	OR	[ ]	[ ]	[ ]
(i)	[ ]	**Commission.**	[ ]	OR	[ ]	[ ]	[ ]
(j)	[ ]	**Overtime.**	[ ]	OR	[ ]	[ ]	[ ]
(k)	[ ]	**Related Employers.** See Section 1.24(C). *(If there are Related Employers, choose one or both of (1) and (2).)*:					
(1)	[ ]	**Non-Participating.** Compensation paid to Employees by a Related Employer that is not a Participating Employer.	[ ]	OR	[ ]	[ ]	[ ]
(2)	[ ]	**Participating.** As to the Employees of any Participating Employer, Compensation paid by any other Participating Employer to its Employees. See Election 28(g)(2)a.	[ ]	OR	[ ]	[ ]	[ ]

(l) **[X]** **Describe Compensation exclusion(s):** As to All Contributions, exclude relocation costs, group term life, and flexible benefits.

[*Note: Under Election 11(l), the Employer may: (i) describe Compensation from the elections available under Elections 11(d) through (k), or a combination thereof as to a Participant group (e.g., No exclusions as to Division A Employees and exclude bonus as to Division B Employees); (ii) define the Contribution Type column headings in a manner which differs from the "all-inclusive" description in the Note immediately following Election 11(c) (e.g., Elective Deferrals means §125 cafeteria deferrals only OR No exclusions as to Safe Harbor Contributions and exclude bonus as to Nonelective Contributions); and/or (iii) describe another exclusion (e.g., Exclude shift differential pay).*]

12. HOURS OF SERVICE **(1.32)**. The Plan credits Hours of Service for the following purposes (and to the Employees described in Elections 12(d) or (e)) as follows *(Choose one or more of (a) through (e) as applicable.)*:

			(1) All Purposes		**(2) Eligibility**	**(3) Vesting**	**(4) Allocation Conditions**
(a)	**[X]**	**Actual Method.** See Section 1.32(A)(1).	[ ]	OR	[ ]	[X]	[X]
(b)	[ ]	**Equivalency Method:** ____________________ *(e.g., daily, weekly, etc.).* See Section 1.32(A)(2).	[ ]	OR	[ ]	[ ]	[ ]
(c)	**[X]**	**Elapsed Time Method.** See Section 1.32(A)(3).	[ ]	OR	[X]	[ ]	[ ]
(d)	[ ]	**Actual (hourly) and Equivalency (salaried).** Actual Method for hourly paid Employees and Equivalency Method: ______________________ *(e.g., daily, weekly, etc.)* for salaried Employees.	[ ]	OR	[ ]	[ ]	[ ]
(e)	[ ]	**Describe method:**					

[*Note: Under Election 12(e), the Employer may describe Hours of Service from the elections available under Elections 12(a) through (d), or a combination thereof as to a Participant group and/or Contribution Type (e.g., For all purposes, Actual Method applies to office workers and Equivalency Method applies to truck drivers).*]

13. ELECTIVE SERVICE CREDITING **(1.59(C))**. The Plan must credit Related Employer Service under Section 1.24(C) and also must credit certain Predecessor Employer/Predecessor Plan Service under Section 1.59(B). If the Plan is a Multiple Employer Plan, the Plan also must credit Service as provided in Section 12.08. The Plan also elects under Section 1.59(C) to credit as Service the following Predecessor Employer service *(Choose one of (a) or (b).)*:

(a) **[X]** **Not applicable.** No elective Predecessor Employer Service crediting applies.

(b) **[ ]** **Applies.** The Plan credits the specified service with the following designated Predecessor Employers as Service for the Employer for the purposes indicated *(Choose one or both of (1) and (2) as applicable. Complete (3). Choose (4) if applicable.)*:

[*Note: Any elective Service crediting under this Election 13 must be nondiscriminatory.*]

(1) **[ ]** **All purposes.** Credit as Service for all purposes, service with Predecessor Employer(s): ___________________________ *(insert as many names as needed).*

(2) **[ ]** **Designated purposes.** Credit as Service, service **(1)** **(2)** **(3)**

with the following Predecessor Employer(s) for the designated purpose(s):	Eligibility	Vesting	Contribution Allocation
a. **Employer:** ______________________	**[ ]**	**[ ]**	**[ ]**
b. **Employer:** ______________________	**[ ]**	**[ ]**	**[ ]**
c. **Employer:** ______________________	**[ ]**	**[ ]**	**[ ]**

(3) **Time period.** Subject to any exceptions noted under Election 13(b)(4), the Plan credits as Service under Elections 13(b)(1) or (2) *(Choose one or more of a., b., and c. as applicable.)*:

a. **[ ]** **All.** All service, regardless of when rendered.

b. **[ ]** **Service after.** All service, which is or was rendered after: ____________________*(specify date).*

c. **[ ]** **Service before.** All service, which is or was rendered before: ____________________*(specify date).*

(4) **[ ]** **Describe elective Predecessor Employer Service crediting: ____**

[*Note: Under Election 13(b)(4), the Employer may describe service crediting from the elections available under Elections 13(b)(1) through (3), or a combination thereof as to a Participant group and/or Contribution Type (e.g., For all purposes credit all service with X, but credit service with Y only on/after 1/1/05 OR Credit all service for all purposes with entities the Employer acquires after 12/31/04 OR Service crediting for X Company applies only for purposes of Nonelective Contributions and not for Matching Contributions).*]

ARTICLE II ELIGIBILITY REQUIREMENTS

14. ELIGIBILITY **(2.01)**. To become a Participant in the Plan, an Eligible Employee must satisfy *(Choose one of (a), (b), or (c).)*:

[*Note: If the Employer under a safe harbor plan elects "early" eligibility for Elective Deferrals (e.g., less than one Year of Service and age 21), but does not elect early eligibility for any Safe Harbor Contributions, also see Election 30(g).*]

[*Note: No eligibility conditions apply to Prevailing Wage Contributions. See Section 2.01(D).*]

(a) **[ ]** **No conditions.** No eligibility conditions as to all Contribution Types. Entry is on the Employment Commencement Date (if that date is also an Entry Date), or if later, upon the next following Plan Entry Date *(skip to Election 16)*.

(b) **[X]** **Eligibility - same for all Contribution Types.** To become a Participant in the Plan as to all Contribution Types, an Eligible Employee must satisfy the following eligibility conditions *(Choose one or more of (e) through (k). Choose column (1) for each option elected at (e) through (j).)*:

(c) **[ ]** **Eligibility - different conditions apply.** To become a Participant in the Plan for the designated Contribution Types, an Eligible Employee must satisfy the following eligibility conditions (either as to all Contribution Types or as to the designated Contribution Type) *(Choose one or more of (d) through (k). Choose Contribution Type as applicable.)*:

[*Note: For this Election 14, unless described otherwise in Election 14(k), or the context otherwise requires, Elective Deferrals includes Pre-Tax Deferrals, Roth Elective Deferrals and Employee Contributions, Matching includes all Matching Contributions (except Safe Harbor Matching Contributions under Section 3.05(E)(3) and Operational QMACs under Section 3.03(C)(2)) and Nonelective includes all Nonelective Contributions (except Safe Harbor Nonelective Contributions under Section 3.05(E)(2) and Operational QNECs under Section 3.04(C)(2)). Safe Harbor includes Safe Harbor Nonelective and Safe Harbor Matching Contributions. If the Employer elects more than one Year of Service as to Additional Matching, the Plan will not satisfy the ACP test safe harbor. See Section 3.05(F)(3).*]

Eligibility Conditions	(1) All Contributions		(2) Elective Deferrals	(3) Matching	(4) Nonelective	(5) Safe Harbor
(d) **[ ]** **None.** Entry on the Employment Commencement Date (if that date is also an Entry Date) or if later, upon the next following Plan Entry Date.	**N/A** (See Election 14(a))		**[ ]**	**[ ]**	**[ ]**	**[ ]**
(e) **[X]** **Age** 18 *(not to exceed age 21).*	**[X]**	**OR**	**[ ]**	**[ ]**	**[ ]**	**[ ]**
(f) **[ ]** **One Year of Service.** See Election 16(a).	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**	**[ ]**
(g) **[ ]** **Two Years of Service** (without an intervening Break in Service). 100% vesting is required. [*Note: Two Years of Service does not apply to Elective Deferrals, Safe Harbor Contributions or SIMPLE Contributions.*]	**N/A**		**N/A**	**[ ]**	**[ ]**	**N/A**

(h)	**[ ]**	**_____month(s)** *(not exceeding 12 months for Elective Deferrals, Safe Harbor Contributions and SIMPLE Contributions and not exceeding 24 months for other contributions)*. If more than 12 months, 100% vesting is required. Service need not be continuous (no minimum Hours of Service required, and is mere passage of time). [*Note: While satisfying a months of service condition without an Hours of Service requirement involves the mere passage of time, the Plan need not apply the Elapsed Time Method in Election 12(c) above, and still may elect the Actual Method in 12(a) above.*]	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**	**[ ]**
(i)	**[ ]**	**_____month(s) with at least _____Hours of Service in each month** *(not exceeding 12 months for Elective Deferrals, Safe Harbor Contributions and SIMPLE Contributions and not exceeding 24 months for other contributions)*. If more than 12 months, 100% vesting is required. If the Employee does not complete the designated Hours of Service each month during the specified monthly time period, the Employee is subject to the one Year of Service (or two Years of Service if elect more than 12 months) requirement as defined in Election 16. The months during which the Employee completes the specified Hours of Service *(Choose one of (1) or (2).)*: (1) **[ ] Consecutive.** Must be consecutive. (2) **[ ] Not consecutive.** Need not be consecutive.	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**	**[ ]**
(j)	**[ ]**	**_____Hours of Service within the _____________________time period following the Employee's Employment Commencement Date** *(not exceeding 12 months for Elective Deferrals, Safe Harbor Contributions and SIMPLE Contributions and not exceeding 24 months for other contributions)*. If more than 12 months, 100% vesting is required. If the Employee does not complete the designated Hours of Service during the specified time period (if any), the Employee is subject to the one Year of Service (or two Years of Service if elect more than 12 months) requirement as defined in Election 16.	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**	**[ ]**

[*Note: The Employer may leave the time period option blank in Election 14(j) if the Employer wishes to impose an Hour of Service requirement without specifying a time period within which an Employee must complete the required Hours of Service.*]

(k) **[ ] Describe eligibility conditions:**

[*Note: The Employer may use Election 14(k) to describe different eligibility conditions as to different Contribution Types or Employee groups (e.g., As to all Contribution Types, no eligibility requirements for Division A Employees and one Year of Service as to Division B Employees). The Employer also may elect different ages for different Contribution Types and/or to specify different months or Hours of Service requirements under Elections 14(h), (i), or (j) as to different Contribution Types. Any election must satisfy Code §410(a).*]

15. <u>SPECIAL ELIGIBILITY EFFECTIVE DATE (DUAL ELIGIBILITY)</u> **(2.01(E))**. The eligibility conditions of Election 14 and the entry date provisions of Election 17 apply to all Employees unless otherwise elected below *(Choose (a) or (b) if applicable.)*:

[*Note: Elections 15(a) or (b) may trigger a coverage failure under Code §410(b).*]

(a) **[ ]** **Waiver of eligibility conditions for certain Employees.** For all Contribution Types, the eligibility conditions and entry dates apply solely to an Eligible Employee employed or reemployed by the Employer after ____________________ *(specify date)*. If the Eligible Employee was employed or reemployed by the Employer by the specified date, the Employee will become a Participant on the latest of: (i) the Effective Date; (ii) the restated Effective Date; (iii) the Employee's Employment Commencement Date or Re-Employment Commencement Date; or (iv) the date the Employee attains age _____ *(not exceeding age 21)*.

[*Note: If the Employer does not wish to impose an age condition under clause (iv) as part of the requirements for the eligibility conditions waiver, leave the age blank.*]

(b) **[ ]** **Describe special eligibility Effective Date(s):**

[*Note: Under Election 15(b), the Employer may describe special eligibility Effective Dates as to a Participant group and/or Contribution Type (e.g., Eligibility conditions apply only as to Nonelective Contributions and solely as to the Eligible Employees of Division B who were hired or reemployed by the Employer after January 1, 2012).*]

16. <u>YEAR OF SERVICE - ELIGIBILITY</u> **(2.02(A))**. *(Choose (a), (b), and (c) as applicable.)*:

[*Note: If the Employer under Election 14 elects a one or two Year(s) of Service condition (including any requirement which defaults to such conditions under Elections 14(i), (j), and (k)) or elects to apply a Year of Service for eligibility under any other Adoption Agreement election, the Employer should complete this Election 16. The Employer should not complete Election 16 if it elects the Elapsed Time Method for eligibility.*]

(a) **[ ]** **Year of Service.** An Employee must complete ______ Hour(s) of Service during the relevant Eligibility Computation Period to receive credit for one Year of Service under Article II. [*Note: The number may not exceed 1,000. If left blank, the requirement is 1,000 Hours of Service.*]

(b) **[ ]** **Subsequent Eligibility Computation Periods.** After the Initial Eligibility Computation Period described in Section 2.02(C)(2), the Plan measures Subsequent Eligibility Computation Periods as *(Choose one of (1), (2), or (3).)*:

(1) **[ ]** **Plan Year.** The Plan Year beginning with the Plan Year which includes the first anniversary of the Employee's Employment Commencement Date.

(2) **[ ]** **Anniversary Year.** The Anniversary Year, beginning with the Employee's second Anniversary Year.

(3) **[ ]** **Split.** The Plan Year as described in Election 16(b)(1) as to: ____________________*(describe Contribution Type(s))* and the Anniversary Year as described in Election 16(b)(2) as to: ____________________*(describe Contribution Type(s)).*

[*Note: To maximize delayed entry under a two Years of Service condition for Nonelective Contributions or Matching Contributions, the Employer should elect to remain on the Anniversary Year for such contributions.*]

(c) **[ ]** **Describe:**
(e.g., Anniversary Year as to Division A and Plan Year as to Division B.)

17. <u>ENTRY DATE</u> **(2.02(D))**. Entry Date means the Effective Date and *(Choose one or more of (a) through (g). Choose Contribution Types as applicable.)*:

[*Note: For this Election 17, unless described otherwise in Election 17(g), Elective Deferrals includes Pre-Tax Deferrals, Roth Elective Deferrals and Employee Contributions, Matching includes all Matching Contributions (except Operational QMACs under Section 3.03(C)(2)) and Nonelective includes all Nonelective Contributions (except Operational QNECs under Section 3.04(C)(2)). Entry as to Prevailing Wage Contributions is on the Employment Commencement Date. See Section 2.02(D)(3).*]

			(1) All Contributions		**(2) Elective Deferrals**	**(3) Matching**	**(4) Nonelective**
(a)	[ ]	**Semi-annual.** The first day of the first month and of the seventh month of the Plan Year.	[ ]	OR	[ ]	[ ]	[ ]
(b)	[ ]	**First day of Plan Year.**	[ ]	OR	[ ]	[ ]	[ ]
(c)	[ ]	**First day of each Plan Year quarter.**	[ ]	OR	[ ]	[ ]	[ ]
(d)	[X]	**The first day of each month.**	[X]	OR	[ ]	[ ]	[ ]
(e)	[ ]	**Immediate.** Upon Employment Commencement Date or if later, upon satisfaction of eligibility conditions.	[ ]	OR	[ ]	[ ]	[ ]
(f)	[ ]	**First day of each payroll period.**	[ ]	OR	[ ]	[ ]	[ ]

(g) **[ ]** **Describe Entry Date(s):**

[*Note: Under Election 17(g), the Employer may describe Entry Dates from the elections available under Elections 17(a) through (f), or a combination thereof as to a Participant group and/or Contribution Type or may elect additional Entry Dates (e.g., As to Matching Contributions excluding Additional Matching, immediate as to Division A Employees and semi-annual as to Division B Employees OR The earlier of the Plan's semi-annual Entry Dates or the entry dates under the Employer's medical plan).*]

18. PROSPECTIVE/RETROACTIVE ENTRY DATE **(2.02(D))**. An Employee after satisfying the eligibility conditions in Election 14 will become a Participant (unless an Excluded Employee under Election 8) on the Entry Date (if employed on that date) *(Choose one or more of (a) through (f). Choose Contribution Type as applicable.)*:

[*Note: Unless otherwise excluded under Election 8, an Employee who remains employed by the Employer on the relevant date must become a Participant by the earlier of: (i) the first day of the Plan Year beginning after the date the Employee completes the age and service requirements of Code §410(a); or (ii) 6 months after the date the Employee completes those requirements. For this Election 18, unless described otherwise in Election 18(f), Elective Deferrals includes Pre-Tax Deferrals, Roth Deferrals and Employee Contributions, Matching includes all Matching Contributions (except Operational QMACs under Section 3.03(C)(2)) and Nonelective includes all Nonelective Contributions, (except Operational QNECs under Section 3.04(C)(2)).*]

			(1) All Contributions		**(2) Elective Deferrals**	**(3) Matching**	**(4) Nonelective**
(a)	**[X]**	**Immediately following or coincident with** the date the Employee completes the eligibility conditions.	**[X]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(b)	**[ ]**	**Immediately following** the date the Employee completes the eligibility conditions.	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(c)	**[ ]**	**Immediately preceding or coincident with** the date the Employee completes the eligibility conditions.	**N/A**		**N/A**	**[ ]**	**[ ]**
(d)	**[ ]**	**Immediately preceding** the date the Employee completes the eligibility conditions.	**N/A**		**N/A**	**[ ]**	**[ ]**
(e)	**[ ]**	**Nearest** the date the Employee completes the eligibility conditions.	**N/A**		**N/A**	**[ ]**	**[ ]**

(f) **[ ]** **Describe retroactive/prospective entry relative to Entry Date:**

[*Note: Under Election 18(f), the Employer may describe the timing of entry relative to an Entry Date from the elections available under Elections 18(a) through (e), or a combination thereof as to a Participant group and/or Contribution Type (e.g., As to Matching Contributions excluding Additional Matching nearest as to Division A Employees and immediately following as to Division B Employees).*]

19. BREAK IN SERVICE - PARTICIPATION **(2.03)**. The one year hold-out rule described in Section 2.03(C) *(Choose one of (a), (b), or (c).)*:

(a) **[X]** **Does not apply.**

(b) **[ ]** **Applies.** Applies to the Plan and to all Participants.

(c) **[ ]** **Limited application.** Applies to the Plan, but only to a Participant who has incurred a Severance from Employment.

[*Note: The Plan does not apply the rule of parity under Code §410(a)(5)(D) unless the Employer in Appendix B specifies otherwise. See Section 2.03(D).*]

ARTICLE III
PLAN CONTRIBUTIONS AND FORFEITURES

20. ELECTIVE DEFERRAL LIMITATIONS **(3.02(A))**. The following limitations apply to Elective Deferrals under Election 6(b), which are in addition to those limitations imposed under the basic plan document *(Choose (a) or choose (b) and (c) as applicable.)*:

(a) **[X]** **None.** No additional Plan imposed limits *(skip to Election 21).*

[*Note: The Employer under Election 20 may not impose a lower deferral limit applicable only to Catch-Up Eligible Participants and the Employer's elections must be nondiscriminatory. The elected limits apply to Pre-Tax Deferrals and to Roth Deferrals unless described otherwise. Under a safe harbor plan: (i) NHCEs must be able to defer enough to receive the maximum Safe Harbor Matching and Additional Matching Contribution under the Plan and must be permitted to defer any lesser amount; and (ii) the Employer may limit Elective Deferrals to a whole percentage of Compensation or to a whole dollar amount. See Section 1.57(C) as to administrative limitations on Elective Deferrals.*]

(b) **[ ]** **Additional Plan limit(s).** *(Choose (1) and (2) as applicable. Complete (3) if (1) or (2) is chosen.)*:

(1) **[ ]** **Maximum deferral amount.** A Participant's Elective Deferrals may not exceed: ____________________ *(specify dollar amount and/or percentage of Compensation).*

(2) **[ ]** **Minimum deferral amount.** A Participant's Elective Deferrals may not be less than: ______________________ *(specify dollar amount and/or percentage of Compensation).*

(3) **Application of limitations.** The Election 20(b)(1) and (2) limitations apply based on Elective Deferral Compensation described in Elections 9 - 11. If the Employer elects Plan Year/Participating Compensation under column (1) and in Election 10 elects Participating Compensation, in the Plan Years commencing after an Employee becomes a Participant, apply the elected minimum or maximum limitations to the Plan Year. Apply the elected limitation based on such Compensation during the designated time period and only to HCEs as elected below. *(Choose a. or choose b. and c. as applicable. Under each of a., b., or c. choose one of (1) or (2). Choose (3) if applicable.)*:

	(1) Plan Year/Participating Compensation	**(2) Payroll period**	**(3) HCEs only**
a. **[ ]** **Both.** Both limits under Elections 20(b)(1) and (2).	**[ ]**	**[ ]**	**[ ]**
b. **[ ]** **Maximum limit.** The maximum amount limit under Election 20(b)(1).	**[ ]**	**[ ]**	**[ ]**
c. **[ ]** **Minimum limit.** The minimum amount limit under Election 20(b)(2).	**[ ]**	**[ ]**	**[ ]**

(c) **[ ]** **Describe Elective Deferral limitation(s):**

[*Note: Under Election 20(c), the Employer: (i) may describe limitations on Elective Deferrals from the elections available under Elections 20(a) and (b) or a combination thereof as to a Participant group (e.g., No limit applies to Division A Employees. Division B Employees may not defer in excess of 10% of Plan Year Compensation); (ii) may elect a different time period to which the limitations apply; and/or (iii) may apply a different limitation to Pre-Tax Deferrals and to Roth Deferrals.*]

21. AUTOMATIC DEFERRAL **(ACA/EACA/QACA)** **(3.02(B))**. The Automatic Deferral provisions of Section 3.02(B) *(Choose one of (a) or (b). Also see Election 34 regarding Automatic Escalation of Salary Reduction Agreements.)*:

(a) **[ ]** **Do not apply.** The Plan is not an ACA, EACA, or QACA *(skip to Election 22).*

(b) **[X]** **Apply.** The Automatic Deferral Effective Date is the effective date of automatic deferrals or, as appropriate, any subsequent amendment thereto. *(As to an EACA or QACA, this provision may not be effective earlier than Plan Years beginning on or after January 1, 2008). (Complete (1), (2), and (3). Complete (4) and (5) if an EACA or an EACA/QACA. Choose (6), (7), and/or (8) as applicable.)*:

(1) **Type of Automatic Deferral Arrangement.** The Plan is an *(Choose one of a., b., or c.)*:

a. **[X]** **ACA.** The Plan is an Automatic Contribution Arrangement (ACA) under Section 3.02(B)(1).

b. **[ ]** **EACA.** The Plan is an Eligible Automatic Contribution Arrangement (EACA) under Section 3.02(B)(2).

c. **[ ]** **EACA/QACA.** The Plan is a combination EACA and Qualified Automatic Contribution Arrangement (QACA) under Sections 3.02(B)(3) and 3.05(J).

[*Note: If the Employer chooses Elections 21(b)(1)c, the Employer also must choose election 6(e) and complete Election 30 as to the Safe Harbor Contributions under the QACA.*]

(2) **Participants affected.** The Automatic Deferral applies to *(Choose one of a., b., c., or d. Choose e. if applicable.)*:

a. **[ ]** **All Participants.** All Participants, regardless of any prior Salary Reduction Agreement, unless and until they make a Contrary Election after the Automatic Deferral Effective Date.

b. **[ ]** **Election of at least Automatic Deferral Percentage.** All Participants, except those who have in effect a Salary Reduction Agreement on the Automatic Deferral Effective Date provided that the Elective Deferral amount under the Agreement is at least equal to the Automatic Deferral Percentage.

c. **[ ]** **No existing Salary Reduction Agreement.** All Participants, except those who have in effect a Salary Reduction Agreement on the Automatic Deferral Effective Date regardless of the Elective Deferral amount under the Agreement.

d. **[X]** **New Participants (not applicable to QACA).** Each Employee whose Entry Date is on or following the Automatic Deferral Effective Date.

e. **[ ]** **Describe affected Participants (not applicable to QACA):** ____

[*Note: The Employer in Election 21(b)(2)e. may further describe affected Participants, e.g., non-Collective Bargaining Employees OR Division A Employees. However, for Plan Years commencing on or after January 1, 2010, all Employees eligible to defer must be Covered Employees to apply the 6-month correction period without excise tax under Code §4979.*]

(3) **Automatic Deferral Percentage/Scheduled increases.** *(Choose one of a., b., or c.)*:

a. **[X] Fixed percentage.** The Employer, as to each Participant affected, will withhold as the Automatic Deferral Percentage, 4 % from the Participant's Compensation each payroll period unless the Participant makes a Contrary Election. The Automatic Deferral Percentage will or will not increase in Plan Years following the Plan Year containing the Automatic Deferral Effective Date (or, if later, the Plan Year or partial Plan Year in which the Automatic Deferral first applies to a Participant) as follows *(Choose one of d., e., or f.)*:

[*Note: In order to satisfy the QACA requirements, enter an amount between 6% and 10% if no scheduled increase.*]

b. **[ ] QACA statutory increasing schedule.** The Automatic Deferral Percentage will be:

Plan Year of application to a Participant	Automatic Deferral Percentage
1	3%
2	3%
3	4%
4	5%
5 and thereafter	6%

c. **[ ] Other increasing schedule.** The Automatic Deferral Percentage will be:

Plan Year of application to a Participant	Automatic Deferral Percentage
_____	_____%
_____	_____%
_____	_____%
_____	_____%
_____	_____%

d. **[ ] No scheduled increase.** The Automatic Deferral Percentage applies in all Plan Years.

e. **[X] Automatic increase.** The Automatic Deferral Percentage will increase by 1 % per year up to a maximum of 10 % of Compensation.

f. **[ ] Describe increase:______________________________**

[*Note: To satisfy the QACA requirements, the Automatic Deferral Percentage must be: (i) a fixed percentage which is at least 6% and not more than 10% of Compensation; (ii) an increasing Automatic Deferral Percentage in accordance with the schedule under Election 20(b)(3)b.; or (iii) an alternative schedule which must require, for each Plan Year, an Automatic Deferral Percentage that is at least equal to the Automatic Deferral Percentage under the schedule in Election 21(b)(3)b. and which does not exceed 10%. See Section 3.02(B)(3).*]

(4) **EACA permissible withdrawal.** The permissible withdrawal provisions of Section 3.02(B)(2)(d) *(Choose one of a., b., or c.)*:

a. **[ ] Do not apply.**

b. **[ ] 90 day withdrawal.** Apply within 90 days of the first Automatic Deferral.

c. **[ ] 30-90 day withdrawal.** Apply, within _____days of the first Automatic Deferral *(may not be less than 30 nor more than 90 days).*

(5) **Contrary Election/Covered Employee.** For Plan Years beginning on or after January 1, 2010, any Participant who makes a Contrary Election *(Choose one of a. or b.; leave blank if an ACA or a QACA not subject to the ACP test.)*:

a. **[ ] Covered Employee.** Is a Covered Employee and continues to be covered by the EACA provisions. [*Note: Under this Election, the Participant's Contrary Election will remain in effect, but the Participant must receive the EACA annual notice.*]

b. **[ ] Not a Covered Employee.** Is not a Covered Employee and will not continue to be covered by the EACA provisions. [*Note: Under this Election, the Participant no longer must receive the EACA annual notice, but the Plan cannot use the six-month period for relief from the excise tax of Code §4979(f)(1).*]

(6) **Change Date.** The Elective Deferrals under Election 21(b)(3)b., c., e., or f. will increase on the following day each Plan Year:

a. **[ ] First day of the Plan Year.**

b. **[X] Other:** July 1
(must be a specified or definitely determinable date that occurs at least annually)

(7) **First Year of Increase.** The automatic increase under Election 21(b)(3)e. or f. will apply to a Participant beginning with the first Change Date after the Participant first has automatic deferrals withheld, unless a. is selected below:

a. **[X] The increase will apply as of the second Change Date thereafter.**

(8) **[ ] Describe Automatic Deferral: ______________________________**

[*Note: Under Election 21(b)(8), the Employer may describe Automatic Deferral provisions from the elections available under Election 21 and/or a combination thereof as to a Participant group (e.g., Automatic Deferrals do not apply to Division A Employees. All Division B Employee/Participants are subject to an Automatic Deferral Amount equal to 3% of Compensation effective as of January 1, 2013).*]

22. CODA **(3.02(C))**. The CODA provisions of Section 3.02(C) *(Choose one of (a) or (b).)*:

(a) **[X] Do not apply.**

(b) **[ ] Apply.** For each Plan Year for which the Employer makes a designated CODA contribution under Section 3.02(C), a Participant may elect to receive directly in cash not more than the following portion (or, if less, the Elective Deferral Limit) of his/her proportionate share of that CODA contribution *(Choose one of (1) or (2).)*:

(1) **[ ] All or any portion.**

(2) **[ ] _____%**

23. CATCH-UP DEFERRALS **(3.02(D))**. The Plan permits Catch-Up Deferrals unless the Employer elects otherwise below. *(Choose (a) if applicable.)*

(a) **[ ] Not Permitted.** May not make Catch-Up Deferrals to the Plan.

24. MATCHING CONTRIBUTIONS (EXCLUDING SAFE HARBOR MATCH AND ADDITIONAL MATCH UNDER SECTION 3.05) **(3.03(A))**. The Employer Matching Contributions under Election 6(c) are subject to the following additional elections regarding type (discretionary/fixed), rate/amount, limitations and time period (collectively, such elections are "the matching formula") and the allocation of Matching Contributions is subject to Section 3.06 except as otherwise provided *(Choose one or more of (a) through (g) as applicable; then, for the elected match, complete (1), (2), and/or (3) as applicable. If the Employer completes (2) or (3), also complete one of (4), (5), or (6).)*:

[*Note: If the Employer wishes to make any Matching Contributions that satisfy the ADP or ACP safe harbor, the Employer should make these Elections under Election 30, and not under this Election 24.*]

			(1) Match Rate/Amt [$/% of Elective Deferrals]	(2) Limit on Deferrals Matched [$/% of Compensation]	(3) Limit on Match Amount [$/% of Compensation]	(4) Apply limit(s) per Plan Year ["true-up"]	(5) Apply limit(s) per payroll period [no "true-up"]	(6) Apply limit(s) per designated time period [no "true-up"]
(a)	[ ]	**Discretionary** – see Section 1.35(B) (*The Employer may, but is not required to complete (a)(1)-(6). See the "Note" following Election 24.*)	_____	_____	_____	[ ]	[ ]	[ ] _____
(b)	[X]	**Fixed** – uniform rate/amount	100%	4%	_____	[X]	[ ]	[ ] _____
(c)	[ ]	**Fixed** – tiered	**Elective Deferral %** / **Matching Rate** ____% / ____% ____% / ____% ____% / ____% ____% / ____%	_____	_____	[ ]	[ ]	[ ] _____
(d)	[ ]	**Fixed** – Years of Service	**Years of Service** / **Matching Rate** ____ / ____% ____ / ____% ____ / ____% ____ / ____%	_____	_____	[ ]	[ ]	[ ] _____

(1) "Years of Service" under this Election 24(d) means *(Choose one of a. or b.)*:

a. **[ ] Eligibility.** Years of Service for eligibility in Election 16.

b. **[ ] Vesting.** Years of Service for vesting in Elections 43 and 44.

(e)	[ ]	**Fixed** – multiple formulas	Formula 1: __________	_____	_____	[ ]	[ ]	[ ] _____

Formula 2: __________	_____	_____	**[ ]**	**[ ]**	**[ ]** _____
Formula 3: __________	_____	_____	**[ ]**	**[ ]**	**[ ]** _____

(f) **[ ]** **Related and Participating Employers.** If any Related and Participating Employers (or in the case of a Multiple Employer Plan, Participating Employers regardless of whether they are Related Employers) contribute Matching Contributions to the Plan, the following apply *(Complete (1) and (2).)*:

(1) **Matching formula.** The matching formula for the Participating Employer(s) *(Choose one of a. or b.)*:

a. **[ ]** **All the same.** Is (are) the same as for the Signatory Employer under this Election 24.

b. **[ ]** **At least one different.** Is (are) as follows: ______________________________.

(2) **Allocation sharing.** The Plan Administrator will allocate the Matching Contributions made by the Signatory Employer and by any Participating Employer *(Choose one of a. or b.)*:

a. **[ ]** **Employer by Employer.** Only to the Participants directly employed by the contributing Employer.

b. **[ ]** **Across Employer lines.** To all Participants regardless of which Employer directly employs them and regardless of whether their direct Employer made Matching Contributions for the Plan Year.

[*Note: Unless the Plan is a Multiple Employer Plan, the Employer should not elect 24(f) unless there are Related Employers which are also Participating Employers. See Section 1.24(D).*]

(g) **[ ]** **Describe:** ______________________________
(The formula described must satisfy the definitely determinable requirement under Treas. Reg. §1.401-1(b). If the formula is non-uniform, it is not a design-based safe harbor for nondiscrimination purposes.)

[*Note: See Section 1.35(A) as to Fixed Matching Contributions. A Participant's Elective Deferral percentage is equal to the Participant's Elective Deferrals divided by his/her Compensation. The matching rate/amount is the specified rate/amount of match for the corresponding Elective Deferral amount/percentage. Any Matching Contributions apply to Pre-Tax Deferrals and to Roth Deferrals unless described otherwise in Election 24(g). Matching Contributions for nondiscrimination testing purposes are subject to the targeting limitations. See Section 4.10(D). The Employer under Election 24(a) in its discretion may determine the amount of a Discretionary Matching Contribution and the matching contribution formula. Alternatively, the Employer in Election 24(a) may specify the Discretionary Matching Contribution formula.*]

25. <u>QMAC (PLAN-DESIGNATED)</u> **(3.03(C)(1))**. The following provisions apply regarding Plan-Designated QMACs *(Choose one of (a) or (b).)*:

[*Note: Regardless of its elections under this Election 25, the Employer under Section 3.03(C)(2) may elect for any Plan Year where the Plan is using Current Year Testing to make Operational QMACs which the Plan Administrator will allocate only to NHCEs for purposes of correction of an ADP or ACP test failure.*]

(a) **[X]** **Not applicable.** There are no Plan-Designated QMACs.

(b) **[ ]** **Applies.** There are Plan-Designated QMACs to which the following provisions apply *(Complete (1) and (2).)*:

(1) **Matching Contributions affected.** The following Matching Contributions (as allocated to the designated allocation group under Election 25(b)(2)) are Plan-Designated QMACs *(Choose one of a. or b.)*:

a. **[ ]** **All.** All Matching Contributions.

b. **[ ]** **Designated.** Only the following Matching Contributions under Election 24: ______________________________.

(2) **Allocation Group.** Subject to Section 3.06, allocate the Plan-Designated QMAC *(Choose one of a. or b.)*:

a. **[ ]** **NHCEs only.** Only to NHCEs who make Elective Deferrals subject to the Plan-Designated QMAC.

b. **[ ]** **All Participants.** To all Participants who make Elective Deferrals subject to the Plan-Designated QMAC.

The Plan Administrator will allocate all other Matching Contributions as Regular Matching Contributions under Section 3.03(B), except as provided in Sections 3.03(C)(2) or 3.05.

[*Note: See Section 4.10(D) as to targeting limitations applicable to QMAC nondiscrimination testing.*]

26. MATCHING CATCH-UP DEFERRALS **(3.03(D))**. If a Participant makes a Catch-Up Deferral, the Employer *(Choose one of (a) or (b); leave blank if Election 23(a) is selected.)*:

(a) **[X]** **Match.** Will apply to the Catch-Up Deferral *(Choose one of (1) or (2).)*:

(1) **[X]** **All.** All Matching Contributions.

(2) **[ ]** **Designated.** The following Matching Contributions in Election 24: ______________________________.

(b) **[ ]** **No Match.** Will not match any Catch-Up Deferrals.

[*Note: Election 26 does not apply to a safe harbor 401(k) plan unless the Employer will apply the ACP test. See Elections 38(a)(2)b. In this case, Election 26 applies only to Additional Matching, if any. A safe harbor 401(k) Plan will apply the Basic Match, QACA Basic Match or Enhanced Match to Catch-Up Deferrals. If the Employer elects to apply the ACP test safe harbor under Election 38(a)(2)a., Election 26 does not apply and the Plan also will apply any Additional Match to Catch-Up Deferrals.*]

27. NONELECTIVE CONTRIBUTIONS (TYPE/AMOUNT) INCLUDING PREVAILING WAGE CONTRIBUTIONS **(3.04(A))**. The Employer Nonelective Contributions under Election 6(d) are subject to the following additional elections as to type and amount *(Choose one or more of (a) through (e) as applicable.)*:

(a) **[X]** **Discretionary.** An amount the Employer in its sole discretion may determine.

(b) **[ ]** **Fixed.** *(Choose one or more of (1) through (3) as applicable.)*:

(1) **[ ]** **Uniform %.** _____% of each Participant's Compensation, per ____________________*(e.g., Plan Year, month)*.

(2) **[ ]** **Fixed dollar amount.** $_____, per ____________________*(e.g., Plan Year, month, HOS, per Participant per month)*.

(3) **[ ]** **Describe:** ______________________________
(The formula described must satisfy the definitely determinable requirement under Treas. Reg. §1.401-1(b). If the formula is non-uniform, it is not a design-based safe harbor for nondiscrimination purposes.)

[*Note: The Employer under Election 27(b)(3) may specify any Fixed Nonelective Contribution formula not described under Elections 27(b)(1) or (2) (e.g., For each Plan Year, 2% of net profits exceeding $50,000, or The cash value of unused paid time off, as described in Section 3.04(A)(2)(a) and the Employer's Paid Time Off Plan) and/or the Employer may describe different Fixed Nonelective Contributions as applicable to different Participant groups (e.g., A Fixed Nonelective Contribution equal to 5% of Plan Year Compensation applies to Division A Participants and a Fixed Nonelective Contribution equal to $500 per Participant each Plan Year applies to Division B Participants).*]

(c) **[ ]** **Prevailing Wage Contribution.** The Prevailing Wage Contribution amount(s) specified for the Plan Year or other applicable period in the Employer's Prevailing Wage Contract(s). The Employer will make a Prevailing Wage Contribution only to Participants covered by the Contract and only as to Compensation paid under the Contract. The Employer must specify the Prevailing Wage Contribution by attaching an appendix to the Adoption Agreement that indicates the contribution rate(s) applicable to the prevailing wage employment/job classification(s). If the Participant accrues an allocation of Employer Contributions (including forfeitures) under the Plan or any other Employer plan in addition to the Prevailing Wage Contribution, the Plan Administrator will *(Choose one of (1) or (2).)*:

(1) **[ ]** **No offset.** Not reduce the Participant's Employer Contribution allocation by the amount of the Prevailing Wage Contribution.

(2) **[ ]** **Offset.** Reduce the Participant's Employer Contribution allocation by the amount of the Prevailing Wage Contribution.

(d) **[ ]** **Related and Participating Employers.** If any Related and Participating Employers (or in the case of a Multiple Employer Plan, Participating Employers regardless of whether they are Related Employers) contribute Nonelective Contributions to the Plan, the contribution formula(s) *(Choose one of (1) or (2).)*:

(1) **[ ]** **All the same.** Is (are) the same as for the Signatory Employer under this Election 27.

(2) **[ ]** **At least one different.** Is (are) as follows: ______________________________.

[*Note: Unless the Plan is a Multiple Employer Plan, the Employer should not elect 27(d) unless there are Related Employers which are also Participating Employers. See Section 1.24(D). The Employer electing 27(d) also must complete Election 28(g) as to the allocation methods which apply to the Participating Employers.*]

(e) **[ ]** **Describe:** ______________________________
(The formula described must satisfy the definitely determinable requirement under Treas. Reg. §1.401-1(b). If the formula is non-uniform, it is not a design-based safe harbor for nondiscrimination purposes.)

[*Note: Under Election 27(e), the Employer may describe the amount and type of Nonelective Contributions from the elections available under Election 27 and/or a combination thereof as to a Participant group (e.g., A Discretionary Nonelective Contribution applies to Division A Employees. A Fixed Nonelective Contribution equal to 5% of Plan Year Compensation applies to Division B Employees).*]

28. <u>NONELECTIVE CONTRIBUTION ALLOCATION</u> **(3.04(B))**. The Plan Administrator, subject to Section 3.06, will allocate to each Participant any Nonelective Contribution (excluding QNECs) under the following contribution allocation formula *(Choose one or more of (a) through (h) as applicable.)*:

(a) **[X]** **Pro rata.** As a uniform percentage of Participant Compensation.

(b) **[ ]** **Permitted disparity.** In accordance with the permitted disparity allocation provisions of Section 3.04(B)(2), under which the following permitted disparity formula and definition of "Excess Compensation" apply *(Complete (1) and (2).)*:

(1) **Formula** *(Choose one of a., b., or c.)*:

a. **[ ]** **Two-tiered.**

b. **[ ]** **Four-tiered.**

c. **[ ]** **Two-tiered**, except that the four-tiered formula will apply in any Plan Year for which the Plan is top-heavy.

(2) **Excess Compensation.** For purposes of Section 3.04(B)(2), "Excess Compensation" means Compensation in excess of the integration level provided below *(Choose one of a. or b.)*:

a. **[ ]** **Percentage amount. _____**% *(not exceeding 100%)* of the Taxable Wage Base in effect on the first day of the Plan Year, rounded to the next highest $_____ *(not exceeding the Taxable Wage Base).*

b. **[ ]** **Dollar amount.** The following amount: $_____ *(not exceeding the Taxable Wage Base in effect on the first day of the Plan Year).*

(c) **[ ]** **Incorporation of contribution formula.** The Plan Administrator will allocate any Fixed Nonelective Contribution under Elections 27(b), 27(d), or 27(e), or any Prevailing Wage Contribution under Election 27(c), in accordance with the contribution formula the Employer adopts under those Elections.

(d) **[ ]** **Classifications of Participants.** [*This is a nondesigned based safe harbor allocation method.*] In accordance with the classifications allocation provisions of Section 3.04(B)(3). *(Complete (1) and (2).)*:

(1) **Description of the classifications.** [*This is a nondesigned based safe harbor allocation method.*] The classifications are *(Choose one of a., b., or c.)*:

[*Note: Typically, the Employer would elect 28(d) where it intends to satisfy nondiscrimination requirements using "cross-testing" under Treas. Reg. §1.401(a)(4)-8. However, choosing this election does not necessarily require application of cross-testing and the Plan may be able to satisfy nondiscrimination as to its classification-based allocations by testing allocation rates.*]

a. **[ ]** **Each in own classification.** Each Participant constitutes a separate classification.

b. **[ ]** **NHCEs/HCEs.** Nonhighly Compensated Employee/Participants and Highly Compensated Employee/Participants.

c. **[ ]** **Describe the classifications: ______________________________**

[*Note: Any classifications under Election 28(d) must result in a definitely determinable allocation under Treas. Reg. §1.401-1(b)(1)(ii). The classifications cannot limit the NHCEs benefiting under the Plan only to those NHCE/Participants with the lowest Compensation and/or the shortest periods of Service and who may represent the minimum number of benefiting NHCEs necessary to pass coverage under Code §410(b). In the case of a self-employed Participant (i.e., sole proprietorships or partnerships), the requirements of Treas. Reg. §1.401(k)-1(a)(6) apply and the allocation method should not result in a cash or deferred election for the self-employed Participant. The Employer by the due date of its tax return (including extensions) must advise the Plan Administrator or Trustee in writing as to the allocation rate applicable to each Participant under Election 28(d)(1)a. or applicable to each classification under Elections 28(d)(1)b. or c. for the allocation Plan Year.*]

(2) **Allocation method within each classification.** Allocate the Nonelective Contribution within each classification as follows *(Choose one of a., b., or c.)*:

a. **[ ]** **Pro rata.** As a uniform percentage of Compensation of each Participant within the classification.

b. **[ ]** **Flat dollar.** The same dollar amount to each Participant within the classification.

c. **[ ]** **Describe: ______________________________**
(e.g., Allocate pro rata to NHCEs and flat dollar to HCEs.)

(e) **[ ]** **Age-based.** [*This is a nondesigned based safe harbor allocation method.*] In accordance with the age-based allocation provisions of Section 3.04(B)(5). The Plan Administrator will use the Actuarial Factors based on the following assumptions *(Complete both (1) and (2).)*:

(1) **Interest rate.** *(Choose one of a., b., or c.)*:

a. **[ ]** **7.5%** b. **[ ]** **8.0%** c. **[ ]** **8.5%**

(2) **Mortality table.** *(Choose one of a. or b.)*:

a. **[ ] UP-1984.** See Appendix D.

b. **[ ] Alternative: _________________________***(Specify 1983 GAM, 1983 IAM, 1971 GAM or 1971 IAM and attach applicable tables using such mortality table and the specified interest rate as replacement Appendix D.)*

(f) **[ ] Uniform points.** In accordance with the uniform points allocation provisions of Section 3.04(B)(6). Under the uniform points allocation formula, a Participant receives *(Choose one or both of (1) and (2). Choose (3) if applicable.)*:

(1) **[ ] Years of Service. ____________________**point(s) for each Year of Service. The maximum number of Years of Service counted for points is ____________________.

"Year of Service" under this Election 28(f) means *(Choose one of a. or b.)*:

a. **[ ] Eligibility.** Years of Service for eligibility in Election 16.

b. **[ ] Vesting.** Years of Service for vesting in Elections 43 and 44.

[*Note: A Year of Service must satisfy Treas. Reg. §1.401(a)(4)-11(d)(3) for the uniform points allocation to qualify as a safe harbor allocation under Treas. Reg. §1.401(a)(4)-2(b)(3).*]

(2) **[ ] Age. ____________________**point(s) for each year of age attained during the Plan Year.

(3) **[ ] Compensation. _________________________**point(s) for each $______*(not to exceed $200)* increment of Plan Year Compensation.

(g) **[ ] Related and Participating Employers.** If any Related and Participating Employers (or in the case of a Multiple Employer Plan, Participating Employers regardless of whether they are Related Employers) contribute Nonelective Contributions to the Plan, the Plan Administrator will allocate the Nonelective Contributions made by the Participating Employer(s) under Election 27(d) *(Complete (1) and (2).)*:

(1) **Allocation Method.** *(Choose one of a. or b.)*:

a. **[ ] All the same.** Using the same allocation method as applies to the Signatory Employer under this Election 28.

b. **[ ] At least one different.** Under the following allocation method(s): _______________________________________.

(2) **Allocation sharing.** The Plan Administrator will allocate the Nonelective Contributions made by the Signatory Employer and by any Participating Employer *(Choose one of a. or b.)*:

a. **[ ] Employer by Employer.** Only to the Participants directly employed by the contributing Employer.

b. **[ ] Across Employer lines.** To all Participants regardless of which Employer directly employs them and regardless of whether their direct Employer made Nonelective Contributions for the Plan Year.

[*Note: Unless the Plan is a Multiple Employer Plan, the Employer should not elect 28(g) unless there are Related Employers which are also Participating Employers. See Section 1.24(D) and Election 27(d). If the Employer elects 28(g)(2)a., the Employer should also elect 11(k)(2), to disregard the Compensation paid by "Y" Participating Employer in determining the allocation of the "X" Participating Employer contribution to a Participant (and vice versa) who receives Compensation from both X and Y. If the Employer elects 28(g)(2)b., the Employer should not elect 11(k)(2). Election 28(g)(2)a. does not apply to Safe Harbor Nonelective Contributions.*]

(h) **[ ] Describe: ____**
(The formula described must satisfy the definitely determinable requirement under Treas. Reg. §1.401-1(b). If the formula is non-uniform, it is not a design-based safe harbor for nondiscrimination purposes.)

29. <u>QNEC (PLAN-DESIGNATED)</u> **(3.04(C)(1))**. The following provisions apply regarding Plan-Designated QNECs *(Choose one of (a) or (b).)*:

[*Note: Regardless of its elections under this Election 29, the Employer under Section 3.04(C)(2) may elect for any Plan Year where the Plan is using Current Year Testing to make Operational QNECs which the Plan Administrator will allocate only to NHCEs for purposes of correction of an ADP or ACP test failure*.]

(a) **[X] Not applicable.** There are no Plan-Designated QNECs.

(b) **[ ] Applies.** There are Plan-Designated QNECs to which the following provisions apply *(Complete (1), (2), and (3).)*:

(1) **Nonelective Contributions affected.** The following Nonelective Contributions (as allocated to the designated allocation group under Election 29(b)(2)) are Plan-Designated QNECs *(Choose one of a. or b.)*:

a. **[ ] All.** All Nonelective Contributions.

b. **[ ] Designated.** Only the following Nonelective Contributions under Election 27: ______________________________.

(2) **Allocation Group.** Subject to Section 3.06, allocate the Plan-Designated QNEC *(Choose one of a. or b.)*:

a. **[ ] NHCEs only.** Only to NHCEs under the method elected in Election 29(b)(3).

b. **[ ] All Participants.** To all Participants under the method elected in Election 29(b)(3).

(3) **Allocation Method.** The Plan Administrator will allocate a Plan-Designated QNEC using the following method *(Choose one of a., b., c., or d.)*:

a. **[ ] Pro rata.**

b. **[ ] Flat dollar.**

c. **[ ] Reverse.** See Section 3.04(C)(3).

d. **[ ] Describe: ____**
(The formula described must satisfy the definitely determinable requirement under Treas. Reg. §1.401-1(b). If the formula is non-uniform, it is not a design-based safe harbor for nondiscrimination purposes.)

[*Note: See Section 4.10(D) as to targeting limitations applicable to QNEC nondiscrimination testing.*]

30. SAFE HARBOR 401(k) PLAN (SAFE HARBOR CONTRIBUTIONS/ADDITIONAL MATCHING CONTRIBUTIONS) **(3.05)**. The Employer under Election 6(e) will (or in the case of the Safe Harbor Nonelective Contribution may) contribute the following Safe Harbor Contributions described in Section 3.05(E) and will or may contribute Additional Matching Contributions described in Section 3.05(F) *(Choose one of (a) through (e) when and as applicable. Complete (f) and (i). Choose (g), (h), and (j) as applicable.)*:

(a) **[ ] Safe Harbor Nonelective Contribution (including QACA).** The Safe Harbor Nonelective Contribution equals ______% of a Participant's Compensation [*Note: The amount in the blank must be at least 3%. The Safe Harbor Nonelective Contribution applies toward (offsets) most other Employer Nonelective Contributions. See Section 3.05(E)(12).*]

(b) **[ ] Safe Harbor Nonelective Contribution (including QACA)/delayed year-by-year election (maybe and supplemental notices).** In connection with the Employer's provision of the maybe notice under Section 3.05(I)(1), the Employer elects into safe harbor status by giving the supplemental notice and by making this Election 30(b) to provide for a Safe Harbor Nonelective Contribution equal to ______% *(specify amount at least equal to 3%)* of a Participant's Compensation. This Election 30(b) and safe harbor status applies for the Plan Year ending: ______________________ *(specify Plan Year end)*, which is the Plan Year to which the Employer's maybe and supplemental notices apply.

[*Note: An Employer distributing the maybe notice can use election 30(b) without completing the year. Doing so requires the Plan to perform Current Year Testing unless the Employer decides to elect safe harbor status. If the Employer wishes to elect safe harbor status for a single year, the Employer must amend the Plan to enter the Plan Year end above.*]

(c) **[ ] Basic Matching Contribution.** A Matching Contribution equal to 100% of each Participant's Elective Deferrals not exceeding 3% of the Participant's Compensation, plus 50% of each Participant's Elective Deferrals in excess of 3% but not in excess of 5% of the Participant's Compensation. See Sections 1.35(E) and 3.05(E)(4). *(Complete (1).)*:

(1) **Time period.** For purposes of this Election 30(c), "Compensation" and "Elective Deferrals" mean Compensation and Elective Deferrals for: _______________________. [*Note: The Employer must complete the blank line with the applicable time period for computing the Basic Match, such as "each payroll period," "each calendar month," "each Plan Year quarter" or "the Plan Year."*]

(d) **[ ] QACA Basic Matching Contribution.** A Matching Contribution equal to 100% of a Participant's Elective Deferrals not exceeding 1% of the Participant's Compensation, plus 50% of each Participant's Elective Deferrals in excess of 1% but not in excess of 6% of the Participant's Compensation. *(Complete (1).)*: [*Note: This election is available only if the Employer has elected the QACA automatic deferrals provisions under Election 21.*]

(1) **Time period.** For purposes of this Election 30(d), "Compensation" and "Elective Deferrals" mean Compensation and Elective Deferrals for: _______________________. [*Note: The Employer must complete the blank line with the applicable time period for computing the QACA Basic Match, such as "each payroll period," "each calendar month," "each Plan Year quarter" or "the Plan Year."*]

(e) **[ ] Enhanced Matching Contribution (including QACA).** See Sections 1.35(F) and 3.05(E)(6). *(Choose one of (1) or (2) and complete (3) for any election.)*:

(1) **[ ] Uniform percentage.** A Matching Contribution equal to ______% of each Participant's Elective Deferrals but not as to Elective Deferrals exceeding _____% of the Participant's Compensation.

(2) **[ ] Tiered formula.** A Matching Contribution equal to the specified matching rate for the corresponding level of each Participant's Elective Deferral percentage. A Participant's Elective Deferral percentage is equal to the Participant's Elective Deferrals divided by his/her Compensation.

Elective Deferral Percentage	Matching Rate
_____%	_____%
_____%	_____%
_____%	_____%

(3) **Time period.** For purposes of this Election 30(e), "Compensation" and "Elective Deferrals" mean Compensation and Elective Deferrals for: ______________________. [*Note: The Employer must complete the blank line with the applicable time period for computing the Enhanced Match, such as "each payroll period," "each calendar month," "each Plan Year quarter" or "the Plan Year."*]

[*Note: The matching rate may not increase as the Elective Deferral percentage increases and the Enhanced Matching formula otherwise must satisfy the requirements of Code §§401(k)(12)(B)(ii) and (iii) (taking into account Code §401(k)(13)(D)(ii) in the case of a QACA). If the Employer elects to satisfy the ACP safe harbor under Election 38(a)(2)a., the Employer also must limit Elective Deferrals taken into account for the Enhanced Matching Contribution to a maximum of 6% of Plan Year Compensation.*]

(f) **Participants who will receive Safe Harbor Contributions.** The allocation of Safe Harbor Contributions *(Choose one of (1), (2), or (3). Choose (4) if applicable.)*:

(1) **[ ] Applies to all Participants.** Applies to all Participants except as may be limited under Election 30(g).

(2) **[ ] NHCEs only.** Is limited to NHCE Participants only and may be limited further under Election 30(g). No HCE will receive a Safe Harbor Contribution allocation.

(3) **[ ] NHCEs and designated HCEs.** Is limited to NHCE Participants and to the following HCE Participants and may be limited further under Election 30(g): ____.

[*Note: Any HCE allocation group the Employer describes under Election 30(f)(3) must be definitely determinable. (e.g., Division "A" HCEs OR HCEs who own more than 5% of the Employer without regard to attribution rules).*]

(4) **[ ] Applies to all Participants except Collective Bargaining Employees.** Notwithstanding Elections 30(f)(1), (2) or (3), the Safe Harbor Contributions are not allocated to Collective Bargaining (union) Employees and may be further limited under Election 30(g).

(g) **[ ] Early Elective Deferrals/delay of Safe Harbor Contribution.** The Employer may elect this Election 30(g) only if the Employer in Election 14 elects eligibility requirements for Elective Deferrals of less than age 21 and/or one Year of Service but elects age 21 and one Year of Service for Safe Harbor Matching or for Safe Harbor Nonelective Contributions. The Employer under this Election 30(g) applies the rules of Section 3.05(D) to limit the allocation of any Safe Harbor Contribution under Election 30 for a Plan Year to those Participants who the Plan Administrator in applying the OEE rule described in Section 4.06(C), treats as benefiting in the disaggregated plan covering the Includible Employees.

(h) **[ ] Another plan.** The Employer will make the Safe Harbor Contribution to the following plan: ____________________________.

(i) **Additional Matching Contributions.** See Sections 1.35(G) and 3.05(F). *(Choose one of (1) or (2).)*:

(1) **[ ] No Additional Matching Contributions.** The Employer will not make any Additional Matching Contributions to its safe harbor Plan.

(2) **[ ] Additional Matching Contributions.** The Employer will or may make the following Additional Matching Contributions to its safe harbor Plan. *(Choose a., b., and c. as applicable.)*:

a. **[ ] Fixed Additional Matching Contribution.** The following Fixed Additional Matching Contribution *(Choose (i) and (ii) as applicable and complete (iii) for any election.)*:

(i) **[ ] Uniform percentage.** A Matching Contribution equal to _____% of each Participant's Elective Deferrals but not as to Elective Deferrals exceeding _____% of the Participant's Compensation.

(ii) **[ ] Tiered formula.** A Matching Contribution equal to the specified matching rate for the corresponding level of each Participant's Elective Deferral percentage. A Participant's Elective Deferral percentage is equal to the Participant's Elective Deferrals divided by his/her Compensation.

Elective Deferral Percentage	Matching Rate
_____%	_____%
_____%	_____%
_____%	_____%

(iii) **Time period.** For purposes of this Election 30(i)(2)a., "Compensation" and "Elective Deferrals" mean Compensation and Elective Deferrals for: ____.
[*Note: The Employer must complete the blank line with the applicable time period for computing the Additional Match, e.g., each payroll period, each calendar month, each Plan Year quarter OR the Plan Year. If the Employer elects a match under both (i) and (ii) and will apply a different time period to each match, the Employer may indicate as such in the blank line.*]

b. **[ ] Discretionary Additional Matching Contribution.** The Employer may make a Discretionary Additional Matching Contribution. If the Employer makes a Discretionary Matching Contribution, the Discretionary Matching Contribution will not apply as to Elective Deferrals exceeding _____% of the Participant's Compensation *(complete the blank if applicable or leave blank).*

(i) **Time period.** For purposes of this Election 30(i)(2)b., "Compensation" and "Elective Deferrals" mean Compensation and Elective Deferrals for: ____.
[*Note: The Employer must complete the blank line with the applicable time period for computing the Additional Discretionary Matching Contribution, e.g., each payroll period, each calendar month, each Plan Year quarter OR the Plan Year. If the Employer fails to specify a time period, the Employer is deemed to have elected to compute its Additional Matching Contribution based on the Plan Year.*]

c. **[ ] Describe Additional Matching Contribution formula and time period: ____________________**
(The formula described must satisfy the definitely determinable requirement under Treas. Reg. §1.401-1(b) and, if the Employer elects to satisfy the ACP safe harbor under Election 38(a)(2)a., the formula must comply with Section 3.05(G).)

[*Note: If the Employer elects to satisfy the ACP safe harbor under Election 38(a)(2)a. then as to any and all Matching Contributions, including Fixed Additional Matching Contributions and Discretionary Additional Matching Contributions: (i) the matching rate may not increase as the Elective Deferral percentage increases; (ii) no HCE may be entitled to a greater rate of match than any NHCE; (iii) the Employer must limit Elective Deferrals taken into account for the Additional Matching Contributions to a maximum of 6% of Plan Year Compensation; (iv) the Plan must apply all Matching Contributions to Catch-Up Deferrals; and (v) in the case of a Discretionary Additional Matching Contribution, the contribution amount may not exceed 4% of the Participant's Plan Year Compensation.*]

(j) **[ ] Multiple Safe Harbor Contributions in disaggregated Plan.** The Employer elects to make different Safe Harbor Contributions and/or Additional Matching Contributions to disaggregated parts of its Plan under Treas. Reg. §1.401(k)-1(b)(4) as follows: ____
(Specify contributions for disaggregated plans, e.g., as to collectively bargained employees a 3% Nonelective Safe Harbor Contribution applies and as to non-collectively bargained employees, the Basic Matching Contribution applies).

31. ALLOCATION CONDITIONS **(3.06(B)/(C))**. The Plan does not apply any allocation conditions to: (i) Elective Deferrals; (ii) Safe Harbor Contributions; (iii) Additional Matching Contributions which will satisfy the ACP test safe harbor; (iv) Employee Contributions; (v) Rollover Contributions; (vi) Designated IRA Contributions; (vii) SIMPLE Contributions; or (viii) Prevailing Wage Contributions. To receive an allocation of Matching Contributions, Nonelective Contributions or Participant forfeitures, a Participant must satisfy the following allocation condition(s) *(Choose one of (a) or (b). Choose (c) if applicable.)*:

(a) **[ ] No conditions.** No allocation conditions apply to Matching Contributions, to Nonelective Contributions or to forfeitures.

(b) **[X] Conditions.** The following allocation conditions apply to the designated Contribution Type and/or forfeitures *(Choose one or more of (1) through (7). Choose Contribution Type as applicable.)*:

[*Note: For this Election 31, except as the Employer describes otherwise in Election 31(b)(7) or as provided in Sections 3.03(C)(2) and 3.04(C)(2) regarding Operational QMACs and Operational QNECs, Matching includes all Matching Contributions and Nonelective includes all Nonelective Contributions to which allocation conditions may apply. The Employer under Election 31(b)(7) may not impose an Hour of Service condition exceeding 1,000 Hours of Service in a Plan Year.*]

			(1) Matching, Nonelective and Forfeitures		**(2) Matching**	**(3) Nonelective**	**(4) Forfeitures**
(1)	[ ]	**None.**	**N/A** (See Election 31(a))		[ ]	[ ]	[ ]
(2)	[ ]	**501 HOS/terminees** (91 consecutive days if Elapsed Time). See Section 3.06(B)(1)(b).	[ ]	OR	[ ]	[ ]	[ ]
(3)	[X]	**Last day of the Plan Year.**	[X]	OR	[ ]	[ ]	[ ]
(4)	[ ]	**Last day of the Election 31(c) time period.**	[ ]	OR	[ ]	[ ]	[ ]
(5)	[ ]	**1,000 HOS in the Plan Year** (182 consecutive days in Plan Year if Elapsed Time).	[ ]	OR	[ ]	[ ]	[ ]
(6)	[ ]	**_____(specify) HOS within the Election 31(c) time period,** (but not exceeding 1,000 HOS in a Plan Year).	[ ]	OR	[ ]	[ ]	[ ]

(7) **[ ] Describe conditions: ____**
(e.g., Last day of the Plan Year as to Nonelective Contributions for Participating Employer "A" Participants. No allocation conditions for Participating Employer "B" Participants.)

(c) **[ ]** **Time period.** Under Section 3.06(C), apply Elections 31(b)(4), (b)(6), or (b)(7) to the specified contributions/forfeitures based on each *(Choose one or more of (1) through (5). Choose Contribution Type as applicable.)*:

(1)	**[ ]**	**Plan Year.**	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(2)	**[ ]**	**Plan Year quarter.**	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(3)	**[ ]**	**Calendar month.**	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(4)	**[ ]**	**Payroll period.**	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(5)	**[ ]**	**Describe time period:**					

[*Note: If the Employer elects 31(b)(4) or (b)(6), the Employer must choose (c). If the Employer elects 31(b)(7), choose (c) if applicable.*]

32. <u>ALLOCATION CONDITIONS - APPLICATION/WAIVER/SUSPENSION</u> **(3.06(D)/(F))**. Under Section 3.06(D), in the event of Severance from Employment as described below, apply or do not apply Election 31(b) allocation conditions to the specified contributions/forfeitures as follows *(If the Employer elects 31(b), the Employer must complete Election 32. Choose one of (a) or (b). Complete (c).)*:

[*Note: For this Election 32, except as the Employer describes otherwise in Election 31(b)(7) or as provided in Sections 3.03(C)(2) and 3.04(C)(2) regarding Operational QMACs and Operational QNECs, Matching includes all Matching Contributions and Nonelective includes all Nonelective Contributions to which allocation conditions may apply.*]

(a) **[X]** **Total waiver or application.** If a Participant incurs a Severance from Employment on account of or following death, Disability or attainment of Normal Retirement Age or Early Retirement Age *(Choose one of (1) or (2).)*:

(1) **[X]** **Do not apply.** Do not apply elected allocation conditions to Matching Contributions, to Nonelective Contributions or to forfeitures.

(2) **[ ]** **Apply.** Apply elected allocation conditions to Matching Contributions, to Nonelective Contributions and to forfeitures.

(b) **[ ]** **Application/waiver as to Contribution Types events.** If a Participant incurs a Severance from Employment, apply allocation conditions *except* such conditions are waived if Severance from Employment is on account of or following death, Disability or attainment of Normal Retirement Age or Early Retirement Age as specified, and as applied to the specified Contribution Types/forfeitures *(Choose one or more of (1) through (4). Choose Contribution Type as applicable.)*:

			(1) Matching, Nonelective and Forfeitures		**(2) Matching**	**(3) Nonelective**	**(4) Forfeitures**
(1)	**[ ]**	**Death.**	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(2)	**[ ]**	**Disability.**	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(3)	**[ ]**	**Normal Retirement Age.**	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(4)	**[ ]**	**Early Retirement Age.**	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**

(c) **Suspension.** The suspension of allocation conditions of Section 3.06(F) *(Choose one of (1) or (2).)*:

(1) **[X]** **Applies.** Applies as follows *(Choose one of a., b., or c.)*:

a. **[X]** **Both.** Applies both to Nonelective Contributions and to Matching Contributions.

b. **[ ]** **Nonelective.** Applies only to Nonelective Contributions.

c. **[ ]** **Match.** Applies only to Matching Contributions.

(2) **[ ]** **Does not apply.**

33. <u>FORFEITURE ALLOCATION METHOD</u> **(3.07)**. *(Choose one of (a) or (b).)*:

[*Note: Even if the Employer elects immediate vesting, the Employer should complete Election 33. See Section 7.07.*]

(a) **[ ]** **Safe harbor/top-heavy exempt.** Apply all forfeitures to Safe Harbor Contributions and Plan expenses in accordance with Section 3.07(A)(4).

(b) **[X]** **Apply to Contributions.** The Plan Administrator will allocate a Participant forfeiture attributable to all Contribution Types or attributable to all Nonelective Contributions or to all Matching Contributions as follows *(Choose one or more of (1) through (6) and choose Contribution Type as applicable. Choose (5) only in conjunction with at least one other election.)*:

(1) All Forfeitures	**(2) Nonelective Forfeitures**	**(3) Matching Forfeitures**

(1)	**[ ]**	**Additional Nonelective.** Allocate as additional Discretionary Nonelective Contribution.	**[ ]**	**OR**	**[ ]**	**[ ]**
(2)	**[ ]**	**Additional Match.** Allocate as additional Discretionary Matching Contribution.	**[ ]**	**OR**	**[ ]**	**[ ]**
(3)	**[X]**	**Reduce Nonelective.** Apply to Nonelective Contribution.	**[X]**	**OR**	**[ ]**	**[ ]**
(4)	**[X]**	**Reduce Match.** Apply to Matching Contribution.	**[X]**	**OR**	**[ ]**	**[ ]**
(5)	**[X]**	**Plan expenses.** Pay reasonable Plan expenses. (See Section 7.04(C).)	**[X]**	**OR**	**[ ]**	**[ ]**

(6) **[ ] Describe: ____**
(must satisfy the definitely determinable requirement under Treas. Reg. §1.401-1(b) and be applied in a uniform and nondiscriminatory manner; e.g., Forfeitures attributable to transferred balances from Plan X are allocated only to former Plan X participants.)

34. AUTOMATIC ESCALATION **(3.02(G))**. The Automatic Escalation provisions of Section 3.02(G) *(Choose one of (a) or (b). See Election 21 regarding Automatic Deferrals. Automatic Escalation applies to Participants who have a Salary Reduction Agreement in effect.)*:

(a) **[X] Do not apply.**

(b) **[ ] Apply.** *(Complete (1), (2), (3), and if appropriate (4).)*:

(1) **Participants affected.** The Automatic Escalation applies to *(Choose one of a., b., or c.)*:

a. **[ ] All Deferring Participants.** All Participants who have a Salary Reduction Agreement in effect to defer at least _____% of Compensation.

b. **[ ] New Deferral Elections.** All Participants who file a Salary Reduction Agreement after the effective date of this Election, or, as appropriate, any amendment thereto, to defer at least _____% of Compensation.

c. **[ ] Describe affected Participants: ____**

[*Note: The Employer in Election 34(b)(1)c. may further describe affected Participants, e.g., non-Collective Bargaining Employees OR Division A Employees. The group of Participants must be definitely determinable and if an EACA under Election 21, must be uniform.*]

(2) **Automatic Increases.** *(Choose one of a. or b.)*:

a. **[ ] Automatic increase.** The Participant's Elective Deferrals will increase by _____% per year up to a maximum of _____% of Compensation unless the Participant has filed a Contrary Election after the effective date of this Election or, as appropriate, any amendment thereto.

b. **[ ] Describe increase: ____**

[*Note: The Employer in Election 34(b)(2)b. may define different increases for different groups of Participants or may otherwise limit Automatic Escalation. Any such provisions must be definitely determinable.*]

(3) **Change Date.** The Elective Deferrals will increase on the following day each Plan Year:

a. **[ ] First day of the Plan Year.**

b. **[ ] Other: ____**
(must be a specified or definitely determinable date that occurs at least annually)

(4) **First Year of Increase.** The automatic escalation provision will apply to a participant beginning with the first Change Date after the Participant files a Salary Reduction Agreement (or, if sooner, the effective date of this Election, or, as appropriate, any amendment thereto), unless a. is selected below:

a. **[ ] The escalation provision will apply as of the second Change Date thereafter.**

35. IN-PLAN ROTH ROLLOVER CONTRIBUTION **(3.08(E))**. The following provisions apply regarding In-Plan Roth Rollover Contributions *(Choose one of (a) or (b); also see Election 56(d)(1); leave blank if Election 6(b)(1) is not selected.)*:

(a) **[ ] Not Applicable.** The Plan does not permit In-Plan Roth Rollover Contributions.

(b) **[X] Applies.** The Plan permits In-Plan Roth Rollover Contributions. *(Choose (1) if applicable.)*

(1) **[X] Effective Date.** July 1, 2015 (enter date not earlier than September 28, 2010; may be left blank if same as Plan or Restatement Effective Date).

36. EMPLOYEE (AFTER-TAX) CONTRIBUTIONS **(3.09)**. The following additional elections apply to Employee Contributions under Election 6(f). *(Choose one or both of (a) and (b) if applicable.)*:

(a) **[ ] Additional limitations.** The Plan permits Employee Contributions subject to the following limitations, if any, in addition to those already imposed under the Plan: ______________________________

[*Note: Any designated limitation(s) must be the same for all Participants and must be definitely determinable (e.g., Employee Contributions may not exceed the lesser of $5,000 dollars or 10% of Compensation for the Plan Year and/or Employee Contributions may not be less than $50 or 2% of Compensation per payroll period).*]

(b) **[ ] Apply Matching Contribution.** For each Plan Year, the Employer's Matching Contribution made as to Employee Contributions is: ______________________________

[*Note: The Employer Matching Contribution formula must be the same for all Participants and must be definitely determinable (e.g., A fixed Matching Contribution equal to 50% of Employee Contributions not exceeding 6% of Plan Year Compensation or A Discretionary Matching Contribution based on Employee Contributions).*]

37. DESIGNATED IRA CONTRIBUTIONS **(3.12)**. Under Election 6(h), a Participant may make Designated IRA Contributions. *(Complete (a) and (b).)*:

(a) **Type of IRA contribution.** A Participant's Designated IRA Contributions will be *(Choose one of (1), (2), or (3).)*:

(1) **[ ] Traditional.**

(2) **[ ] Roth.**

(3) **[ ] Traditional/Roth.** As the Participant elects at the time of contribution.

(b) **Type of Account.** A Participant's Designated IRA Contributions will be held in the following form of Account(s) *(Choose one of (1), (2), or (3).)*:

(1) **[ ] IRA.**

(2) **[ ] Individual Retirement Annuity.**

(3) **[ ] IRA/Individual Retirement Annuity.** As the Participant elects at the time of contribution.

ARTICLE IV LIMITATIONS AND TESTING

38. ANNUAL TESTING ELECTIONS **(4.06(B))**. The Employer makes the following Plan specific annual testing elections under Section 4.06(B). *(Complete (a) and (b) as applicable. Leave (a) blank if the Plan is a SIMPLE 401(k) plan.)*:

(a) **[X] Nondiscrimination testing.** *(Choose one or more of (1), (2), and (3).)*:

(1) **[X] Traditional 401(k) Plan/ADP/ACP test.** The following testing method(s) apply:

[*Note: The Plan may "split test". For Current Year Testing, See Section 4.11(E). For Prior Year Testing, see Section 4.11(I) and, as to the first Plan Year, see Sections 4.10(B)(4)(f)(iv) and 4.10(C)(5)(e)(iv).*]

ADP Test *(Choose one of a. or b.)*

a. **[ ] Current Year Testing.**

b. **[X] Prior Year Testing.**

ACP Test *(Choose one of c., d., or e.)*

c. **[ ] Not applicable.** The Plan does not permit Matching Contributions or Employee Contributions and the Plan Administrator will not recharacterize Elective Deferrals as Employee Contributions for testing.

d. **[ ] Current Year Testing.**

e. **[X] Prior Year Testing.**

(2) **[ ] Safe Harbor Plan/No testing or ACP test only.** *(Choose one of a. or b.)*:

a. **[ ] No testing.** ADP test safe harbor applies and if applicable, ACP test safe harbor applies.

b. **[ ] ACP test only.** ADP test safe harbor applies, but Plan will perform ACP test as follows *(Choose one of (i) or (ii).)*:

(i) **[ ] Current Year Testing.**

(ii) **[ ] Prior Year Testing.**

(3) [ ] **Maybe notice (Election 30(b)).** See Section 3.05(I).

[*Note: The Employer may make elections under both the Traditional 401(k) Plan and Safe Harbor Plan elections, in order to accommodate a Plan that applies both testing elections (e.g., Safe Harbor Includible Employees group and tested Otherwise Excludible Employees* *group, or Safe Harbor Plan with tested after-tax Employee Contributions). In the absence of an election regarding ADP or ACP tested contributions, Current Year Testing applies.*]

(b) **[ ] HCE determination.** The Top-Paid Group election and the calendar year data election are not used unless elected below *(Choose one or both of (1) and (2) if applicable.)*:

(1) **[ ] Top-paid group election applies.**

(2) **[ ] Calendar year data election (fiscal year Plan only) applies.**

ARTICLE V VESTING
REQUIREMENTS

39. NORMAL RETIREMENT AGE **(5.01)**. A Participant attains Normal Retirement Age under the Plan on the following date *(Choose one of (a) or (b).)*:

(a) **[X] Specific age.** The date the Participant attains age 65 . [*Note: The age may not exceed age 65.*]

(b) **[ ] Age/participation.** The later of the date the Participant attains age ______ or the ______ anniversary of the first day of the Plan Year in which the Participant commenced participation in the Plan. [*Note: The age may not exceed age 65 and the anniversary may not exceed the 5th.*]

40. EARLY RETIREMENT AGE **(5.01)**. *(Choose one of (a) or (b).)*:

(a) **[X] Not applicable.** The Plan does not provide for an Early Retirement Age.

(b) **[ ] Early Retirement Age.** Early Retirement Age is the later of: (i) the date a Participant attains age _______; (ii) the date a Participant reaches his/her _____ anniversary of the first day of the Plan Year in which the Participant commenced participation in the Plan; or (iii) the date a Participant completes _____ Years of Service.

[*Note: The Employer should leave blank any of clauses (i), (ii), and (iii) which are not applicable.*]

"Years of Service" under this Election 40 means *(Choose one of (1) or (2) as applicable.)*:

(1) **[ ] Eligibility.** Years of Service for eligibility in Election 16.

(2) **[ ] Vesting.** Years of Service for vesting in Elections 43 and 44.

[*Note: Election of an Early Retirement Age does not affect the time at which a Participant may receive a Plan distribution. However, a Participant becomes 100% vested at Early Retirement Age.*]

41. ACCELERATION ON DEATH OR DISABILITY **(5.02)**. Under Section 5.02, if a Participant incurs a Severance from Employment as a result of death or Disability *(Choose one of (a), (b), or (c).)*:

(a) **[X] Applies.** Apply 100% vesting.

(b) **[ ] Not applicable.** Do not apply 100% vesting. The Participant's vesting is in accordance with the applicable Plan vesting schedule.

(c) **[ ] Limited application.** Apply 100% vesting, but only if a Participant incurs a Severance from Employment as a result of *(Choose one of (1) or (2).)*:

(1) **[ ] Death.**

(2) **[ ] Disability.**

42. VESTING SCHEDULE **(5.03)**. A Participant has a 100% Vested interest at all times in his/her Accounts attributable to: (i) Elective Deferrals; (ii) Employee Contributions; (iii) QNECs; (iv) QMACs; (v) Safe Harbor Contributions (other than QACA Safe Harbor Contributions); (vi) SIMPLE Contributions; (vii) Rollover Contributions; (viii) Prevailing Wage Contributions; (ix) DECs; and (x) Designated IRA Contributions. The following vesting schedule applies to Regular Matching Contributions, to Additional Matching Contributions (irrespective of ACP testing status), to Nonelective Contributions (other than Prevailing Wage Contributions) and to QACA Safe Harbor Contributions. *(Choose (a) or choose one or both of (b) and (c) as applicable.)*:

(a) **[ ] Immediate vesting.** 100% Vested at all times in all Accounts.

[*Note: Unless all Contribution Types are 100% Vested, the Employer should not elect 42(a). If the Employer elects immediate vesting under 42(a), the Employer should not complete the balance of Election 42 or Elections 43 and 44 (except as noted therein). The Employer must elect 42(a) if the eligibility Service condition under Election 14 as to all Contribution Types (except Elective Deferrals and Safe Harbor Contributions) exceeds one Year of Service or more than 12 months. The Employer must elect 42(b)(1) as to any Contribution Type where the eligibility service condition exceeds one Year of Service or more than 12 months. The Employer should elect 42(b) if any Contribution Type is subject to a vesting schedule.*]

(b) **[X] Vesting schedules:** Apply the following vesting schedules *(Choose one or more of (1) through (6). Choose Contribution Type as applicable.)*:

			(1) All Contributions		(2) Nonelective	(3) Regular Matching	(4) Additional Matching (See Section 3.05(F))	(5) QACA Safe Harbor
(1)	[ ]	**Immediate vesting.**	**N/A** (See Election 42(a))		[ ]	[ ]	[ ]	[ ]
(2)	[ ]	**6-year graded.**	[ ]	**OR**	[ ]	[ ]	[ ]	**N/A**
(3)	[X]	**3-year cliff.**	[X]	**OR**	[ ]	[ ]	[ ]	**N/A**
(4)	[ ]	**Modified schedule:**	[ ]	**OR**	[ ]	[ ]	[ ]	**N/A**
(5)	[ ]	**2-year cliff.**	[ ]	**OR**	[ ]	[ ]	[ ]	[ ]
(6)	[ ]	**Modified 2-year schedule:**	[ ]	**OR**	[ ]	[ ]	[ ]	[ ]

Modified schedule (4):

Years of Service	Vested %
Less than 1	a.
1	b.
2	c.
3	d.
4	e.
5	f.
6 or more	100%

Modified 2-year schedule (6):

Years of Service	Vested %
Less than 1	a. _____
1	b. _____
2	100%

[*Note: If the Employer does not elect 42(a), the Employer under 42(b) must elect immediate vesting or must elect one of the specified alternative vesting schedules. The Employer must elect either 42(b)(5) or (6) as to QACA Safe Harbor Contributions. The modified top-heavy schedule of Election 42(b)(4) must satisfy Code §411(a)(2)(B). If the Employer elects Additional Matching under Election 30(i), the Employer should elect vesting under the Additional Matching column in this Election 42(b). That election applies to the Additional Matching even if the Employer has given the maybe notice but does not give the supplemental notice for any Plan Year and as to such Plan Years, the Plan is not a safe harbor plan and the Matching Contributions are not Additional Matching Contributions. If the Plan's Effective Date is before January 1, 2007, the Employer may wish to complete the override elections in Appendix B relating to the application of non-top-heavy vesting.*]

(c) **[ ] Special vesting provisions:**

[*Note: The Employer under Election 42(c) may describe special vesting provisions from the elections available under Election 42 and/or a combination thereof as to a: (i) Participant group (e.g., Full vesting applies to Division A Employees OR to Employees hired on/before "x" date. 6-year graded vesting applies to Division B Employees OR to Employees hired after "x" date.); and/or (ii) Contribution Type (e.g., Full vesting applies as to Discretionary Nonelective Contributions. 6-year graded vesting applies to Fixed Nonelective Contributions). Any special vesting provision must satisfy Code §411(a) and must be nondiscriminatory.*]

43. <u>YEAR OF SERVICE - VESTING</u> **(5.05)**. *(Complete both (a) and (b).)*:

[*Note: If the Employer elects the Elapsed Time Method for vesting the Employer should not complete this Election 43. If the Employer elects immediate vesting, the Employer should not complete Election 43 or Election 44 unless it elects to apply a Year of Service for vesting under any other Adoption Agreement election.*]

(a) **Year of Service.** An Employee must complete at least <u>1,000</u> Hours of Service during a Vesting Computation Period to receive credit for a Year of Service under Article V. [*Note: The number may not exceed 1,000. If left blank, the requirement is 1,000.*]

(b) **Vesting Computation Period.** The Plan measures a Year of Service based on the following 12-consecutive month period *(Choose one of (1) or (2).)*:

(1) **[X] Plan Year.**

(2) **[ ] Anniversary Year.**

44. EXCLUDED YEARS OF SERVICE - VESTING **(5.05(C))**. *(Choose (a) or (b).)*:

(a) **[X]** **None.** None other than as specified in Section 5.05(C)(1).

(b) **[ ]** **Exclusions.** The Plan excludes the following Years of Service for purposes of vesting *(Choose one or more of (1) through (4).)*:

(1) **[ ]** **Age 18.** Any Year of Service before the Vesting Computation Period during which the Participant attained the age of 18.

(2) **[ ]** **Prior to Plan establishment.** Any Year of Service during the period the Employer did not maintain this Plan or a predecessor plan.

(3) **[ ]** **Rule of Parity.** Any Year of Service excluded under the rule of parity. See Plan Section 5.06(C).

(4) **[ ]** **Additional exclusions.** The following Years of Service: ____

[*Note: The Employer under Election 44(b)(4) may describe vesting service exclusions provisions available under Election 44 and/or a combination thereof as to a: (i) Participant group (e.g., No exclusions apply to Division A Employees OR to Employees hired on/before "x" date. The age 18 exclusion applies to Division B Employees OR to Employees hired after "x" date.); or (ii) Contribution Type (e.g., No exclusions apply as to Discretionary Nonelective Contributions. The age 18 exclusion applies to Fixed Nonelective Contributions). Any exclusion specified under Election 44(b)(4) must comply with Code §411(a)(4). Any exclusion must be nondiscriminatory.*]

ARTICLE VI
DISTRIBUTION OF ACCOUNT BALANCE

45. MANDATORY DISTRIBUTION **(6.01(A)(1)/6.08(D))**. The Plan provides or does not provide for Mandatory Distribution of a Participant's Vested Account Balance following Severance from Employment, as follows *(Choose one of (a) or (b). Choose (c) if applicable.)*:

(a) **[ ]** **No Mandatory Distribution.** The Plan will not make a Mandatory Distribution following Severance from Employment.

(b) **[X]** **Mandatory Distribution.** The Plan will make a Mandatory Distribution following Severance from Employment. *(Complete (1) and (2). Choose (3) unless the Employer elects to limit Mandatory Distributions to $1,000 including Rollover Contributions under Elections 45(b)(1)b. and 45(b)(2)b.)*:

(1) **Amount limit.** As to a Participant who incurs a Severance from Employment and who will receive distribution before attaining the later of age 62 or Normal Retirement Age, the Mandatory Distribution maximum amount is equal to *(Choose one of a., b., or c.)*:

a. **[X]** **$5,000.**

b. **[ ]** **$1,000.**

c. **[ ]** **Specify amount:** $_____ *(may not exceed $5,000).*

[*Note: This election only applies to the Mandatory Distribution maximum amount. For other Plan provisions subject to a $5,000 limit, see election 56(g)(7) in Appendix B.*]

(2) **Application of Rollovers to amount limit.** In determining whether a Participant's Vested Account Balance exceeds the Mandatory Distribution dollar limit in Election 45(b)(1), the Plan *(Choose one of a. or b.)*:

a. **[X]** **Disregards Rollover Contribution Account.**

b. **[ ]** **Includes Rollover Contribution Account.**

(3) **[X]** **Amount of Mandatory Distribution subject to Automatic Rollover.** A Mandatory Distribution to a Participant before attaining the later of age 62 or Normal Retirement Age is subject to Automatic Rollover under Section 6.08(D) *(Choose one of a. or b.)*:

a. **[X]** **Only if exceeds $1,000.** Only if the amount of the Mandatory Distribution exceeds $1,000, which for this purpose must include any Rollover Contributions Account.

b. **[ ]** **Specify lesser amount.** Only if the amount of the Mandatory Distribution is at least: $______ *(specify $1,000 or less)*, which for this purpose must include any Rollover Contributions Account.

(c) **[ ]** **Required distribution at Normal Retirement Age.** A severed Participant may not elect to delay distribution beyond the later of age 62 or Normal Retirement Age.

46. <u>SEVERANCE DISTRIBUTION TIMING</u> **(6.01)**. Subject to the timing limitations of Section 6.01(A)(1) in the case of a Mandatory Distribution, or in the case of any Distribution Requiring Consent under Section 6.01(A)(2), for which consent is received, the Plan Administrator will instruct the Trustee to distribute a Participant's Vested Account Balance as soon as is administratively practical following the time specified below *(Choose one or more of (a) through (i) as applicable; choose (j) if applicable.)*:

[*Note: If a Participant dies after Severance from Employment but before receiving distribution of all of his/her Account, the elections under this Election 46 no longer apply. See Section 6.01(B) and Election 50.*]

			(1) Mandatory Distribution	**(2) Distribution Requiring Consent**
(a)	**[X]**	**Immediate.** Immediately following Severance from Employment.	**[X]**	**[X]**
(b)	**[ ]**	**Next Valuation Date.** After the next Valuation Date following Severance from Employment.	**[ ]**	**[ ]**
(c)	**[ ]**	**Plan Year.** In the _____Plan Year following Severance from Employment *(e.g., next or fifth)*.	**[ ]**	**[ ]**
(d)	**[ ]**	**Plan Year quarter.** In the _____Plan Year quarter following Severance from Employment *(e.g., next or fifth)*.	**[ ]**	**[ ]**
(e)	**[ ]**	**Contribution Type Accounts.** ____________________*(specify timing)* as to the Participant's ____________________Account(s) and ____________________*(specify timing)* as to the Participant's ______________________Account(s) *(e.g., As soon as is practical following Severance from Employment as to the Participant's Elective Deferral Account and as soon as is practical in the next Plan Year following Severance from Employment as to the Participant's Nonelective and Matching Accounts)*.	**[ ]**	**[ ]**
(f)	**[ ]**	**Vesting controlled timing.** If the Participant's total Vested Account Balance exceeds $_____, distribute ____________________(specify timing) and if the Participant's total Vested Account Balance does not exceed $_____, distribute _________________(specify timing).	**[ ]**	**[ ]**
(g)	**[ ]**	**Distribute at Normal Retirement Age.** As to a Mandatory Distribution, distribute not later than 60 days after the beginning of the Plan Year following the Plan Year in which the previously severed Participant attains the earlier of Normal Retirement Age or age 65. [*Note: An election under column (2) only will have effect if the Plan's NRA is less than age 62.*]	**[ ]**	**[ ]**
(h)	**[ ]**	**No buy-back/vesting controlled timing.** Distribute as soon as is practical following Severance from Employment if the Participant is fully Vested. Distribute as soon as is practical following a Forfeiture Break in Service if the Participant is not fully Vested.	**[ ]**	**[ ]**

(i) **[ ]** **Describe Severance from Employment distribution timing:**

[*Note: The Employer under Election 46(i) may describe Severance from Employment distribution timing provisions from the elections available under Election 46 and/or a combination thereof as to any: (i) Participant group (e.g., Immediate distribution after Severance from Employment applies to Division A Employees OR to Employees hired on/before "x" date. Distribution after the next Valuation Date following Severance from Employment applies to Division B Employees OR to Employees hired after "x" date.); (ii) Contribution Type and Participant group (e.g., As to Division A Employees, immediate distribution after Severance from Employment applies as to Elective Deferral Accounts and distribution after the next Valuation Date following Severance from Employment applies to Nonelective Contribution Accounts); and/or (iii) merged plan account now held in the Plan (e.g., The accounts from the X plan merged into this Plan continue to be distributable in accordance with the X plan terms [supply terms] and not in accordance with the terms of this Plan). An Employer's election under Election 46(i) must: (i) be objectively determinable; (ii) not be subject to Employer discretion; (iii) comply with Code §401(a)(14) timing requirements; (iv) be nondiscriminatory and (v) preserve Protected Benefits as required.*]

(j) **[ ]** **Acceleration.** Notwithstanding any later specified distribution date in Election 46, a Participant may elect an earlier distribution following Severance from Employment *(Choose (1) and (2) as applicable.)*:

(1) **[ ]** **Disability.** If Severance from Employment is on account of Disability or if the Participant incurs a Disability following Severance from Employment.

(2) **[ ]** **Hardship.** If the Participant incurs a hardship under Section 6.07(B) following Severance from Employment.

47. <u>IN-SERVICE DISTRIBUTIONS/EVENTS</u> **(6.01(C))**. A Participant may elect an In-Service Distribution of the designated Contribution Type Accounts based on any of the following events in accordance with Section 6.01(C) *(Choose one of (a) or (b).)*:

[*Note: If the Employer elects any In-Service Distribution option, a Participant may elect to receive as many In-Service Distributions per Plan Year (with a minimum of one per Plan Year) as the Plan Administrator's In-Service Distribution form or policy may permit. If the form or policy is silent, the number of In-Service Distributions is not limited. Prevailing Wage Contributions are treated as Nonelective Contributions. See Section 6.01(C)(4)(d) if the Employer elects to use Prevailing Wage Contributions to offset other contributions.*]

(a) **[ ]** **None.** The Plan does not permit any In-Service Distributions except as to any of the following (if applicable): (i) RMDs under Section 6.02; (ii) Protected Benefits; and (iii) Designated IRA Contributions. Also see Section 6.01(C)(4)(e) with regard to Rollover Contributions, Employee Contributions and DECs.

(b) **[X]** **Permitted.** In-Service Distributions are permitted as follows from the designated Contribution Type Accounts *(Choose one or more of (1) through (9).)*:

[*Note: Unless the Employer elects otherwise in Election (b)(9) below, Elective Deferrals under Election 47(b) includes Pre-Tax and Roth Deferrals and Matching Contributions includes Additional Matching Contributions (irrespective of the Plan's ACP testing status).*]

			(1) All Contrib.	**(2) Elective Deferrals**	**(3) Safe Harbor Contrib.**	**(4) QNECs**	**(5) QMACs**	**(6) Matching Contrib.**	**(7) Nonelective/ SIMPLE**
(1)	**[ ]**	**None.** Except for Election 47(a) exceptions.	**N/A** (See Election 47(a))	**[ ]**	**[ ]**	**[ ]**	**[ ]**	**[ ]**	**[ ]**
(2)	**[X]**	**Age** *(Choose one or both of a. and b.)*:							
	a.	**[X]** **Age** <u>59 1/2</u> *(must be at least 59 1/2)*.	**[X] OR**	**[ ]**	**[ ]**	**[ ]**	**[ ]**	**[ ]**	**[ ]**
	b.	**[ ]** **Age _____***(may be less than 59 1/2)*.	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**[ ]**	**[ ]**
(3)	**[X]**	**Hardship** *(Choose one or both of a. and b.)*:							
	a.	**[X]** **Hardship (safe harbor).** See Section 6.07(A).	**N/A**	**[X]**	**N/A**	**N/A**	**N/A**	**[X]**	**[X]**
	b.	**[ ]** **Hardship (non-safe harbor).** See Section 6.07(B).	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**[ ]**	**[ ]**
(4)	**[X]**	**Disability.**	**[X] OR**	**[ ]**	**[ ]**	**[ ]**	**[ ]**	**[ ]**	**[ ]**
(5)	**[ ]**	**_____year contributions.** *(specify minimum of two years)* See Section 6.01(C)(4)(a)(i).	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**[ ]**	**[ ]**
(6)	**[ ]**	**_____months of participation.** *(specify minimum of 60 months)* See Section 6.01(C)(4)(a)(ii).	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**[ ]**	**[ ]**
(7)	**[ ]**	**Qualified Reservist Distribution.** See Section 6.01(C)(4)(b)(iii).	**N/A**	**[ ]**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
(8)	**[X]**	**Deemed Severance Distribution.** See Section 6.11.	**[X]**	**[ ]**	**[ ]**	**[ ]**	**[ ]**	**[ ]**	**[ ]**
(9)	**[ ]**	**Describe: ____________________**							

[*Note: The Employer under Election 47(b)(9) may describe In-Service Distribution provisions from the elections available under Election 47 and/or a combination thereof as to any: (i) Participant group (e.g., Division A Employee Accounts are distributable at age 59 1/2 OR Accounts of Employees hired on/before "x" date are distributable at age 59 1/2. No In-Service Distributions apply to Division B Employees*

OR to Employees hired after "x" date.); (ii) Contribution Type (e.g., Discretionary Nonelective Contribution Accounts are distributable on Disability. Fixed Nonelective Contribution Accounts are distributable on Disability or Hardship (non-safe harbor)); and/or (iii) merged plan account now held in the Plan (e.g., The accounts from the X plan merged into this Plan continue to be distributable in accordance with the X plan terms [supply terms] and not in accordance with the terms of this Plan). An Employer's election under Election 47(b)(9) must: (i) be objectively determinable; (ii) not be subject to Employer discretion; (iii) preserve Protected Benefits as required; (iv) be nondiscriminatory; and (v) not permit an "early" distribution of any Restricted 401(k) Accounts or Restricted Pension Accounts. See Sections 6.01(C)(4) and 11.02(C)(3).]

48. IN-SERVICE DISTRIBUTIONS/ADDITIONAL CONDITIONS **(6.01(C))**. The following additional conditions apply to In-Service Distributions under Election 47(b) *(Choose one of (a) or (b).)*:

(a) **[X]** **Additional conditions.** *(Choose one or more of (1) through (3) as applicable.)*:

(1) **[ ]** **100% vesting required.** A Participant may not receive an In-Service Distribution unless the Participant is 100% Vested in the distributing Account. This restriction applies to *(Choose one or more of a. or b.)*:

a. **[ ]** **Hardship distributions.** Distributions based on hardship.

b. **[ ]** **Other In-Service.** In-Service distributions other than distributions based on hardship.

(2) **[ ]** **Minimum amount.** A Participant may not receive an In-Service Distribution in an amount which is less than: $______ *(specify amount not exceeding $1,000)*.

(3) **[X]** **Describe other conditions:** A Participant may not receive an In-Service Distribution for any reason other than Deemed Severance Distribution unless the Participant is 100% Vested in the distributing Account.

[*Note: An Employer's election under Election 48(a)(3) must: (i) be objectively determinable; (ii) not be subject to Employer discretion; (iii) preserve Protected Benefits as required; (iv) be nondiscriminatory; and (v) not permit an "early" distribution of any Restricted 401(k) Accounts or Restricted Pension Accounts. See Section 6.01(C)(4).*]

(b) **[ ]** **No other conditions.** A Participant may elect to receive an In-Service Distribution upon any Election 47(b) event without further condition, provided that the amount distributed may not exceed the Vested amount in the distributing Account.

49. POST-SEVERANCE AND LIFETIME RMD DISTRIBUTION METHODS **(6.03)**. A Participant whose Vested Account Balance exceeds $5,000 (or any lesser amount elected in Appendix B, Election 56(g)(7)): (i) who has incurred a Severance from Employment and will receive a distribution; or (ii) who remains employed but who must receive lifetime RMDs, may elect distribution under one of the following method(s) of distribution described in Section 6.03 and subject to any Section 6.03 limitations. *(Choose one or more of (a) through (f) as applicable.)*:

[*Note: If a Participant dies after Severance from Employment but before receiving distribution of all of his/her Account, the elections under this Election 49 no longer apply. See Section 6.01(B) and Election 50.*]

(a) **[X]** **Lump-Sum.** See Section 6.03(A)(3).

(b) **[ ]** **Installments only if Participant subject to lifetime RMDs.** A Participant who is required to receive lifetime RMDs may receive installments payable in monthly, quarterly or annual installments equal to or exceeding the annual RMD amount. See Sections 6.02(A) and 6.03(A)(4)(a).

(c) **[X]** **Installments.** See Section 6.03(A)(4).

(d) **[ ]** **Alternative Annuity:** ____. See Section 6.03(A)(5).

[*Note: Under a Plan which is subject to the joint and survivor annuity distribution requirements of Section 6.04 (Election 51(b)), the Employer may elect under 49(d) to offer one or more additional annuities (Alternative Annuity) to the Plan's QJSA, QPSA or QOSA. If the Employer elects under Election 51(a) to exempt Exempt Participants from the joint and survivor annuity requirements, the Employer should not elect to provide an Alternative Annuity under 49(d).*]

(e) **[ ]** **Ad-Hoc distributions.** See Section 6.03(A)(6).

[*Note: If an Employer elects to permit Ad-Hoc distributions the option must be available to all Participants.*]

(f) **[X]** **Describe distribution method(s):** Ad-Hoc distributions in an amount not less than $1,000.

[*Note: The Employer under Election 49(f) may describe Severance from Employment distribution methods from the elections available under Election 49 and/or a combination thereof as to any: (i) Participant group (e.g., Division A Employee Accounts are distributable in a Lump-Sum OR Accounts of Employees hired after "x" date are distributable in a Lump-Sum. Division B Employee Accounts are distributable in a Lump-Sum or in Installments OR Accounts of Employees hired on/before "x" date are distributable in a Lump-Sum or in Installments.); (ii) Contribution Type (e.g., Discretionary Nonelective Contribution Accounts are distributable in a Lump-Sum. Fixed Nonelective Contribution Accounts are distributable in a Lump-Sum or in Installments); and/or (iii) merged plan account now held in the Plan (e.g., The accounts from the X plan merged into this Plan continue to be distributable in accordance with the X plan terms [supply terms] and not in accordance with the terms of this Plan). An Employer's election under Election 49(f) must: (i) be objectively* *determinable; (ii) not be subject to Employer, Plan Administrator or Trustee discretion; (iii) be nondiscriminatory; and (iv) preserve Protected Benefits as required.*]

50. <u>BENEFICIARY DISTRIBUTION ELECTIONS</u> **(6.01(B))**. Distributions following a Participant's death will be made as follows *(Choose one of (a), (b), or (c); choose (d) if applicable.)*:

(a) **[ ]** **Immediate.** As soon as practical following the Participant's death.

(b) **[ ]** **Next Calendar Year.** At such time as the Beneficiary may elect, but in any event on or before the last day of the calendar year which next follows the calendar year of the Participant's death.

(c) **[X]** **As Beneficiary elects.** At such time as the Beneficiary may elect, consistent with Section 6.02.

(d) **[ ]** **Describe:**

[*Note: The Employer under Election 50(d) may describe an alternative distribution timing or afford the Beneficiary an election which is narrower than that permitted under election 50(c), or include special provisions related to certain beneficiaries, (e.g., a surviving spouse). However, any election under Election 50(d) must require distribution to commence no later than the Section 6.02 required date.*]

51. <u>JOINT AND SURVIVOR ANNUITY REQUIREMENTS</u> **(6.04)**. The joint and survivor annuity distribution requirements of Section 6.04 *(Choose one of (a) or (b).)*:

(a) **[X]** **Profit sharing exception.** Do not apply to an Exempt Participant, as described in Section 6.04(G)(1), but apply to any other Participants (or to a portion of their Account as described in Section 6.04(G)) *(Complete (1).)*:

(1) **One-year marriage rule.** Under Section 7.05(A)(3) relating to an Exempt Participant's Beneficiary designation under the profit sharing exception *(Choose one of a. or b.)*:

a. **[ ]** **Applies.** The one-year marriage rule applies.

b. **[X]** **Does not apply.** The one-year marriage rule does not apply.

(b) **[ ]** **Joint and survivor annuity applicable.** Section 6.04 applies to all Participants *(Complete (1).)*:

(1) **One-year marriage rule.** Under Section 6.04(B) relating to the QPSA *(Choose one of a. or b.)*:

a. **[ ]** **Applies.** The one-year marriage rule applies.

b. **[ ]** **Does not apply.** The one-year marriage rule does not apply.

ARTICLE VII ADMINISTRATIVE PROVISIONS

52. <u>ALLOCATION OF EARNINGS</u> **(7.04(B))**. For each Contribution Type provided under the Plan, the Plan allocates Earnings using the following method *(Choose one or more of (a) through (f). Choose Contribution Type as applicable.)*:

[*Note: Elective Deferrals/Employee Contributions also includes Rollover Contributions, Transfers, DECs and Designated IRA Contributions, Matching Contributions includes all Matching Contributions and Nonelective Contributions includes all Nonelective Contributions, unless described otherwise in Election 52(f).*]

			(1) All Contributions		**(2) Elective Deferrals/ Employee Contributions**	**(3) Matching Contributions**	**(4) Nonelective Contributions**
(a)	**[X]**	**Daily.** See Section 7.04(B)(4)(a).	**[X]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(b)	**[ ]**	**Balance forward.** See Section 7.04(B)(4)(b).	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(c)	**[ ]**	**Balance forward with adjustment.** See Section 7.04(B)(4)(c). Allocate pursuant to the balance forward method, except treat as part of the relevant Account at the beginning of the Valuation Period ____________% of the contributions made during the following Valuation Period: ___________________.	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(d)	**[ ]**	**Weighted average.** See Section 7.04(B)(4)(d). If not a monthly weighting period, the weighting period is: _________________________.	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**

(e)	**[ ]**	**Participant-Directed Account method.** See Section 7.04(B)(4)(e).	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**

(f) **[ ]** **Describe Earnings allocation method:**

[*Note: The Employer under Election 52(f) may describe Earnings allocation methods from the elections available under Election 52 and/or a combination thereof as to any: (i) Participant group (e.g., Daily applies to Division A Employees OR to Employees hired after "x" date. Balance forward applies to Division B Employees OR to Employees hired on/before "x" date.); (ii) Contribution Type (e.g., Daily applies as to Discretionary Nonelective Contribution Accounts. Participant-Directed Account applies to Fixed Nonelective Contribution Accounts); (iii) investment type, investment vendor or Account type (e.g., Balance forward applies to investments placed with vendor A and Participant-Directed Account applies to investments placed with vendor B OR Daily applies to Participant-Directed Accounts and balance forward applies to pooled Accounts); and/or (iv) merged plan account now held in the Plan (e.g., The accounts from the X plan merged into this Plan continue to be subject to Earnings allocation in accordance with the X plan terms [supply terms] and not in accordance with the terms of this Plan). An Employer's election under Election 52(f) must: (i) be objectively determinable; (ii) not be subject to Employer discretion; and (iii) be nondiscriminatory.*]

ARTICLE VIII
TRUSTEE AND CUSTODIAN, POWERS AND DUTIES

53. VALUATION OF TRUST **(8.02(C)(4))**. In addition to the last day of the Plan Year, the Trustee (or Named Fiduciary as applicable) must value the Trust Fund on the following Valuation Date(s) *(Choose one or more of (a) through (d). Choose Contribution Type as applicable.)*:

[*Note: Elective Deferrals/Employee Contributions also include Rollover Contributions, Transfers, DECs and Designated IRA Contributions, Matching Contributions includes all Matching Contributions and Nonelective Contributions includes all Nonelective Contributions, unless described otherwise in Election 53(d).*]

			(1) All Contributions		**(2) Elective Deferrals/ Employee Contributions**	**(3) Matching Contributions**	**(4) Nonelective Contributions**
(a)	**[ ]**	**No additional Valuation Dates.**	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(b)	**[X]**	**Daily Valuation Dates.** Each business day of the Plan Year on which Plan assets for which there is an established market are valued and the Trustee is conducting business.	**[X]**	**OR**	**[ ]**	**[ ]**	**[ ]**
(c)	**[ ]**	**Last day of a specified period.** The last day of each _____of the Plan Year.	**[ ]**	**OR**	**[ ]**	**[ ]**	**[ ]**

(d) **[ ]** **Specified Valuation Dates:**

[*Note: The Employer under Election 53(d) may describe Valuation Dates from the elections available under Election 53 and/or a combination thereof as to any: (i) Participant group (e.g., No additional Valuation Dates apply to Division A Employees OR to Employees hired after "x" date. Daily Valuation Dates apply to Division B Employees OR to Employees hired on/before "x" date.); (ii) Contribution Type (e.g., No additional Valuation Dates apply as to Discretionary Nonelective Contribution Accounts. The last day of each Plan Year quarter applies to Fixed Nonelective Contribution Accounts); (iii) investment type, investment vendor or Account type (e.g., No additional Valuation Dates apply to investments placed with vendor A and Daily Valuation Dates apply to investments placed with vendor B OR Daily Valuation Dates apply to Participant-Directed Accounts and no additional Valuation Dates apply to pooled Accounts); and/or (iv) merged plan account now held in the Plan (e.g., The accounts from the X plan merged into this Plan continue to be subject to Trust valuation in accordance with the X plan terms [supply terms] and not in accordance with the terms of this Plan). An Employer's election under Election 53(d) must: (i) be objectively determinable; (ii) not be subject to Employer discretion; and (iii) be nondiscriminatory.*]

ARTICLE XII MULTIPLE EMPLOYER PLAN

54. MULTIPLE EMPLOYER PLAN **(12.01/12.02/12.03)**. The Employer makes the following elections regarding the Plan's Multiple Employer Plan status and the application of Article XII *(Choose one of (a) or (b).)*:

(a) **[X]** **Not applicable.** The Plan is not a Multiple Employer Plan and Article XII does not apply.

(b) **[ ]** **Applies.** The Plan is a Multiple Employer Plan and the Article XII Effective Date is: ______________________. The Employer makes the following additional elections *(Choose (1) if applicable.)*:

(1) **[ ]** **Participating Employer may modify.** See Section 12.03. A Participating Employer in the Participation Agreement may modify Adoption Agreement elections applicable to each Participating Employer (including electing to not apply Adoption Agreement elections) as follows *(Choose one of a. or b. Choose c. if applicable.)*:

a. **[ ]** **All.** May modify all elections.

b. **[ ]** **Specified elections.** May modify the following elections: ____________________*(specify by election number).*

c. **[ ]** **Restrictions.** May modify subject to the following additional restrictions: _________________________________ *(Specify restrictions. Any restrictions must be definitely determinable and may not violate Code §412 or the regulations thereunder.).*

[*Note: If Election (b)(1) above is not chosen, Participating Employers may not modify any Adoption Agreement elections. The Participation Agreement must be consistent with this Election 54(b)(1). Any Participating Employer election in the Participation Agreement which is not permitted under this Election 54(b)(1) is of no force or effect and the applicable election in the Adoption Agreement applies.*]

EXECUTION PAGE

The Employer, by executing this Adoption Agreement, hereby agrees to the provisions of this Plan and Trust.

Employer: Data I/O Corporation

Date: ______________________________

Signed: ______________________________

____
[*print name/title*]

The Trustee (and Custodian, if applicable), by executing this Adoption Agreement, hereby accepts its position and agrees to all of the obligations, responsibilities and duties imposed upon the Trustee (or Custodian) under the Prototype Plan and Trust. If the Employer under Elections 5(c) or 5(e) will use a separate Trust, the Trustee need not execute this Adoption Agreement.

Nondiscretionary Trustee(s): Great-West Trust Company, LLC

Date: ______________________________

Signed: ______________________________

____
[*print name/title*]

Nondiscretionary Trustee(s): ______________________________

Date: ______________________________

Signed: ______________________________

____
[*print name/title*]

Custodian(s) *(Optional)*: ______________________________

Date: ______________________________

Signed: ______________________________

____
[*print name/title*]

Use of Adoption Agreement. Failure to complete properly the elections in this Adoption Agreement may result in disqualification of the Employer's Plan. The Employer only may use this Adoption Agreement only in conjunction with the basic plan document referenced by its document number on Adoption Agreement page one.

Execution for Page Substitution Amendment Only. If this paragraph is completed, this Execution Page documents an amendment to Adoption Agreement Election(s) ______ effective ____________________, by substitute Adoption Agreement page number(s) ______. The Employer should retain all Adoption Agreement Execution Pages and amended pages. [*Note: The Effective Date may be retroactive or may be prospective*.]

Prototype Plan Sponsor. The Prototype Plan Sponsor identified on the first page of the basic plan document will notify all adopting Employers of any amendment to this Prototype Plan or of any abandonment or discontinuance by the Prototype Plan Sponsor of its maintenance of this Prototype Plan. For inquiries regarding the adoption of the Prototype Plan, the Prototype Plan Sponsor's intended meaning of any Plan provisions or the effect of the Opinion Letter issued to the Prototype Plan Sponsor, please contact the Prototype Plan Sponsor at the following address and telephone number: 8515 East Orchard Road, Greenwood Village, Colorado 80111, (877) 694-4015.

Reliance on Sponsor Opinion Letter. The Prototype Plan Sponsor has obtained from the IRS an Opinion Letter specifying the form of this Adoption Agreement and the basic plan document satisfy, as of the date of the Opinion Letter, Code §401. An adopting Employer may rely on the Prototype Sponsor's IRS Opinion Letter *only* to the extent provided in Rev. Proc. 2011-49. The Employer may not rely on the Opinion Letter in certain other circumstances or with respect to certain qualification requirements, which are specified in the Opinion Letter and in Rev. Proc. 2011-49 or subsequent guidance. In order to have reliance in such circumstances or with respect to such qualification requirements, the Employer must apply for a determination letter to Employee Plans Determinations of the IRS.

APPENDIX A
SPECIAL RETROACTIVE OR PROSPECTIVE EFFECTIVE DATES

55. SPECIAL EFFECTIVE DATES **(1.20)**. The Employer elects or does not elect Appendix A special Effective Date(s) as follows. *(Choose (a) or one or more of (b) through (s) as applicable.)*:

[*Note: If the Employer elects 55(a), do not complete the balance of this Election 55.*]

(a) **[X]** **Not applicable.** The Employer does not elect any Appendix A special Effective Dates.

[*Note: The Employer may use this Appendix A to specify an Effective Date for one or more Adoption Agreement elections which does not correspond to the Plan's new Plan or Restated Plan Effective Date under Election 4. As to Restated Plans, for periods prior to: (i) the below-specified special Effective Date(s); or (ii) the Restated Plan's general Effective Date under Election 4, as applicable, the Plan terms in effect prior to its restatement under this Adoption Agreement control for purposes of the designated provisions.*]

(b) **[ ]** **Trustee (1.67).** The Trustee provisions under Election 5 or Appendix C are effective: ____________________.

(c) **[ ]** **Contribution Types (1.12).** The Contribution Types under Election(s) 6 _____are effective: ____________________.

(d) **[ ]** **Excluded Employees (1.22(D)).** The Excluded Employee provisions under Election(s) 8 _____are effective: ____________________.

(e) **[ ]** **Compensation (1.11).** The Compensation definition under Election(s) _____ *(specify 9-11 as applicable)* are effective: ____________________.

(f) **[ ]** **Hour of Service/Elective Service Crediting (1.32/1.59(C)).** The Hour of Service and/or elective Service crediting provisions under Election(s) _____*(specify 12-13 as applicable)* are effective: ____________________.

(g) **[ ]** **Eligibility (2.01-2.03).** The eligibility provisions under Election(s) _____ *(specify 14-19 as applicable)* are effective: ____________________.

(h) **[ ]** **Elective Deferrals (3.02(A)-(D)).** The Elective Deferral provisions under Election(s) ______*(specify 20-23 as applicable)* are effective: ____________________.

(i) **[ ]** **Matching Contributions (3.03).** The Matching Contribution provisions under Election(s) _____ *(specify 24-26 as applicable)* are effective: ____________________.

(j) **[ ]** **Nonelective Contributions (3.04).** The Nonelective Contribution provisions under Election(s) _______ *(specify 27-29 as applicable)* are effective: ____________________.

(k) **[ ]** **401(k) safe harbor (3.05).** The 401(k) safe harbor provisions under Election(s) 30 _____ are effective: ____________________.

(l) **[ ]** **Allocation conditions (3.06).** The allocation conditions under Election(s) _____ *(specify 31-32 as applicable)* are effective: ____________________.

(m) **[ ]** **Forfeitures (3.07).** The forfeiture allocation provisions under Election(s) 33 _____ are effective: ____________________.

(n) **[ ]** **Employee Contributions (3.09).** The Employee Contribution provisions under Election(s) 36 _____ are effective: ____________________.

(o) **[ ]** **Testing elections (4.06(B)).** The testing elections under Election(s) 38 _____are effective: ____________________.

(p) **[ ]** **Vesting (5.03).** The vesting provisions under Election(s) _____*(specify 39-44 as applicable)* are effective: ____________________.

(q) **[ ]** **Distributions (6.01, 6.03 and 6.04).** The distribution elections under Election(s) _______ *(specify 45-51 as applicable)* are effective: ____________________.

(r) **[ ]** **Earnings/Trust valuation (7.04(B)/8.02(C)(4)).** The Earnings allocation and Trust valuation provisions under Election(s) *(specify 52-53 as applicable)* are effective: ____________________.

(s) **[ ]** **Special Effective Date(s) for other elections** *(specify elections and dates)*: ____.

APPENDIX B
BASIC PLAN DOCUMENT OVERRIDE ELECTIONS

56. BASIC PLAN OVERRIDES. The Employer elects or does not elect to override various basic plan provisions as follows *(Choose (a) or choose one or more of (b) through (l) as applicable.)*:

[*Note: If the Employer elects 56(a), do not complete the balance of this Election 56.*]

(a) **[ ] Not applicable.** The Employer does not elect to override any basic plan provisions.

[*Note: The Employer at the time of restating its Plan with this Adoption Agreement may make an election on Appendix A (Election 55(s)) to specify a special Effective Date for any override provision the Employer elects in this Election 56. If the Employer, after it has executed this Adoption Agreement, later amends its Plan to change any election on this Appendix B, the Employer should document the Effective Date of the Appendix B amendment on the Execution Page or otherwise in the amendment.*]

(b) **[ ] Definition (Article I) overrides.** *(Choose one or more of (1) through (8) as applicable.)*:

(1) **[ ] W-2 Compensation exclusion of paid/reimbursed moving expenses (1.11(B)(1)).** W-2 Compensation excludes amounts paid or reimbursed by the Employer for moving expenses incurred by an Employee, but only to the extent that, at the time of payment, it is reasonable to believe that the Employee may deduct these amounts under Code §217.

(2) **[ ] Alternative (general) 415 Compensation (1.11(B)(4)).** The Employer elects to apply the alternative (general) 415 definition of Compensation in lieu of simplified 415 Compensation.

(3) **[ ] Inclusion of Deemed 125 Compensation (1.11(C)).** Compensation under Section 1.11 includes Deemed 125 Compensation.

(4) **[ ] Pre-Regulatory inclusion of Post-Severance Compensation (1.11(I) and 4.05(F)).** Prior to the first Limitation Year beginning on or after July 1, 2007 (the Effective Date of the final 415 regulations), the Plan includes Post-Severance Compensation within the meaning of Prop. Treas. Reg. §1.415(c)-2(e) as described in Sections 1.11(I) and 4.05(F) as follows *(Choose one or both of a. and b.)*:

a. **[ ] Include for 415 testing.** Include for 415 testing and for other testing which uses 415 Compensation. This provision applies effective as of ____________________ *(specify a date which is no earlier than January 1, 2005).*

b. **[ ] Include for allocations.** Include for allocations as follows *(specify affected Contribution Type(s) and any adjustments to Post-Severance Compensation used for allocation)*: ____. This provision applies effective as of ______________________ *(specify a date which is no earlier than January 1, 2002).*

(5) **[ ] Inclusion of Deemed Disability Compensation (1.11(K)).** Include Deemed Disability Compensation. *(Choose one of a. or b.)*:

a. **[ ] NHCEs only.** Apply only to disabled NHCEs.

b. **[ ] All Participants.** Apply to all disabled Participants. The Employer will make Employer Contributions for such disabled Participants for: ____ *(specify a fixed or determinable period).*

(6) **[ ] Treatment of Differential Wage Payments (1.11(L)).** In lieu of the provisions of Section 1.11(L), the Employer elects the following *(Choose one or more of a., b., c., and d. as applicable.)*:

a. **[ ] Effective date.** The inclusion is effective for Plan Years beginning after ________________________ *(may not be earlier than December 31, 2008).*

b. **[ ] Elective Deferrals only.** The inclusion only applies to Compensation for purposes of Elective Deferrals.

c. **[ ] Not included.** The inclusion does not apply to Compensation for purposes of any Contribution Type.

d. **[ ] Other:** ____ *(specify other Contribution Type Compensation which includes Differential Wage Payments)*

(7) **[ ] Leased Employees (1.22(B)).** *(Choose one or both of a. and b. if applicable.)*:

a. **[ ] Inclusion of Leased Employees (1.22(B)).** The Employer for purposes of the following Contribution Types, does not exclude Leased Employees: ____ *(specify Contribution Types).*

b. **[ ] Offset if contributions to leasing organization plan (1.22(B)(2)).** The Employer will reduce allocations to this Plan for any Leased Employee to the extent that the leasing organization contributes to or provides benefits under a leasing organization plan to or for the Leased Employee and which are attributable to the Leased Employee's services for the Employer. The amount of the offset is as follows:

[*Note: The election of an offset under this Election 56(b)(7)b. may require that the Employer aggregate its plan with the leasing organization's plan for coverage and nondiscrimination testing.*]

(8) **[ ] Inclusion of Reclassified Employees (1.22(D)(3)).** The Employer for purposes of the following Contribution Types, does not exclude Reclassified Employees (or the following categories of Reclassified Employees): ______________________ *(specify Contribution Types and/or categories of Reclassified Employees)*.

(c) **[ ] Rule of parity - participation (Article II) override (2.03(D)).** For purposes of Plan participation, the Plan applies the "rule of parity" under Code §410(a)(5)(D).

(d) **[X] Contribution/allocation (Article III) overrides.** *(Choose one or more of (1) through (9) as applicable.)*:

(1) **[X] Roth overrides.** *(Choose one or more of a., b., c., or d. as applicable.)*:

a. **[ ] Treatment of Automatic Deferrals as Roth Deferrals (3.02(B)).** The Employer elects to treat Automatic Deferrals as Roth Deferrals in lieu of treating Automatic Deferrals as Pre-Tax Deferrals.

b. **[ ] In-Plan Roth Rollovers limited to In-Service only (3.08(E)(2)(a)).** Only Participants who are Employees may elect to make an In-Plan Roth Rollover Contribution.

c. **[X] Vested In-Plan Roth Rollovers (3.08(E)(2)(b)).** Distributions related to In-Plan Roth Rollovers may only be made from accounts which are fully Vested.

d. **[ ] Source of In-Plan Roth Rollover Contribution (3.08(E)(3)(b)).** The Plan permits an In-Plan Roth Rollover only from the following qualifying sources *(Choose one or more.)*:

(i) **[ ]** Elective Deferrals

(ii) **[ ]** Matching Contributions (including any Safe Harbor Matching Contributions and Additional Matching Contributions)

(iii) **[ ]** Nonelective Contributions

(iv) **[ ]** QNECs (including any Safe Harbor Nonelective Contributions)

(v) **[ ]** Rollovers

(vi) **[ ]** Transfers

(vii) **[ ]** Other: ____
(specify account(s) and conditions in a manner that is definitely determinable and not subject to Employer discretion)

(2) **[ ] No offset of Safe Harbor Contributions to other allocations (3.05(E)(12)).** Any Safe Harbor Nonelective Contributions allocated to a Participant's account will *not* be applied toward (offset) any allocation to the Participant of a non-Safe Harbor Nonelective Contribution.

(3) **[ ] Short Plan Year or allocation period (3.06(B)(1)(c)).** The Plan Administrator *(Choose one of a. or b.)*:

a. **[ ] No pro-ration.** Will *not* pro-rate Hours of Service in any short allocation period.

b. **[ ] Pro-ration based on months.** Will pro-rate any Hour of Service requirement based on the number of months in the short allocation period.

(4) **[ ] Limited waiver of allocation conditions for rehired Participants (3.06(G)).** The allocation conditions the Employer has elected in the Adoption Agreement do not apply to rehired Participants in the Plan Year they resume participation, as described in Section 3.06(G).

(5) **[ ] Associated Match forfeiture timing (3.07(A)(1)(c)).** Forfeiture of associated matching contributions occurs in the Testing Year.

(6) **[ ] Safe Harbor top-heavy exempt fail-safe (3.07(A)(4)).** In lieu of ordering forfeitures as (a), (b), and (c) under Section 3.07(A)(4), the Employer establishes the following forfeiture ordering rules *(Specify the ordering rules, for example, (b), (c), and (a).)*: ____________________.

(7) **[ ] HEART Act continued benefit accrual (3.11(K)).** The Employer elects to apply the benefit accrual provisions of Section 3.11(K). The provisions are effective as of *(Choose one of a. or b.; and choose c. if the provisions no longer are effective.)*:

a. **[ ] 2007 Effective Date.** The first day of the 2007 Plan Year.

b. **[ ] Other Effective Date.** ____________________*(may not be earlier than the first day of the 2007 Plan Year)*.

c. **[ ] No longer effective.** The provisions no longer apply effective as of ____________________.

(8) **[ ] Classifications allocation formula (3.04(B)(3)).** If a Participant shifts from one classification to another during a Plan Year, the Plan Administrator will apportion the Participant's allocation during that Plan Year *(Choose one of a., b., or c.)*:

a. **[ ] Months in each classification.** Pro rata based on the number of months the Participant spent in each classification.

b. **[ ] Days in each classification.** Pro rata based on the number of days the Participant spent in each classification.

c. **[ ] One classification only.** The Employer in a nondiscriminatory manner will direct the Plan Administrator to place the Participant in only one classification for the entire Plan Year during which the shift occurs.

(9) **[ ] Suspension (3.06(F)(3)).** The Plan Administrator in applying Section 3.06(F) will *(Choose one or more of a., b., and c. as applicable.)*:

a. **[ ] Re-order tiers.** Apply the suspension tiers in Section 3.06(F)(2) in the following order: _____________________ *(specify order)*.

b. **[ ] Hours of Service tie-breaker.** Apply the greatest Hours of Service as the tie-breaker within a suspension tier in lieu of applying the lowest Compensation.

c. **[ ] Additional/other tiers.** Apply the following additional or other tiers: _____________________*(specify suspension tiers and ordering)*.

(e) **[ ] Testing (Article IV) overrides.** *(Choose one or both of (1) and (2) as applicable.)*:

(1) **[ ] First few weeks rule for Code §415 testing Compensation (4.05(F)(1)).** The Plan applies the first few weeks rule in Section 4.05(F)(1).

(2) **[ ] Post-Severance Compensation for Code §415 testing Compensation (4.05(F)).** The Employer elects the following adjustments to Post-Severance Compensation for purposes of determining 415 testing Compensation *(Choose one or more of a. through d.)*:

[*Note: Under the basic plan document, if the Employer does not elect any adjustments, post-severance compensation includes leave cashouts and deferred compensation, and excludes military and disability continuation payments.*]

a. **[ ] Exclude leave cash-outs.** See Section 1.11(I)(1)(b).

b. **[ ] Exclude deferred compensation.** See Section 1.11(I)(1)(c).

c. **[ ] Include salary continuation for military service.** See Section 1.11(I)(2).

d. **[ ] Include salary continuation for disabled Participants.** See Section 1.11(I)(3). *(Choose one of (i) or (ii).)*:

(i) **[ ] For Nonhighly Compensated Employees only.**

(ii) **[ ] For all Participants.** In which case the salary continuation will continue for the following fixed or determinable period: ____.

(f) **[ ] Vesting (Article V) overrides.** *(Choose one or more of (1) through (6) as applicable.)*:

(1) **[ ] Application of non-top-heavy vesting and top-heavy vesting (5.03(A)(2)).** The Employer makes the following elections regarding the application of non-top-heavy vesting and top-heavy vesting *(Choose a., b., and c. as applicable.)*:

a. **[ ] Election of non-top-heavy vesting.** As to Plan Years where permitted and in such Plan Years when the Plan is not top-heavy, the following vesting schedule(s) apply. See Section 5.03(B). *(Choose one or more of (i), (ii), or (iii) as applicable and complete (iv) and (v).)*:

(i) **[ ] 5-year cliff.**

(ii) **[ ] 7-year graded.**

(iii) **[ ] Modified non-top-heavy.** A modified non-top-heavy schedule as follows: ___________________________

[*Note: A modified non-top-heavy schedule must satisfy Code §411(a)(2).*]

(iv) **Application to Contribution Types.** Apply the elected non-top-heavy vesting schedule *(Choose one of A. or B.)*:

A. **[ ] All.** To all Contribution Types subject to vesting (other than QACA Safe Harbor Contributions).

B. **[ ] Describe application to affected Contribution Type(s): ____________________________________**

(v) **Application of top-heavy and non-top-heavy schedules.** *(Choose one of A. or B.)*:

A. **[ ] Apply top-heavy schedule in all Plan Years once top-heavy.**

B. **[ ] Apply top-heavy schedule only in top-heavy Plan Years.**

b. **[ ] Election to eliminate HOS requirement post-EGTRRA or post-PPA for top-heavy vesting.** The top-heavy vesting schedule(s) apply *(Choose one or both of (i) and (ii).)*:

(i) **[ ] No post-EGTRRA HOS requirement for Matching.** To all Participants even if they do not have one Hour of Service in a Plan Year beginning after December 31, 2001.

(ii) [ ] **No post-PPA HOS requirement for affected other Employer Contributions.** To all Participants even if they do not have one Hour of Service in a Plan Year beginning after December 31, 2006.

c. [ ] **Election to apply top-heavy vesting only as to post-EGTRRA or post-PPA contributions.** The top-heavy vesting schedule(s) apply *(Choose one or both of (i) and (ii).)*:

(i) [ ] **Post-EGTRRA Matching Contributions.** Only to Regular Matching Contributions and Additional Matching Contributions made in Plan Years beginning after December 31, 2001 and to the associated Earnings.

(ii) [ ] **Post-PPA other Employer Contributions.** Only to non-Matching Contributions made in Plan Years beginning after December 31, 2006, and to the associated Earnings.

(2) [ ] **Alternative "grossed-up" vesting formula (5.03(C)(2)).** The Employer elects the alternative vesting formula described in Section 5.03(C)(2).

(3) [ ] **Source of Cash-Out forfeiture restoration (5.04(B)(5)).** To restore a Participant's Account Balance as described in Section 5.04(B)(5), the Plan Administrator, to the extent necessary, will allocate from the following source(s) and in the following order *(Specify, in order, one or more of the following: Forfeitures, Earnings, and/or Employer Contribution)*: ______________________________.

(4) [ ] **Deemed Cash-Out of 0% Vested Participant (5.04(C)).** The deemed cash-out rule of Section 5.04(C) does not apply to the Plan.

(5) [ ] **Accounting for Cash-Out repayment; Contribution Type (5.04(D)(2)).** In lieu of the accounting described in Section 5.04(D)(2), the Plan Administrator will account for a Participant's Account Balance attributable to a Cash-Out repayment *(Choose one of a. or b.)*:

a. [ ] **Nonelective rule.** Under the nonelective rule.

b. [ ] **Rollover rule.** Under the rollover rule.

(6) [ ] **One-year hold-out rule - vesting (5.06(D)).** The one-year hold-out Break in Service rule under Code §411(a)(6)(B) applies.

(g) **[X]** **Distribution (Article VI) overrides.** *(Choose one or more of (1) through (9) as applicable.)*:

(1) [ ] **Restriction on In-Service Rollover Distributions (6.01(C)).** A Participant shall be entitled to receive a distribution of Rollover Contributions, Employee Contributions and DECs *(Choose one or more of a. through d. as applicable.)*:

a. [ ] **Deferrals.** Under the same provisions which apply to Elective Deferrals.

b. [ ] **Match.** Under the same provisions which apply to Matching Contributions.

c. [ ] **Nonelective.** Under the same provisions which apply to Nonelective Contributions.

d. [ ] **Other:** ______________________________

[Note*: The Employer under Election 56(g)(1)d. may describe In-Service Rollover Distribution restrictions using the options available for In-Service Distributions under Election 47 and/or a combination thereof as to all Participants or as to any: (i) Participant group (e.g., Division A Rollover Accounts are distributable at age 59 1/2 OR Rollover Accounts of Employees hired on/before "x" date are distributable at age 59 1/2. No In-Service Rollover Distributions apply to Division B Employees OR to Employees hired after "x" date). An Employer's election under Election 56(g)(1)d. must: (i) be objectively determinable; (ii) not be subject to Employer discretion; (iii) preserve Protected Benefits as required; (iv) be nondiscriminatory; and (v) not permit an "early" distribution of any Restricted 401(k) Accounts or Restricted Pension Accounts. See Sections 6.01(C)(4) and 11.02(C)(3).*]

(2) **[X]** **Elections related to In-Plan Roth Rollovers (6.01(C)(7)).** *(Choose one or more of a. through c. as applicable.)*:

a. [ ] **In-Service Roth Rollover events.** The Employer elects to permit In-Service Distributions under the following conditions solely for purposes of making an In-Plan Roth Rollover Contribution *(Choose one or more of (i) through (iv); select (v) if applicable.)*:

(i) [ ] **Age.** The Participant has attained age _____.

(ii) [ ] **Participation.** The Participant has ______months of participation *(specify minimum of 60 months)*. Section 6.01(C)(4)(a)(ii).

(iii) [ ] **Seasoning.** The amounts being distributed have accumulated in the Plan for at least _____years *(at least 2)*. See Section 6.01(C)(4)(a)(i).

(iv) [ ] **Other** (describe): ______________________________
(must be definitely determinable and not subject to Employer discretion (e.g., age 50, but only with respect to Nonelective Contributions, and not Matching Contributions))

[*Note: Regardless of any election above to the contrary, In-Plan Roth Rollover Contributions are not permitted from a Participant's Elective Deferral Account, Qualified Matching Contribution Account, Qualified Nonelective Contribution Account and accounts attributable to Safe Harbor Contributions prior to age 59 1/2.*]

(v) **[ ] Distribution for withholding.** A Participant may elect to have a portion of the amount that may be distributed as an In-Plan Roth Rollover Contribution distributed solely for purposes of federal or state income tax withholding related to the In-Plan Roth Rollover Contribution.

b. **[ ] Minimum amount.** The minimum amount that may be rolled over is _____*(may not exceed $1,000)*.

c. **[X] No transfer of loans.** Loans may not be distributed as part of an In-Plan Roth Rollover Contribution. (if not selected, any loans may be transferred)

(3) **[ ] Elections related to Required Minimum Distributions.** *(Choose one or more of a. through c. as applicable.)*:

a. **[ ] RMD overrides if Participant dies before DCD (6.02(B)(1)(e)).** If the Participant dies before the DCD and the Beneficiary is a designated Beneficiary, the RMD distribution rules are modified as follows *(Choose one of (i) through (iv).)*:

(i) **[ ] Election of 5-year rule.** If a Designated Beneficiary does not make a timely election, the 5-year rule applies in lieu of the Life Expectancy rule.

(ii) **[ ] Life Expectancy rule.** The Life Expectancy rule applies to the Designated Beneficiary. See Section 6.02(B)(1)(d).

(iii) **[ ] 5-year rule.** The 5-year rule applies to the Beneficiary. See Section 6.02(B)(1)(c).

(iv) **[ ] Other:** ____
(Describe, e.g., the 5-year rule applies to all Beneficiaries other than a surviving spouse Beneficiary.)

b. **[ ] RBD definition (6.02(E)(7)(c)).** In lieu of the RBD definition in Section 6.02(E)(7)(a) and (b), the Plan Administrator *(Choose one of (i) or (ii).)*:

(i) **[ ] SBJPA definition indefinitely.** Indefinitely will apply the pre-SBJPA RBD definition.

(ii) **[ ] SBJPA definition to specified date.** Will apply the pre-SBJPA definition until ____________________*(the stated date may not be earlier than January 1, 1997)*, and thereafter will apply the RBD definition in Sections 6.02(E)(7)(a) and (b).

c. **[ ] 2009 RMD waiver elections (6.02(F)).** In lieu of the 2009 RMDs suspension (subject to a Participant or Beneficiary election to continue), as provided in Section 6.02(F) *(Choose one of (i) through (iii) if applicable. Choose (iv) or (v) if applicable.)*:

(i) **[ ] RMDs continued unless election.** 2009 RMDs are continued as provided in Section 6.02(F)(2), unless a Participant or Beneficiary otherwise elects.

(ii) **[ ] RMDs continued - no election.** 2009 RMDs are continued as provided in Section 6.02(F)(3), without regard to a waiver. No election is available to Participants or Beneficiaries.

(iii) **[ ] Other:** ____
(Describe, e.g., the Plan suspended 2009 RMDs and did not offer an election or the Plan changed from one treatment of 2009 RMDs to another treatment during 2009.)

Treatment as Eligible Rollover Distribution. For purposes of 2009 RMDs, the Plan also will treat the following distributions as Eligible Rollover Distributions *(Choose (iv) or (v), if applicable. If the Employer elects neither (iv) nor (v), then a direct rollover for 2009 will be offered only for distributions that would be Eligible Rollover Distributions without regard to Code §401(a)(9)(H).)*:

(iv) **[ ]** 2009 RMDs and Extended 2009 RMDs, both as defined in Section 6.02(F).

(v) **[ ]** 2009 RMDs, as defined in Section 6.02(F), but only if paid with an additional amount that is an Eligible Rollover Distribution without regard to Code §401(a)(9)(H).

(4) **[X] Distribution Methods** *(Choose one or both of a. and b. if applicable.)*:

a. **[X] Default Distribution Methods (6.03(B)(2)).** If a Participant or Beneficiary does not make a timely election as to distribution method and timing the Plan Administrator will direct the Trustee to distribute using the following method and timing: Installments sufficient to satisfy RMD beginning at the Required Beginning Date
(Describe, e.g., Installments sufficient to satisfy RMD beginning at the Required Beginning Date. The selected method and timing must not be discriminatory and must be an option the plan makes available to participants and/or beneficiaries.)

b. **[ ] Beneficiary Distribution Methods (6.03(A)(2)).** The Plan will distribute to the Beneficiary under the following distribution method(s). If more than one method is elected, the Beneficiary may choose the method of distribution:

(i) **[ ] Lump-Sum.** See Section 6.03(A)(3).

(ii) **[ ] Installments sufficient to satisfy RMD.** See Section 6.03(A)(4)(a).

(iii) **[ ] Ad-Hoc sufficient to satisfy RMD.** See Section 6.03(A)(6).

(iv) **[ ] Other: ____**
(Describe, e.g., Lump-Sum or Installments for surviving spouse Beneficiaries, Lump-Sum only for all other Beneficiaries.)

(5) **[ ] Annuity Distributions (6.04).** *(Choose one or both of a. and b. if applicable.)*:

a. **[ ] Modification of QJSA (6.04(A)(3)).** The Survivor Annuity percentage will be ______%. *(Specify a percentage between 50% and 100%.)*

b. **[ ] Modification of QPSA (6.04(B)(2)).** The QPSA percentage will be _____%. *(Specify a percentage between 50% and 100%.)*

(6) **[X] Hardship Distributions (6.07).** *(Choose one or both of a. and b. if applicable.)*:

a. **[X] Restriction on hardship source; grandfathering (6.07(E)).** The hardship distribution limit includes grandfathered amounts.

b. **[ ] Hardship acceleration.** The existence of a hardship occurring after Separation from Service/Severance from Employment will be determined under the non-safe harbor rules of Section 6.07(B).

(7) **[ ] Replacement of $5,000 amount (6.09).** All Plan references (except in Sections 3.02(D), 3.10 and 3.12(C)(2)) to "$5,000" will be $_____. *(Specify an amount less than $5,000.)*

(8) **[X] Beneficiary's hardship need (6.07(H)).** Effective August 17, 2006 *(Specify date not earlier than August 17, 2006)*, a Participant's hardship includes an immediate and heavy financial need of the Participant's primary Designated Beneficiary under the Plan, as described in Section 6.07(H).

(9) **[ ] Non-spouse beneficiary rollover not permitted before required (6.08(G)).** For distributions after December 31, 2006, and before ___________________________ (*Specify a date not later than January 1, 2010)*, the Plan does not permit a Designated Beneficiary other than the Participant's surviving spouse to elect to roll over a death benefit distribution.

(h) **[ ] Administrative overrides (Article VII).** *(Choose one or more of (1) through (7) as applicable.)*:

(1) **[ ] Contributions prior to accrual or precise determination (7.04(B)(5)(b)).** The Plan Administrator will allocate Earnings described in Section 7.04(B)(5)(b) as follows *(Choose one of a., b., or c.)*:

a. **[ ] Treat as contribution.** Treat the Earnings as an Employer Matching or Nonelective Contribution and allocate accordingly.

b. **[ ] Balance forward.** Allocate the Earnings using the balance forward method described in Section 7.04(B)(4)(b).

c. **[ ] Weighted average.** Allocate the Earnings on Matching Contributions using the weighted average method in a manner similar to the method described in Section 7.04(B)(4)(d).

(2) **[ ] Automatic revocation of spousal designation (7.05(A)(1)).** The automatic revocation of a spousal Beneficiary designation in the case of divorce does not apply.

(3) **[ ] Limitation on frequency of Beneficiary designation changes (7.05(A)(4)).** Except in the case of a Participant incurring a major life event, a period of at least _______________________ must elapse between Beneficiary designation changes. *(Specify a period of time, e.g., 90 days OR 12 months.)*

(4) **[ ] Definition of "spouse" (7.05(A)(5)).** The following definition of "spouse" applies: _______________________ *(Specify a definition.)*

(5) **[ ] Administration of default provision; default Beneficiaries (7.05(C)).** The following list of default Beneficiaries will apply: ______________________ *(Specify, in order, one or more Beneficiaries who will receive the interest of a deceased Participant.)*

(6) **[ ] Subsequent restoration of forfeiture-sources and ordering (7.07(A)(3)).** Restoration of forfeitures will come from the following sources, in the following order _________________________ *(Specify, in order, one or more of the following: Forfeitures, Employer Contribution, Trust Fund Earnings.)*

(7) **[ ] State law (7.10(H)).** The law of the following state will apply: ______________________ *(Specify one of the 50 states or the District of Columbia, or other appropriate legal jurisdiction, such as a territory of the United States or an Indian tribal government.)*

(i) **[ ] Trust and insurance overrides (Articles VIII and IX).** *(Choose one or more of (1) through (3) if applicable.)*:

(1) **[ ] Employer securities/real property in Profit Sharing Plans/401(k) Plans (8.02(A)(13)(a)).** The Plan limit on investment in qualifying Employer securities/real property is _____%. *(Specify a percentage which is less than 100%.)*

(2) **[ ] Provisions relating to insurance and insurance company (9.08).** The following provisions apply: ________________ *(Specify such language as necessary to accommodate life insurance Contracts the Plan holds.)*

[*Note: The provisions in this Election 56(i)(2) may override provisions in Article IX of the Plan, but must be consistent with all other provisions of the Plan.*]

(3) **[ ] Cross-pay when more than one entity adopts Plan not applicable (8.12).** The cross-pay provisions of Section 8.12 do not apply.

(j) **[ ] Code Section 415 (Article XI) override (11.02(A)(1), 4.02(F)).** Because of the required aggregation of multiple plans, to satisfy Code §415, the following overriding provisions apply: ____ *(Specify such language as necessary to satisfy §415, e.g., the Employer will reduce Additional Additions to this plan before reducing Annual Additions to other plans.)*

(k) **[ ] Code Section 416 (Article XI) override (11.02(A)(1), 10.03(D)).** Because of the required aggregation of multiple plans, to satisfy Code §416, the following overriding provisions apply: ____ *(Specify such language as necessary to satisfy §416, e.g., If an Employee participates in this Plan and another Plan the Employer maintains, the Employer will satisfy any Top-Heavy Minimum Allocation in this Plan and not the other plan.)*

(l) **[ ] Multiple Employer Plan (Article XII) overrides.** *(Choose (1) if applicable.)*:

(1) **[ ] No involuntary termination for Participating Employer (12.11).** The Lead Employer may not involuntarily terminate the participation of any Participating Employer under Section 12.11.

APPENDIX C
LIST OF GROUP TRUST FUNDS/PERMISSIBLE TRUST AMENDMENTS

57. **[ ]** INVESTMENT IN GROUP TRUST FUND **(8.09)**. The nondiscretionary Trustee, as directed or the discretionary Trustee acting without direction (and in addition to the discretionary Trustee's authority to invest in its own funds under Section 8.02(A)(3)), may invest in any of the following group trust funds: ______________________________.
(Specify the names of one or more group trust funds in which the Plan can invest.)

[*Note: A discretionary or nondiscretionary Trustee also may invest in any group trust fund authorized by an independent Named Fiduciary.*]

58. **[ ]** DUTY TO COLLECT **(8.02(D)(1))**. ____________________ is hereby appointed as a Trustee for the Plan, and is referred to as the Special Trustee. The sole responsibility of the Special Trustee is to collect contributions the Employer owes to the Plan. No other Trustee has any duty to ensure that the contributions received comply with the provisions of the Plan or is obliged to collect any contributions from the Employer. No Trustee, other than the Special Trustee, is obliged to ensure that funds deposited are deposited according to the provisions of the Plan. The Special Trustee will execute a form accepting its position and agreeing to its obligations hereunder.

59. **[X]** PERMISSIBLE TRUST AMENDMENTS **(8.11)**. The Employer makes the following amendments to the Trust as permitted under Rev. Proc. 2011-49, Sections 5.09 and 14.04 *(Choose one or more of (a) through (c) as applicable.)*:

[*Note: Any amendment under this Election 59 must not: (i) conflict with any Plan provision unrelated to the Trust or Trustee; or (ii) cause the Plan to violate Code §401(a). The amendment may override, add to, delete or otherwise modify the Trust provisions. Do not use this Election 59 to substitute another pre-approved trust for the Trust. See Election 5(c) as to a substitute trust.*]

(a) **[ ]** **Investments.** The Employer amends the Trust provisions relating to Trust investments as follows:
______________________________.

(b) **[X]** **Duties.** The Employer amends the Trustee (or Custodian) duties as follows:

Without limitation to any rights given to Trustee under the Plan or any other agreement, the Trustee shall be indemnified and held harmless against and from certain liabilities to which it may be subjected, in accordance with the following provisions:

1) The Employer hereby agrees to indemnify and hold harmless the Trustee from and against all liabilities, claims, demands, damages, costs, and expenses, including reasonable attorneys' fees, arising from (i) any act taken or omitted by the Trustee in good faith in accordance with or due to the absence of directions from the Employer, the Plan Administrator, an Investment Manager, or any Plan participant, (ii) any act taken or omitted by the Employer or the Plan Administrator in breach of such its responsibilities under ERISA or the Plan, and (iii) any action taken by the Trustee pursuant to a notification of an order to purchase or sell securities issued by an Investment Manager, the Employer, a Participant or the Plan Administrator directly to a broker or dealer.

2) If the Trustee is named as a defendant in any lawsuit or other proceeding involving the Plan or the Trust Fund for any reason including, without limitation, an alleged breach by the Trustee of its responsibilities under this Plan, the Employer hereby agrees to indemnify the Trustee against all liabilities, costs, and expenses, including reasonable attorneys' fees, incurred by the Trustee unless the final judgment entered in the lawsuit or proceeding holds the Trustee guilty of gross negligence, willful misconduct, or a breach of fiduciary responsibility under ERISA. If the final judgment holds the Trustee guilty of gross negligence, willful misconduct, or a breach of fiduciary responsibility under ERISA, the Employer hereby agrees to indemnify the Trustee only against liability in excess of the Trustee's allocable share of such liability.

Section 8.02(A)(3) is amended to add "if applicable" at the end of the paragraph.

The Trustee agrees to perform the responsibilities expressly imposed on it under the Plan. The Employer and the Trustee intend that nothing shall be construed to require the Trustee to perform any responsibility or function that it has no express authority to perform under the Plan.

(c) **[X]** **Other administrative provisions.** The Employer amends the other administrative provisions of the Trust as follows:

If the Plan permits Participant directed investments, the Employer is solely responsible for ensuring compliance with requirements of ERISA Section 404(c) and the regulations issued thereunder.

APPENDIX D
TABLE I: ACTUARIAL FACTORS
UP-1984
Without Setback

Number of years from attained age at the end of Plan Year until Normal Retirement Age	7.50%	8.00%	8.50%
0	8.458	8.196	7.949
1	7.868	7.589	7.326
2	7.319	7.027	6.752
3	6.808	6.506	6.223
4	6.333	6.024	5.736
5	5.891	5.578	5.286
6	5.480	5.165	4.872
7	5.098	4.782	4.491
8	4.742	4.428	4.139
9	4.412	4.100	3.815
10	4.104	3.796	3.516
11	3.817	3.515	3.240
12	3.551	3.255	2.986
13	3.303	3.014	2.752
14	3.073	2.790	2.537
15	2.859	2.584	2.338
16	2.659	2.392	2.155
17	2.474	2.215	1.986
18	2.301	2.051	1.831
19	2.140	1.899	1.687
20	1.991	1.758	1.555
21	1.852	1.628	1.433
22	1.723	1.508	1.321
23	1.603	1.396	1.217
24	1.491	1.293	1.122
25	1.387	1.197	1.034
26	1.290	1.108	0.953
27	1.200	1.026	0.878
28	1.116	0.950	0.810
29	1.039	0.880	0.746
30	0.966	0.814	0.688
31	0.899	0.754	0.634
32	0.836	0.698	0.584
33	0.778	0.647	0.538
34	0.723	0.599	0.496
35	0.673	0.554	0.457
36	0.626	0.513	0.422
37	0.582	0.475	0.389
38	0.542	0.440	0.358
39	0.504	0.407	0.330
40	0.469	0.377	0.304
41	0.436	0.349	0.280
42	0.406	0.323	0.258
43	0.377	0.299	0.238
44	0.351	0.277	0.219
45	0.327	0.257	0.202

Note: A Participant's Actuarial Factor under Table I is the factor corresponding to the number of years until the Participant reaches his/her Normal Retirement Age under the Plan. A Participant's age as of the end of the current Plan Year is his/her age on his/her last birthday. For any Plan Year beginning on or after the Participant's attainment of Normal Retirement Age, the factor for "zero" years applies.

APPENDIX D
TABLE II: ADJUSTMENT TO ACTUARIAL FACTORS FOR NORMAL RETIREMENT AGE OTHER THAN 65
UP-1984
Without Setback

Normal Retirement Age	7.50%	8.00%	8.50%
55	1.2242	1.2147	1.2058
56	1.2043	1.1959	1.1879
57	1.1838	1.1764	1.1694
58	1.1627	1.1563	1.1503
59	1.1411	1.1357	1.1305
60	1.1188	1.1144	1.1101
61	1.0960	1.0925	1.0891
62	1.0726	1.0700	1.0676
63	1.0488	1.0471	1.0455
64	1.0246	1.0237	1.0229
65	1.0000	1.0000	1.0000
66	0.9752	0.9760	0.9767
67	0.9502	0.9518	0.9533
68	0.9251	0.9274	0.9296
69	0.8998	0.9027	0.9055
70	0.8740	0.8776	0.8810
71	0.8478	0.8520	0.8561
72	0.8214	0.8261	0.8307
73	0.7946	0.7999	0.8049
74	0.7678	0.7735	0.7790
75	0.7409	0.7470	0.7529
76	0.7140	0.7205	0.7268
77	0.6874	0.6942	0.7008
78	0.6611	0.6682	0.6751
79	0.6349	0.6423	0.6494
80	0.6090	0.6165	0.6238

Note: Use Table II only if the Normal Retirement Age for any Participant is not 65. If a Participant's Normal Retirement Age is not 65, adjust Table I by multiplying *all* factors applicable to that Participant in Table I by the appropriate Table II factor.

AMENDMENT TO PERMIT IN-PLAN ROTH TRANSFERS

ARTICLE I PREAMBLE

1.1 **Effective date of Amendment.** The Employer adopts this Amendment to the Plan to permit In-Plan Roth Transfers, as set forth herein. This Amendment is effective as of the Effective Date specified below.

1.2 **Superseding of inconsistent provisions.** This Amendment supersedes the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this Amendment.

1.3 **Construction.** Except as otherwise provided in this Amendment, any reference to "Section" in this Amendment refers only to sections within this Amendment, and is not a reference to the Plan. The Article and Section numbering in this Amendment is solely for purposes of this Amendment, and does not relate to any Plan article, section or other numbering designations.

1.4 **Effect of restatement of Plan**. If the Employer restates the Plan, then this Amendment shall remain in effect after such restatement unless the provisions in this Amendment are restated or otherwise become obsolete (e.g., if the Plan is restated onto a plan document which incorporates these In-Plan Roth Transfer provisions).

ARTICLE II ELECTIONS

The Employer adopts this Amendment to the Plan to permit participants to transfer part or all of a non-Roth account to a Roth account in the Plan, in accordance with the provisions of this Amendment.

2.1 **Effective Date.** This Amendment is effective: July 1, 2015 (enter date not earlier than January 1, 2013)

2.2 **In-Plan Roth Transfers.** Any Participant may elect an In-Plan Roth Transfer as elected below:

Source of In-Plan Roth Transfer. The Plan permits a transfer from the following qualifying sources:

a. [X] The Vested portion of any Account

b. [ ] Only from the Vested portion of the following accounts (select one or more):
   1. [ ] Pre-Tax Elective Deferral Account.
   2. [ ] Account(s) attributable to Employer matching contributions (includes any ADP/ACP test safe harbor matching contributions).
   3. [ ] Account attributable to Employer profit sharing contributions.
   4. [ ] Qualified Nonelective Contribution Account (includes any ADP test safe harbor nonelective contributions).
   5. [ ] Rollover Account.
   6. [ ] Other ________ (specify account(s) and conditions in a manner that is definitely determinable and not subject to Employer discretion (e.g., a Participant's Pre-tax Deferral Account or Matching Contribution Account, but not the Participant's Nonelective Contribution Account))

Other limitations on In-Plan Roth Transfer:

c. [ ] No other limitations.

d. [X] The following limitations apply (select one or more):
   1. [ ] The minimum amount that may be transferred is $______(may not exceed $1,000).
   2. [X] Transfers may only be made from accounts which are fully Vested. (Note: If this option is not elected and an In-Plan Roth Transfer is made from a partially-vested account, then the formula at Amendment Section 3.4.4 will apply).
   3. [ ] No more than ______transfer(s) may be made during a Plan Year.
   4. [ ] Only Participants who are Employees may elect an In-Plan Roth Transfer.
   5. [X] Transfers may be made subject to the following provisions (describe): Loans may not be distributed as part of an In-Plan Roth Transfer (must be definitely determinable and not subject to Employer or Administrator discretion).

ARTICLE III AMENDMENT PROVISIONS

3.1 **Right to elect In-Plan Roth Transfer.** A Participant may elect to transfer amounts to an In-Plan Roth Transfer Account in accordance with the provisions of the Plan and this Amendment. In-Plan Roth Transfers will be subject to the taxation provisions and separate accounting requirements that apply to designated Roth accounts. Furthermore, the Participant shall be fully Vested in the portion of his her account attributable to the In-Plan Roth Transfer.

3.2 Form of transfer. The Plan will transfer investments to the Participant's In-Plan Roth Transfer Account in accordance with the Plan terms and procedures governing Plan investments. A Participant loan that is transferred to a Participant's In-Plan Roth Transfer Account (if such transfer is permitted) without changing the repayment schedule is not treated as a new loan.

3.3 Treatment of In-Plan Roth Transfers

3.3.1 No distribution treatment. An In-Plan Roth Transfer is not a Plan distribution. Accordingly, the spousal consent rules of Code §401(a)(11) do not apply due to the transfer and the Plan may not withhold or distribute any amounts for income tax withholding, unless a distribution of other amounts is permitted pursuant to the terms of the Plan.

3.3.2 Withdrawal of In-Plan Roth Transfers. A Participant may withdraw amounts from the Participant's In-Plan Roth Transfer Account only when the Participant is eligible for a distribution from the Plan account that is the source of the In-Plan Roth Transfer. This Amendment does not expand or eliminate any distribution rights or restrictions on amounts that a Participant elects to treat as an In-Plan Roth Transfer.

3.4 Definitions and other rules

3.4.1 In-Plan Roth Transfer. An In-Plan Roth Transfer means an amount that a Participant elects to transfer from a Plan Account, other than a designated Roth Account, into an In-Plan Roth Transfer Account, in accordance with Code §402(c)(4)(E) and this Amendment. An In-Plan Roth Transfer may only be made with respect to amounts that are not distributable under the terms of the Plan.

3.4.2 In-Plan Roth Transfer Account. An In-Plan Roth Transfer Account is a sub-account the Plan Administrator establishes for the purpose of separately accounting for a Participant's Transfers attributable to the Participant's In-Plan Roth Transfers. The Plan Administrator has authority to establish such a sub-account, and to the extent necessary, may establish sub-accounts based on the source of the In-Plan Roth Transfer. The Plan Administrator will administer an In-Plan Roth Transfer Account as provided by IRS guidance and the Plan provisions, including the provisions of this Amendment.

3.4.3 Participant includes certain alternate payees. For purposes of eligibility for an In-Plan Roth Transfer, the Plan will treat a Participant's alternate payee spouse or former spouse who is not an Employee as a Participant (unless the right to elect an In-Plan Roth Transfer is limited to Employees).

3.4.4 Distribution from partially Vested account. Transfers (i.e., the source of the In-Plan Roth Transfer amounts) are permitted only from Vested amounts allocated to a qualifying source as identified in Amendment Section 2.2. If a transfer is made by a Participant who has not severed employment and who is not fully Vested in the Participant's Account from which the transfer is to be made, and the Participant may increase the Vested percentage in such account, then at any relevant time the Participant's Vested portion of the account will be equal to an amount ("X") determined by the formula:

X equals P (AB plus D) - D

For purposes of applying the formula: P is the Vested percentage at the relevant time, AB is the account balance at the relevant time, D is the amount of the transfer, and the relevant time is the time at which, under the Plan, the Vested percentage in the account cannot increase.

* * * * * * *

The Employer executes this Amendment on the date specified below.

Name of Plan: Data I/O Corporation Tax Deferral Retirement Plan

Name of Employer: Data I/O Corporation

By: ______________________________ ______________________________

EMPLOYER DATE SIGNED

PPD ADOPTION AGREEMENT
ADMINISTRATIVE CHECKLIST
July 1, 2015

This Administrative Checklist ("AC") is not part of the Adoption Agreement or Plan but is for the use of the Plan Administrator in administering the Plan. Relius software also uses the AC and the following Supporting Forms Checklist ("SFC") in preparing the Plan's SPD and some administrative forms, such as the Loan Policy, if applicable.

The plan document preparer need not complete the AC but may find it useful to do so. The preparer may modify the AC, including adding items, without affecting reliance on the Plan's opinion or advisory letter since the AC is not part of the approved Plan. Any change to this AC is not a Plan amendment and is not subject to any Plan provision or to Applicable Law regarding the timing or form of Plan amendments. However, the Plan Administrator's administration of any AC item must be in accordance with applicable Plan terms and with Applicable Law.

The AC reflects the Plan policies and operation as of the date set forth above and may also reflect Plan policies and operation pre-dating the specified date.

AC1. PLAN LOANS **(7.06)**. The Plan permits or does not permit Participant Loans as follows *(Choose one of (a) or (b).)*:
- (a) **[ ] Does not permit.**
- (b) **[X] Permitted pursuant to the Loan Policy.** See SFC Election 74 to complete Loan Policy.

AC2. PARTICIPANT DIRECTION OF INVESTMENT **(7.03(B))**. The Plan permits Participant direction of investment or does not permit Participant direction of investment as to some or all Accounts as follows *(Choose one of (a) or (b).)*:
- (a) **[ ] Does not permit.** The Plan does not permit Participant direction of investment of any Account.
- (b) **[X] Permitted as follows.** The Plan permits Participant direction of investment. *(Complete (1) through (4).)*:
  - (1) **Accounts affected.** *(Choose a. or choose one or more of b. through f.)*:
    - a. **[X] All Accounts.**
    - b. **[ ] Elective Deferral Accounts (Pre-tax and Roth) and Employee Contributions.**
    - c. **[ ] All Nonelective Contribution Accounts.**
    - d. **[ ] All Matching Contribution Accounts.**
    - e. **[ ] All Rollover Contribution and Transfer Accounts.**
    - f. **[ ] Specify Accounts:** ______
  - (2) **Restrictions on Participant direction** *(Choose one of a. or b.)*:
    - a. **[ ] None.** Provided the investment does not result in a prohibited transaction, give rise to UBTI, create administrative problems or violate the Plan terms or Applicable Law.
    - b. **[ ] Restrictions:** ______
  - (3) **ERISA §404(c).** *(Choose one of a. or b.)*:
    - a. **[X] Applies.**
    - b. **[ ] Does not apply.**
  - (4) **QDIA (Qualified Default Investment Alternative).** *(Choose one of a. or b.)*:
    - a. **[X] Applies.** See SFC Election 122 for details.
    - b. **[ ] Does not apply.**

AC3. ROLLOVER CONTRIBUTIONS **(3.08)**. The Plan permits or does not permit Rollover Contributions as follows *(Choose one of (a) or (b).)*:
- (a) **[ ] Does not permit.**
- (b) **[X] Permits.** Subject to approval by the Plan Administrator and as further described below *(Complete (1) and (2).)*:
  - (1) **Who may roll over.** *(Choose one of a. or b.)*:
    - a. **[ ] Participants only.**
    - b. **[X] Eligible Employees or Participants.**
  - (2) **Sources/Types.** The Plan will accept a Rollover Contribution *(Choose one of a. or b.)*:
    - a. **[X] All.** From any Eligible Retirement Plan and as to all Contribution Types eligible to be rolled into this Plan.
    - b. **[ ] Limited.** Only from the following types of Eligible Retirement Plans and/or as to the following Contribution Types: ______.

AC4. PLAN EXPENSES **(7.04(C))**. The Employer will pay or the Plan will be charged with non-settlor Plan expenses as follows *(Choose one of (a) or (b).)*:
- (a) **[ ] Employer pays all expenses except those intrinsic to Trust assets which the Plan will pay (e.g., brokerage commissions).**
- (b) **[X] Plan pays some or all non-settlor expenses.** See SFC Election 119 for details.

AC5. RELATED AND PARTICIPATING EMPLOYERS/MULTIPLE EMPLOYER PLAN **(1.24(C)/(D))**. There are or are not Related Employers and Participating Employers as follows *(Complete (a) through (d).)*:

(a) **Related Employers.** *(Choose one of (1) or (2).)*:
- (1) **[ ] None.**
- (2) **[ ] Name(s) of Related Employers: ____________________**

(b) **Participating (Related) Employers.** *(Choose one of (1) or (2).)*:
- (1) **[X] None.**
- (2) **[ ] Name(s) of Participating Employers: ____________________** See SFC Election 76 for details.

(c) **Former Participating Employers.** *(Choose one of (1) or (2).)*:
- (1) **[ ] None.**
- (2) **[ ] Applies.**

Name(s)	**Date of cessation**
____________________	____________
____________________	____________

(d) **Multiple Employer Plan status.** *(Choose one of (1) or (2).)*:
- (1) **[X] Does not apply.**
- (2) **[ ] Applies.** The Signatory Employer is the Lead Employer and at least one Participating Employer is not a Related Employer. (Complete a.)
  - a. **Name(s) of Participating Employers** (other than Related Employers described above): ____________________. See SFC Election 76 for details.

AC6. TOP-HEAVY MINIMUM-MULTIPLE PLANS **(10.03)**. If the Employer maintains another plan, this Plan provides that the Plan Administrator operationally will determine in which plan the Employer will satisfy the Top-Heavy Minimum Contribution (or benefit) requirement as to Non-Key Employees who participate in such plans and who are entitled to a Top-Heavy Minimum Contribution (or benefit). This Election documents the Plan Administrator's operational election. *(Choose (a) or choose one of (b) or (c).)*:

(a) **[X] Does not apply.**

(b) **[ ] If only another Defined Contribution Plan.** Make the Top-Heavy Minimum Allocation *(Choose one of (1) or (2).)*:
- (1) **[ ] To this Plan.**
- (2) **[ ] To another Defined Contribution Plan: ____________________**(plan name)

(c) **[ ] If one or more Defined Benefit Plans.** Make the Top-Heavy Minimum Allocation or provide the top-heavy minimum benefit *(Choose one of (1), (2), or (3).)*:
- (1) **[ ] To this Plan.** Increase the Top-Heavy Minimum Allocation to 5%.
- (2) **[ ] To another Defined Contribution Plan.** Increase the Top-Heavy Minimum Allocation to 5% and provide under the: ____________________(name of other Defined Contribution Plan).
- (3) **[ ] To a Defined Benefit Plan.** Provide the 2% top-heavy minimum benefit under the: ____________(name of Defined Benefit Plan) and applying the following interest rate and mortality assumptions: __________.

AC7. SELF-EMPLOYED PARTICIPANTS **(1.22(A))**. One or more self-employed Participants with Earned Income benefits in the Plan as follows *(Choose one of (a) or (b).)*:

(a) **[ ] None.**

(b) **[X] Applies.**

AC8. PROTECTED BENEFITS **(11.02(C))**. The following Protected Benefits no longer apply to all Participants or do not apply to designated amounts/Participants as indicated, having been eliminated by a Plan amendment *(Choose one of (a) or (b).)*:

(a) **[X] Does not apply.** No Protected Benefits have been eliminated.

(b) **[ ] Applies.** Protected Benefits have been eliminated as follows *(Choose one or more of rows (1) through (4) as applicable. Choose one of columns (1), (2), or (3), and complete column (4).)*:

	(1) All Participants/ Accounts	**(2) Post-E.D. Contribution Accounts only**	**(3) Post-E.D. Participants only**	**(4) Effective Date (E.D.)**
(1) **[ ] QJSA/QPSA distributions**	**[ ]**	**[ ]**	**[ ]**	
(2) **[ ] Installment distributions**	**[ ]**	**[ ]**	**[ ]**	
(3) **[ ] In-kind distributions**	**[ ]**	**[ ]**	**[ ]**	
(4) **[ ] Specify:**				

AC9. LIFE INSURANCE **(9.01)**. The Trust invests or does not invest in life insurance Contracts as follows *(Choose one of (a) or (b).)*:

(a) **[X] Does not apply.**

(b) **[ ] Applies.** Subject to the limitations and other provisions in Article IX and/or Appendix B.

AC10. DISTRIBUTION OF CASH OR PROPERTY **(8.04)**. The Plan provides for distribution in the form of *(Choose one of (a) or (b).)*: (a) **[X] Cash only.** Except where property distribution is required or permitted under Section 8.04.

(b) **[ ] Cash or property.** At the distributee's election and consistent with any Plan Administrator policy under Section 8.04.

AC11. EMPLOYER SECURITIES/EMPLOYER REAL PROPERTY **(8.02(A)(13))**. The Trust invests or does not invest in qualifying
Employer securities and/or qualifying Employer real property as follows *(Choose one of (a) or (b).)*: (a) **[X] Does not apply.**

(b) **[ ] Applies.** Such investments are subject to the limitations of Section 8.02(A)(13) and/or Appendix B.