

INSTRUCTIONS TO EMPLOYER

What to do when a participant terminates employment

1. Print the following distribution forms and give them to the terminated participant.

The required forms include:

- a. Instructions to Terminated Participant (how to request a benefit payment) (A)
- b. Notice to Terminated Participants (B.1-B.2)
- c. Special Tax Notice Regarding Plan Payments - **required by IRS**
- d. The appropriate Distribution Election form(s)

If your plan assets are all with a daily recordkeeper (e.g. John Hancock, ING, MFS, American Funds, etc.):

Give the terminated participant your recordkeeper's distribution form

If your plan assets are not all with a daily recordkeeper:

Give the terminated participant the Distribution Election form (C.1-C.2)

2. If your plan allows for the automatic rollover of vested benefits between \$1,000 and \$5,000 to an IRA established for the terminated participant, you must also give the terminated participant a notice describing the plan's automatic rollover provisions. To satisfy this notice requirement, you may include in the participant's distribution package either:
 - A notice prepared by your recordkeeper (e.g. Fidelity, T. Rowe Price, City National Bank)
 - OR-
 - A copy of the attached "Notice to Terminated Participants Regarding Automatic Rollovers"(E). Fill in the name of the IRA provider.
3. To comply with new Department of Labor disclosure requirements, the Notice to Terminated Participants includes the following information:
 - Investment options available to terminated participants are generally no different from the investment options available to active participants. If this is not true for your plan, provide the applicable portion of the Summary Plan Description describing how the investment options are different for terminated participants.
 - Loans are due and payable within 60 days, and if unpaid, are considered taxable income.
 - If this plan charges terminated participants for their pro-rata share of plan administration expenses, and does not charge actively employed participants in the same manner, provide the applicable portion of the Summary Plan Description describing this provision.
 - If the plan has any special rules that might materially affect the participant's decision to defer payment of their benefit, provide them with the applicable portion of the Summary Plan Description that describes those rules.

4. When the terminated participant returns the Distribution Election form(s) to you, please complete the following checklist.

Employer's Checklist:

1. Review the form and ensure all applicable sections are completed, including the Plan Name and if required, spousal consent with notary.
2. Any applicable Summary of Material Modifications or portion of the Summary Plan Description that describes any special rules that might affect the participant's decision to defer receipt of their benefit payment, including different investment options or the payment of plan expenses by terminated participants
3. Complete the Plan Administrator's Determination section
4. Return the completed forms to:

Kravitz
Loan and Withdrawal Service Team
16030 Ventura Blvd., Suite 200
Encino, CA 91436-3017
Fax: (818) 379-6100
Email: withdrawals@kravitzinc.com

If you have any questions, please feel free to call the Loan and Withdrawal Service Team at (818) 379-6121. Thank you!



INSTRUCTIONS TO TERMINATED PARTICIPANT

How to request a benefit payment

1. Read the enclosed notices, including the Notice to Terminated Participants and the Special Tax Notice Regarding Plan Payments.
2. Complete all required sections of the enclosed Distribution Election form(s):
3. Submit the completed form(s) to your former Employer for approval. It will take about 4 to 6 weeks to complete the benefit payment process and for you to receive the benefit payment check.

For more information regarding your Plan, contact your former Employer or read your Plan's Summary Plan Description.

NOTICE TO TERMINATED PARTICIPANTS

Due to your termination of employment, you are eligible to receive a distribution of your benefit from the Plan.

Timing and Form of Payment

If your total vested benefit is \$5,000 or less, your benefit will be paid to you as a Single Sum Payment. If your total vested benefit exceeds \$5,000, you can elect 1) a Single Sum Payment, or 2) to defer receipt of your benefit. If your benefit exceeds \$5,000, the Plan must wait at least eight days to pay your benefit.

If you elect to receive payment now rather than deferring receipt of your benefits, you will be subject to taxation as described below and you will lose the opportunity to accumulate earnings on a tax-deferred basis for retirement unless you roll over the distribution to an IRA or other retirement plan. This means that by taking the distribution now, you could end up with a much lower retirement income than if you leave the assets in the plan to build for your retirement. This could be the result even if you invest instead of spending the amount of your distribution left after payment of taxes.

Investment options available to terminated participants are generally no different from the investment options available to active participants. In determining the economic consequences of your choice, you should compare the administration costs and the investment options (including fees) you will have if your account remains in the Plan to those options you may have outside the Plan. The Plan may have available a special class of investments with a fee structure that does not apply outside the Plan. Because of the investment performance of the trust fund (or of your individual account investments if you direct your own investments), the amount you receive at your postponed distribution date could be more or less than the current value of your vested account balance.

1. **Single Sum Payment**

Payment in a single sum in cash. Your benefit will be paid as soon as it can be processed. (Processing of benefit check may take up to 60 days.)

2. **Deferred Payment**

You can elect to defer payment of your benefit to some time in the future but no later than age 62 or the Plan's normal retirement age, whichever is later. You must request a new set of forms when you wish to have your benefit paid. You may change your election at any time by completing a new Distribution Election form.

If you do not return an election form within 30 days, your benefit may be paid automatically.

1. If your benefit is \$1,000 or less, the Plan may require that your benefit be paid directly to you, after withholding all required taxes.
2. If your benefit is between \$1,000 and \$5,000, the Plan may require that your benefit be paid as a direct rollover to an IRA in your name.
3. You will be paid as soon as administratively possible if you are at least age 62 or at the Plan's normal retirement age, whichever is later, regardless of the amount of your benefit.

Plan Loans

If you have an outstanding loan you have the option to repay it at this time. If you do not repay the loan within 60 days, the loan balance will be treated as paid to you for tax purposes.

Distribution Options and Taxability of Benefits

Please read the enclosed Special Tax Notice Regarding Plan Payments. Here are some highlights of the Notice:

Your entire benefit is an "Eligible Rollover Distribution" except that portion attributable to after-tax employee contributions, loans on which you have already paid taxes, amounts you have "repaid" to the Plan when you were rehired, required minimum distributions, and life insurance PS58 costs which you previously reported as taxable income. You can choose to have Eligible Rollover Distributions paid to you in one of the following three methods:

- a) Check made payable to you
- b) Direct rollover to a traditional IRA, Roth IRA or another eligible retirement plan
- c) Combination of (a) and (b).

- I. If any portion of your benefit is paid directly to you, then it:
 - a) is generally taxable, although special tax treatment may be available,
 - b) is **subject to 20% withholding** for federal income tax,
 - c) may be subject to state income tax withholding (income tax withholding is required in California and certain other states unless you elect not to have withholding apply),
 - d) is subject to an additional 10% federal tax and 2½% California tax if you are under age 55.

If you wish to defer the taxes described in items (a) and (d) above, you must make a rollover to an IRA or another eligible retirement plan within 60 days after receipt of your benefit.

- II. Any portion of your benefit paid directly into a traditional IRA or eligible retirement plan is not taxable until later withdrawn. Any portion of your withdrawal that is not attributable to Roth 401(k) deferrals but is paid directly into a Roth IRA will be includable in your gross income for the taxable year. No taxes will be withheld. The following are additional rules and restrictions regarding direct rollovers:
 - a) Direct rollovers can be made to only one IRA or another eligible retirement plan, other than any portion of your rollover being made to a single Roth IRA. You may not split your rollover among different institutions.
 - b) If you elect to have a portion of your benefit made payable directly to you and a portion rolled directly to an IRA or another eligible retirement plan, the direct rollover portion must be at least \$500.
 - c) The direct rollover will be made in the form of a check payable to the trustee of the IRA or eligible retirement plan.

Please see special rules regarding direct rollover of Roth 401(k) deferrals in the Special Tax Notice Regarding Plan Payments.

- III. You may choose to rollover your payment from an eligible retirement plan into a Roth IRA, even if your distribution is not from a Roth 401(k) or 403(b) account. You must include in your gross income the taxable portion of your rollover for the year of the distribution. Once rolled to a Roth IRA, you CANNOT subsequently roll your designated Roth contributions to an employer plan, even if the plan accepts designated Roth contributions.
- IV. If your benefit is less than \$200 it will be made payable directly to you and federal and state income taxes will not be withheld. Additionally, if your benefit is less than \$200, the Plan does not permit a direct rollover to an IRA or another eligible retirement plan.
- V. Amounts that are not Eligible Rollover Distributions cannot be rolled over to an IRA or another eligible retirement plan and will be paid to you in a single sum.

Installment Payments

Your Plan may permit payment in a series of installments. If you are interested in this option, contact your former Employer for additional information. Also read the enclosed Special Tax Notice Regarding Plan Payments. Some installment payments are considered an "Eligible Rollover Distribution" and some are not eligible for rollover.

Instructions

1. Complete, sign and date the appropriate Distribution Election form:
 - a. If your plan assets are all with a daily recordkeeper (e.g. John Hancock, ING, MFS, American Funds, etc.) please complete the recordkeeper's distribution form
 - b. If your plan assets are all with a daily recordkeeper please complete the "Distribution Election" form (C.1 – C.2).
2. Return the completed form(s) to your former Employer so that payment can be made.

This is only a brief summary of the benefit payment options under the Plan. You have the right to request without charge the full "Special Tax Notice Regarding Plan Payments" from the Plan Administrator. If there are any inconsistencies between this Notice and the official plan documents, the official documents shall prevail and control. A copy of the official plan document is available for your inspection in the company's office during normal business hours.

YOU ARE ENCOURAGED TO DISCUSS YOUR PERSONAL FINANCIAL SITUATION WITH YOUR ACCOUNTANT, ATTORNEY, OR OTHER TAX ADVISOR BEFORE MAKING ANY ELECTIONS.

DISTRIBUTION ELECTION

Required:

Name: _____ Soc. Sec. #: _____
Address: _____ Date of Birth: _____
_____ Date of Termination: _____
Tel. #: _____
Plan Name(Required): _____

A. CERTIFICATION OF MARITAL STATUS(Required)

- I hereby certify that **I AM NOT MARRIED.**
- I hereby certify that **I AM MARRIED.**

B. COURT ORDERS (Required)

- I hereby certify that my benefits are not subject to a court order dividing benefits as a result of a dissolution of marriage .
- I hereby certify that my benefits are subject to a court order dividing benefits as a result of a dissolution of marriage.

C. TIMING AND FORM OF PAYMENT(Required)

1. Single-Sum Payment to be paid as soon as possible. (Processing of benefit check may take up to 60 days.)
2. To defer receipt of my benefit. *Complete only Section G below. A new Distribution Election form must be requested benefit payment is desired.*

D. PAYMENT ELECTION(Required)

If Option 1 in Section C is elected, please complete this Section.

Please pay my Eligible Rollover Distribution as follows:

1. Distribute my total benefit directly to me. I understand that 20% federal and any required state income tax will be withheld from my distribution. *Complete Section E regarding state income tax withholding.*
2. Direct Rollover of entire benefit to the traditional IRA, Roth IRA, and/or other eligible retirement plan named in Section F.
3. Distribute \$_____ to me and ____ transfer \$_____ or ____ transfer remaining balance to the traditional or Roth IRA or other eligible retirement plan named in Section F I understand that 20% federal and any required state income tax will be withheld from the portion of the distribution that is paid to me directly. *Insert "remainder" in either blank above if the total benefit is not known . Complete Section E regarding state income tax withholding.*

I understand that any amount not eligible to be rolled over will be paid to me in a single sum.

E. STATE INCOME TAX WITHHOLDING *If you elected Option 1 or 3 in Section D, please complete this Section.*

State tax withholding will be calculated based on your state's withholding requirements. State tax withholding is mandatory in certain states and you may not elect out of withholding. Other states require income tax withholding on amounts paid directly to you unless you elect not to have withholding apply. Please contact your tax advisor for current tax withholding requirements for your state.

- () I elect to have state income tax withheld. I understand that taxes will be withheld at the greater of the standard state withholding rate or the rate I have elected here: _____%
- () I elect to have **NO** state income tax withheld unless otherwise required.

F. ELIGIBLE RETIREMENT PLAN *If you elected Option 2 or 3 in Section D, please complete this Section.*

The following entity has agreed to accept my direct rollover:

- () Traditional Individual Retirement Account (IRA)
() Roth IRA
() A qualified plan or other eligible retirement plan.

Name of Financial Institution/Eligible Retirement Plan: _____

Account Number (if applicable): _____

Plan Trustee (if Qualified Plan): _____

Check should be made payable to: _____

Address: _____

Telephone: () _____

If the plan's recordkeeper allows for a direct deposit of the funds, AND you wish to have the funds direct deposited, please provide the following information:

Bank Name: _____ Routing Number: _____

Account Number: _____ Type of account: () Checking () Savings

NOTE: Additional fees to your account, of up to \$50 may apply if you opt for this method of payment

G. CERTIFICATION(Required)

I certify that all information listed on this Distribution Election is true. My signature also indicates that I have received and read the Notice to Terminated Participants and the Special Tax Notice Regarding Plan Payments.

Date: _____ Employee's Signature: _____

PLAN ADMINISTRATOR'S DETERMINATION

Please process this benefit payment per the elections indicated. The participant completed _____ hours of service in the Plan Year during which the participant terminated employment.

Authorized Plan Representative

Date

SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

This notice explains how you can continue to defer federal income tax on your retirement plan savings in the Plan and contains important information you will need before you decide how to receive your Plan benefits. All references to “the Code” are references to the Internal Revenue Code of 1986, as amended. This notice summarizes only the federal (not state or local) tax rules which apply to your distribution. Because these rules are complex and contain many conditions and exceptions which we do not discuss in this notice, you may need to consult with a professional tax advisor before you receive your distribution from the Plan.

A. TYPES OF PLAN DISTRIBUTIONS

Eligibility for rollover. The Code classifies distributions into two types: (1) distributions you may roll over (“eligible rollover distributions”) and (2) distributions you may not roll over. See “Distributions not eligible for rollover” below. You also may receive a distribution under which part of the distribution is an eligible rollover distribution and part is not eligible for rollover. A rollover is a payment by you or the Plan Administrator of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you (except for a rollover from a pre-tax account to a Roth IRA, described in the last paragraph of Section B below). The Plan Administrator will assist you in identifying which portion of your distribution is an eligible rollover distribution and which portion is not eligible for rollover.

Plans that may accept a rollover. You may roll over an eligible rollover distribution (other than Roth 401(k) plan deferrals and earnings) either to a Roth IRA, to a traditional IRA or to an eligible employer plan that accepts rollovers. An “eligible employer plan” includes a plan qualified under Code §401(a), including a 401(k) plan, profit sharing plan, defined benefit plan, stock bonus plan (including an ESOP) or money purchase plan; a §403(a) annuity plan; a 403(b) plan; and an eligible §457(b) plan maintained by a governmental employer (governmental 457 plan). Special rules apply to the rollover of after-tax contributions and of Roth 401(k) deferrals. See “After-tax contributions and Roth 401(k) plan deferrals” below. **YOU MAY NOT ROLL OVER ANY DISTRIBUTION TO A SIMPLE IRA OR A COVERDELL EDUCATION SAVINGS ACCOUNT (FORMERLY KNOWN AS AN EDUCATIONAL IRA).**

Deciding where to roll over a distribution. An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to an IRA or to split your rollover amount between the employer plan in which you will participate and an IRA. You also should find out about any documents you must complete before a receiving plan or IRA sponsor will accept a rollover. If an employer plan accepts your rollover, the plan

may restrict subsequent distributions of the rollover amount or may require your spouse's consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover also may be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover regarding subsequent distributions and taxation of the amount you will roll over, prior to making the rollover.

Distributions not eligible for rollover. An eligible rollover distribution means any distribution to you of all or any portion of your account balance under the Plan except: (1) a distribution which is part of a series of substantially equal periodic payments; (2) a required minimum distribution; (3) a hardship distribution; (4) an ESOP dividend; (5) a corrective distribution; (6) a loan treated as a distribution; (7) life insurance cost; (8) 90-day automatic enrollment withdrawals; or (9) ESOP prohibited allocations.

Substantially equal periodic payments. You may not roll over a distribution if it is part of a series of substantially equal payments made at least once a year and which will last for: (1) your lifetime (or your life expectancy), (2) your lifetime and your beneficiary's lifetime (or life expectancies), or (3) a period of 10 years or more.

Required minimum distributions. Beginning in the year in which occurs the later of your retirement or your attainment of age 70½, the Code may require the Plan to make "required minimum distributions" to you. You may not roll over the required minimum distributions. Special rules apply if you own more than 5% of the Employer.

Hardship distributions. A hardship distribution is not eligible for rollover.

ESOP dividends. Cash dividends paid to you on employer stock held in an employee stock ownership plan cannot be rolled over.

Corrective distributions. A distribution from the plan to correct a failed nondiscrimination test or because legal limits on certain contributions were exceeded cannot be rolled over.

Loans treated as taxable "deemed" distributions. The amount of a plan loan that becomes a taxable deemed distribution because of a default cannot be rolled over. However, a loan offset amount is eligible for rollover, as discussed in Part C. below. Ask the Plan Administrator if distribution of your loan qualifies for rollover treatment.

Life insurance cost. The cost of life insurance paid by the Plan.

90-day automatic enrollment withdrawals. Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution.

ESOP prohibited allocations. Amounts treated as distributed because of a prohibited allocation of S corporation stock under an ESOP. (Also, there generally will be adverse tax consequences if you roll over a distribution of S corporation stock to an IRA.)

After-tax Contributions and Roth 401(k) plan deferrals.

After-tax contributions included in a payment are not taxed. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is included in the payment, so you cannot take a payment of only after-tax contributions. However, if you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a payment. In addition, special rules apply when you do a rollover, as described below.

After-tax/rollover into an IRA. You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later payments from the IRAs). If you do a direct rollover of only a portion of the amount paid from the Plan and at the same time the rest is paid to you, the portion directly rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of \$12,000, of which \$2,000 is after-tax contributions. In this case, if you directly roll over \$10,000 to an IRA that is not a Roth IRA, no amount is taxable because the \$2,000 amount not directly rolled over is treated as being after-tax contributions. If you do a direct rollover of the entire amount paid from the Plan to two or more destinations at the same time, you can choose which destination receives the after-tax contributions.

If you do a 60-day rollover to an IRA of only a portion of a payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a distribution of \$12,000, of which \$2,000 is after-tax contributions, and no part of the distribution is directly rolled over. In this case, if you roll over \$10,000 to an IRA that is not a Roth IRA in a 60-day rollover, no amount is taxable because the \$2,000 amount not rolled over is treated as being after-tax contributions.

After-tax/rollover into an employer plan. You may DIRECTLY roll over after-tax contributions from the Plan to another qualified plan (including a defined benefit plan) or to a 403(b) plan if the other plan will accept the rollover and provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You may NOT roll over after-tax contributions from the Plan to a §403(a) annuity plan, or to a governmental 457 plan. If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions paid to you first. You must instruct the Plan Administrator to make a direct rollover on your behalf. Also, you may not first roll over after-tax contributions to an IRA and then roll over that amount into an employer plan.

Roth 401(k) plan deferrals. You may roll over an eligible rollover distribution that consists of Roth deferrals and earnings (whether or not it is a “qualified” Roth distribution) either: (1) by a direct rollover to another Roth 401(k) plan, to a Roth 403(b) plan, or to a Roth governmental 457 plan, provided the plan will accept the rollover; or (2) by a direct or 60-day rollover to a Roth IRA. Alternatively, you can roll over the taxable portion of a non-qualified Roth distribution by a 60-day rollover to a Roth 401(k) plan or to a 403(b) plan. See Section C. “Taxation of Roth deferrals” and “60-day rollover option” below.

If you roll over a Roth deferral account to a Roth IRA, the amount you roll over will become subject to the tax rules that apply to the Roth IRA. In general, these tax rules are similar to those described elsewhere in this notice, but differences include:

- All of your Roth IRAs will be considered for purposes of determining whether you have satisfied the 5-year rule to enable you to receive a qualified distribution from the Roth IRA (counting from January 1 of the year for which your first contribution was made to any of your Roth IRAs).
- You will not be required to take a distribution from the Roth IRA during your lifetime and you must keep track of the aggregate amount of the after-tax contributions in all of your Roth IRAs (in order to determine your taxable income for later Roth IRA payments that are not qualified distributions).
- Eligible rollover distributions from a Roth IRA can only be rolled over to another Roth IRA.

30-Day Notice Period/Waiver. After receiving this notice, you have at least 30 days to consider whether to receive your distribution or have the distribution directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether or not you wish to make a direct rollover. Your distribution then will be processed in accordance with your election as soon as practical after the Plan Administrator receives your election.

B. DIRECT ROLLOVER

Direct rollover process. You may elect a direct rollover of all or any portion of an eligible rollover distribution. If you elect a direct rollover, the Plan Administrator will pay the eligible rollover distribution directly to your IRA or to another eligible employer plan (or, in the case of a distribution of Roth deferrals, to a Roth IRA, a Roth 401(k) plan, a Roth 403(b) plan, or a Roth governmental 457 plan) which you have designated. Alternatively, for the cash portion of your distribution, if any, the Plan Administrator may give you a check negotiable by the trustee or custodian of the recipient eligible employer plan or IRA. To complete the direct rollover, you must deliver the check to that trustee/custodian. A direct rollover amount is not subject to taxation at the time of the rollover, unless the direct rollover is from a pre-tax account to a Roth IRA. Except for a direct rollover of a pre-tax amount to a Roth IRA, the taxable portion of your direct rollover will be taxed later when you take it out of the IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to *different tax treatment* than it would be if you received a taxable distribution from this Plan. If you elect a direct rollover, your election form must include identifying information about the recipient IRA or plan.

Treatment of periodic distributions. If your Plan distribution is a series of payments over a period of less than ten years, each payment is an eligible rollover distribution. Your election to make a direct rollover will apply to all payments unless you advise the Plan Administrator of a change in your election. The Plan might not let you choose a direct rollover if your distributions for the year are less than \$200. The \$200 limit may apply separately to Roth distributions and non-Roth account distributions.

Splitting a distribution/small distributions. If your distribution exceeds \$500, you may elect a direct rollover of only a part of your distribution, provided the portion directly rolled over is at least \$500. If your distribution is \$500 or less, you must elect either a direct rollover of the entire amount or payment of the entire amount.

Change in tax treatment resulting from a direct rollover. The tax treatment of any payment from the eligible employer plan or IRA receiving your direct rollover might be different than if you received your benefit in a taxable distribution directly from the Plan. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gain treatment, as explained below. However, if you roll over your benefit to a 403(b) plan, a governmental 457 plan, or an IRA, your benefit no longer will be eligible for that special treatment. See the sections below entitled “10% penalty tax if you are under age 59½” and “Special tax treatment if you were born before 1936.”

Automatic rollover of certain distributions. If your distribution is an eligible rollover distribution and the Plan will distribute your account balance (without your consent as required by the Plan), you still may elect whether to receive or to roll over the distribution. The Plan may distribute your account without your consent in limited circumstances (e.g., if your vested account balance does not exceed \$5,000 [disregarding any amounts in your account as a result of a prior rollover to the Plan]). The Plan Administrator will provide you a distribution notice and/or election forms that will advise you whether the Plan will distribute your account without your consent. If the Plan does distribute without your consent, you still may elect whether to receive the distribution or to directly roll over the distribution to another plan or to an IRA (subject to the exception for distributions less than \$200 discussed above). If you do not make an election either to receive or to roll over the distribution, the Plan Administrator will roll over the distribution to an IRA in your name. You can transfer these IRA funds at any time to another IRA you designate. The Plan Administrator, in the distribution election forms, will provide you with information regarding the financial institution sponsoring this IRA.

Taxation of direct rollover of pre-tax distribution to Roth IRA. If you directly roll over a pre-tax distribution to a Roth IRA, the taxable portion of the distribution is subject to taxation for the taxable year in which the distribution occurs.

After you roll over a pre-tax distribution to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59½ (or after your death or disability, or as a qualified first-time homebuyer distribution of up to \$10,000) and after you have had a Roth IRA for at least 5 years. In applying this 5-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publication 590, Individual Retirement Arrangements (IRAs).

If you roll over a payment from the Plan to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. However, the 10% additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within 5 years, counting from January 1 of the year of the rollover).

You cannot roll over a distribution from a non-Roth account to a designated Roth account in another employer's plan.

Taxation of in-plan Roth direct rollover of non-Roth account. You can roll a distribution from an account, other than a designated Roth account, into a designated Roth account in the distributing Plan. If you roll over a payment from the Plan to a designated Roth account in the Plan, the amount of the payment rolled over (reduced by any after-tax amounts directly rolled over) will be taxed. However, the 10% additional tax on early distributions will not apply (unless you take the amount rolled over out of the designated Roth account within the 5-year period that begins on January 1 of the year of the rollover).

- If you roll over the payment to a designated Roth account in the Plan, later payments from the designated Roth account that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a designated Roth account is a payment made both after you are age 59½ (or after your death or disability) and after you have had a designated Roth account in the Plan for at least 5 years. In applying this 5-year rule, you count from January 1 of the year your first contribution was made to the designated Roth account. However, if you made a direct rollover to a designated Roth account in the Plan from a designated Roth account in a plan of another employer, the 5-year period begins on January 1 of the year you made the first contribution to the designated Roth account in the Plan or, if earlier, to the designated Roth account in the plan of the other employer. Payments from the designated Roth account that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies).

C. DISTRIBUTIONS YOU RECEIVE

Taxation of eligible rollover distributions. The taxable portion of an eligible rollover distribution which you elect to receive is taxable to you in the year you receive it unless, within 60 days following receipt, you roll over the distribution to an IRA or to another eligible employer plan.

Taxation of Roth deferrals. If your distribution includes Roth (after-tax) 401(k) plan deferrals, the taxation of the Roth deferrals depends on whether or not the distribution is a qualified distribution. For a distribution of Roth deferrals to be a qualified distribution, you must have satisfied two requirements: (1) the distribution must occur on or after the date you attain age 59½, on or after the date of your death, or on account of your being disabled; and (2) the distribution must occur after the end of the 5th calendar year beginning with the first calendar year for which you made Roth deferrals to the Roth 401(k) plan. If the distribution of Roth deferrals is a qualified distribution, then neither the deferrals nor the earnings distributed on the deferrals will be taxable to you. If the distribution is not a qualified distribution, then the portion of the distribution representing your Roth deferrals will not be taxable to you, but the portion of the distribution representing earnings on the Roth deferrals will be taxable to you in the year you receive the distribution, unless you elect a direct rollover as described in Section B above, or within 60 days following receipt, you roll over the distribution to a Roth IRA, or you roll over the earnings on the Roth deferrals to a qualified plan, a 403(b) plan, or a governmental 457 plan, as explained under "60-day rollover option" below.

Withholding on eligible rollover distributions. The taxable portion of your eligible rollover distribution is subject to 20% federal income tax withholding. You may not waive this withholding. For example, if you elect to receive a taxable eligible rollover distribution of \$5,000, the Plan will pay you only \$4,000 and will send to the IRS \$1,000 as income tax withholding. You will receive a Form 1099-R from the Plan reporting the full \$5,000 as a distribution from the Plan. The \$1,000 withholding amount applies against any federal income tax you may owe for the year. The direct rollover is the *only* means of avoiding this 20% withholding.

60-day rollover option. The direct rollover explained in Section B above is not the only way to make a rollover. If you receive payment of an eligible rollover distribution, you still may roll over all or any portion of the distribution to an IRA (including a Roth IRA) or to another eligible employer plan that accepts rollovers, except to the extent the distribution consists of Roth deferrals and earnings on the Roth deferrals. You may roll over the Roth deferrals and earnings on the Roth deferrals to a Roth IRA, or you may roll over only the taxable earnings (if any) on the Roth deferrals (but not the Roth deferrals) to a Roth 401(k) plan, a 403(b) plan, or a governmental 457 plan. If you decide to roll over the distribution, *you must make the rollover within 60 days of your receipt of the payment.* The portion of your distribution which you elect to roll over generally is not subject to taxation until you receive distributions from the IRA or eligible employer plan. However, see “Taxation of direct rollover of pre-tax distribution to Roth IRA,” above.

You also may make an in-plan Roth rollover of a pre-tax distribution to a designated Roth account in this Plan using the 60-day rollover option. See “Taxation of in-plan Roth direct rollover of non-Roth account,” above. The taxation rules that apply to a 60-day in-plan Roth rollover generally are the same as described in that section, except that on a 60-day rollover, you may not roll over, as part of the in-plan Roth rollover, any after-tax amounts you received in the distribution.

You may roll over 100% of your eligible rollover distribution even though the Plan Administrator has withheld 20% of the distribution for income tax withholding. If you elect to roll over 100% of the distribution, you must obtain *other money* within the 60-day period to contribute to the IRA or eligible employer plan to replace the 20% withheld. If you elect to roll over only the 80% which you receive, the 20% withheld will be subject to taxation.

Example. Assume the taxable portion of your eligible rollover distribution is \$5,000, and you do not elect a direct rollover. The Plan pays you \$4,000, withholding \$1,000 for income taxes. However, assume within 60 days after receiving the \$4,000 payment, you decide to roll over the entire \$5,000 distribution. To make the rollover, you will roll over the \$4,000 you received from the Plan and you will contribute \$1,000 from other sources (your savings, a loan, etc.). In this case, you will not have any tax liability with respect to the Plan distribution. The Plan will report a \$5,000 distribution for the year and you will report a \$5,000 rollover. When you file your income tax return, you may receive a refund of the \$1,000 withheld. If you roll over only the \$4,000 paid from the Plan, the \$1,000 you do not roll over is taxable. In addition, the \$1,000 you do not roll over may be subject to a 10% penalty tax. See “10 penalty tax if you are under age 59½” below. When you file your income tax return, you still may receive an income tax refund, but the refund likely will be smaller because \$1,000 of the distribution is taxable.

Generally, the 60-day rollover deadline cannot be extended, but see the section entitled “Repayment of Participant Loans” for a longer deadline for certain loan offsets. The IRS, however, has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline or the later deadline for certain loan offsets. There are three ways to obtain a waiver from the IRS: (1) you qualify for an automatic waiver, (2) you self-certify that you met the requirements of a waiver, or (3) you request and receive from the IRS a private letter ruling granting a waiver (private letter ruling requests require the payment of a nonrefundable user fee). For more information, see IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs).

Withholding on distributions not eligible for rollover. The 20% withholding described above does not apply to any taxable portion of your distribution that is *not* an eligible rollover distribution. You may elect whether to have federal income tax withholding apply to that portion. If you do not wish to have any income taxes withheld on that portion of your distribution, or if you wish to have an amount other than 10% withheld, you will need to sign and date IRS Form W-4P, checking the box opposite line 1. The Plan Administrator will provide you Form W-4P if your distribution includes an amount that does not constitute an eligible rollover distribution. If you do *not* return the Form W-4P to the Plan Administrator prior to the distribution, the Plan Administrator will treat the failure to return the form as an *affirmative election* to have 10% withholding apply.

10% penalty tax if you are under age 59½. If you receive a distribution from the Plan before you reach age 59½ and you do not roll over the distribution, the taxable portion of your distribution is subject to a 10% penalty tax in addition to any federal income taxes unless an exception applies. The exceptions are as follows:

- Payments made after you separate from service if you will be at least 55 in the year of the separation.
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary).
- Payments from a governmental defined benefit pension plan made after you separate from service if you are a public safety employee and you are at least 50 in the year of the separation.
- Payments made due to disability.
- Payments after your death.
- Payments of ESOP dividends.
- Corrective distribution of contributions that exceed tax law limitations.
- Cost of life insurance paid by the Plan.
- Payments made directly to the government to satisfy a federal tax levy.
- Payments made under a qualified domestic relations order (QDRO).
- Payments up to the amount of your deductible medical expenses.
- Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001, for more than 179 days.
- Payments of certain automatic enrollment contributions that you request to withdraw within 90 days of the first contribution.
- Payments for certain distributions relating to certain federally declared disasters: and
- Phased retirement payments made to federal employees

If you roll over the distribution to an IRA, and receive a distribution from the IRA when you are under age 59½, you will have to pay the 10% additional penalty tax on early distributions on the part of the distribution that you must include in income, unless an exception applies. While the exceptions generally are the same as those listed above, there are some differences. See IRS Publication 590 for a discussion of the IRA distribution rules.

If you directly roll over a pre-tax distribution to a Roth IRA or in an in-plan Roth rollover, the 10% penalty will not apply to the taxable portion of the distribution. However, if a taxable amount you rolled over into a Roth IRA from a pre-tax account or in an in-plan Roth rollover is distributed within five years, the 10% penalty will apply to the distribution as if the distribution were includible in gross income.

The 10% penalty tax will not apply to distributions from a governmental 457 plan, except to the extent the distribution (including earnings) is attributable to an amount you rolled over *to* that plan from another type of eligible employer plan or IRA. Any amount rolled over *from* a governmental 457 plan to another type of eligible employer plan or to a traditional IRA will become subject to the additional 10% tax if it is distributed to you before you reach age 59½, unless one of the exceptions applies.

Special tax treatment if you were born before 1936. If your distribution is a “lump sum distribution,” and you were born before 1936, you may elect special treatment, but only if you do not roll over any part of the lump sum distribution. If you roll over only a portion of your distribution to an IRA, a governmental 457 plan, or a 403(b) plan, this special tax treatment is not available for the rest of the payment. A lump sum distribution is a distribution, within one calendar year, of your entire vested account balance (including any nontaxable portion of your distribution) under the Plan (and certain similar plans maintained by the Employer). If you are not a self-employed individual, the distribution must occur after you attain age 59½ or after you have separated from service with the Employer. For a self-employed individual, a lump sum distribution must occur after the self-employed individual attains age 59½ or becomes disabled.

Ten-year averaging. If you receive a lump sum distribution and you were born before 1936, you can make a one-time election to figure the tax on the lump sum distribution under “10-year averaging” using 1986 tax rates. Ten-year averaging often reduces the tax you owe.

Capital gain treatment. If you receive a lump sum distribution, you were born before 1936 *and* you were a participant in the Plan before 1974, you may elect to have the part of your lump sum distribution attributable to your pre-1974 participation taxed as long-term capital gain at a rate of 20%.

Special tax treatment election and limitations. You must have completed at least five years of active participation in the Plan for special tax treatment to apply to the lump sum distribution election. You may elect special tax treatment (ten-year averaging or capital gain treatment) by filing IRS Form 4972 with your income tax return. The instructions to Form 4972 provide further details regarding the reporting of your lump sum distribution and describe the rules for determining whether a distribution qualifies as a lump sum distribution. As a general rule, you may not elect special tax treatment for a lump sum distribution if you elected ten-year (or previously available five-year) averaging with respect to a prior lump sum distribution you received after December 31, 1986, or after you had attained age 59½. You may not elect this special tax treatment if you rolled amounts into this Plan from a 403(b) plan, from a governmental 457 plan or from an IRA not originally attributable to a qualified employer plan. You also may not elect special tax treatment if you

previously rolled over another distribution from the Plan. Finally, you may not elect special tax treatment if you roll over your distribution to an IRA, a governmental 457 plan or a 403(b) plan, and then take a distribution from the IRA, plan or annuity.

Repayment of participant loans. If you have an outstanding loan from the Plan, your Plan benefit may be offset by the outstanding amount of the loan, typically when your employment ends. The loan offset amount is treated as a distribution to you at the time of the offset and will be taxed (including the 10% additional income tax on early distributions, unless an exception applies) unless you do a 60-day rollover in the amount of the loan offset to an IRA or employer plan. Withholding does not apply if the loan offset is your only distribution. If you receive a distribution of cash or property in addition to the offset, withholding will apply to the entire distribution, but the withholding amount will not exceed the amount of cash or property (other than employer securities) you receive in addition to the offset. You may not roll over the amount of a defaulted plan loan that is a taxable *deemed* distribution.

If, however, a loan offset occurs due to your termination of employment (or due to the termination of the Plan), then instead of 60 days to rollover the loan offset you have until the due date of your Federal individual income tax return (including extensions) for the year in which the plan offsets the loan offset to complete a rollover.

U.S. Armed Forces service. You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information, see IRS Publication 3, Armed Forces' Tax Guide.

Government publications. IRS Publication 575, Pension and Annuity Income, IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans), and IRS Publication 590, Individual Retirement Arrangements (IRAs), provide additional information about the tax treatment of plan distributions and rollovers. The IRS plans to split Publication 590 into Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs), and IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs). These publications are available from a local IRS office, on the IRS's Internet Website at www.irs.gov, or by calling 1-800-TAX-FORMS.

Nonresident aliens. If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Plan is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

Employer Securities. The Code provides a special rule for a distribution which includes Employer securities (*i.e.*, stock of the Employer). In order to take advantage of this special rule: (1) the distribution must qualify as a lump sum distribution; or (2) the Employer stock must be attributable to after-tax employee contributions. Under this special rule, you have the option of not paying the tax on the "net unrealized appreciation" of the stock until you sell the stock. Net unrealized appreciation generally is the increase in the value of the Employer stock while the Plan held the stock. For example, if the Employer contributed Employer stock to your account when the stock was worth \$500 but the stock is worth \$800 when you receive it, you could elect not to pay the tax on the \$300 increase in value until you later sold the stock.

Election against special rule. You may elect not to have the special rule apply to net unrealized appreciation. If you elect not to apply the special rule, your net unrealized appreciation is taxable in the year of distribution, unless you roll over the

stock. You may roll over the stock to an IRA or to another eligible employer plan in a direct rollover or a 60-day rollover. Generally, you no longer will be able to use the special rule for net unrealized appreciation if you roll the stock over to an IRA or to another eligible employer plan.

Withholding requirements. If you receive only Employer stock in a distribution that is eligible for rollover, withholding will not apply to the distribution. If you receive cash or property other than Employer stock, as well as Employer stock, in a distribution that is eligible for rollover, the plan will base the 20% withholding amount on the entire taxable amount paid to you (including the value of the Employer stock determined by excluding the net unrealized appreciation). However, the amount withheld will not exceed the cash or property (excluding Employer stock) paid to you.

Income averaging. If you receive Employer stock in a distribution which qualifies as a lump sum distribution, the income averaging election also may apply. See IRS Form 4972 for additional information on these rules.

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