



## INSTRUCTIONS TO EMPLOYER

### What to do when an active participant requests a hardship or other in-service withdrawal

1. Print the following withdrawal forms and give them to the participant.  
The required forms include:
  - a. Instructions to Request a 401(k) In-Service Withdrawal (A.1)
  - b. 401(k) Withdrawal Guidelines (B.1-B.3)
  - c. Special Tax Notice Regarding Plan Payments (F.1-F.8) - *required by IRS*
  - d. The appropriate withdrawal forms:
    - Application for 401(k) Withdrawal (C.1.-C.3.) - *required in addition to your vendor's form*
    - Appendix (D.1.) (if your plan is subject to Joint and Survivor Annuity Requirements)
    - Your vendor's withdrawal form (if the plan's assets are with a daily recordkeeper, such as John Hancock, ING, Great-West, American Funds, etc.)
  - e. Payroll Change Form (E.1.) (for hardship withdrawals only)
2. When the participant returns the withdrawal form(s) to you, complete the Plan Administrator's Determination section of the Application for 401(k) Withdrawal (C.3.). For hardship withdrawals:
  - a. Did the participant provide sufficient documentation to support their request, such as tuition or medical bills, escrow papers, foreclosure notice?
  - b. If your plan offers loans, has the participant already taken the maximum loan and/or have they stated that taking a loan would create additional hardship?
  - c. Remember to stop the participant's deferrals to the 401(k) plan, and any deferrals to a cafeteria plan, other than deferrals for health benefits.
3. If you approve the withdrawal request, please complete the checklist below and send the withdrawal form(s) to:

Loan and Withdrawal Service Team  
Louis Kravitz & Associates, Inc.  
15760 Ventura Blvd., Suite 910  
Encino, CA 91436-3017

#### **Employer's Checklist**

- Is your plan name on the withdrawal form(s)?
- Did the participant complete each applicable section of the withdrawal form(s)?
- Did an authorized plan representative complete the Plan Administrator's Determination and sign the withdrawal form(s)?

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



## **INSTRUCTIONS TO REQUEST A 401(k) IN-SERVICE WITHDRAWAL**

1. Read the 401(k) Withdrawal Guidelines and the Special Tax Notice Regarding Plan Payments.
2. Complete the Application for 401(k) Withdrawal form. If your account is with a daily recordkeeper (e.g. John Hancock, Great-West, ING, MFS, American Funds, etc.), complete BOTH the Application for 401(k) Withdrawal and your recordkeeper's withdrawal form.
3. If the Plan is subject to the Joint and Survivor Annuity requirement, read and sign Part A of the Appendix form. If you are married, have your spouse read and sign Part B in the presence of a Notary Public.
4. If this is a Hardship Withdrawal, complete the Payroll Change form.
5. Submit the completed form(s) to your Employer for approval. If you are requesting a Hardship Withdrawal, you must submit documentation of your need such as a current tuition invoice or foreclosure notice. It will take about 4 to 6 weeks to complete the withdrawal process and for you to receive the withdrawal check.

These forms apply only to in-service withdrawal requests from your 401(k) account. If you have terminated employment, you should complete the Benefit Payment forms to request a benefit payment.

For more information regarding your Plan, read your Plan's Summary Plan Description.

## **401(k) WITHDRAWAL GUIDELINES**

You can withdraw your 401(k) contributions from the Plan if 1) you are age 59½ or older or 2) you have a Financial Hardship (see below for definition). However, you are not permitted to withdraw any investment earnings on your 401(k) contributions if you make a withdrawal due to Financial Hardship. You may or may not be permitted to withdraw any of the company's contributions. You are permitted to increase your Financial Hardship withdrawal to include any taxes and penalties that may be due on account of the withdrawal. Once you make a Financial Hardship withdrawal, you may be required to wait a minimum period of time before applying for an additional withdrawal. Your Plan may limit the number of withdrawals in any given period.

If you elect to receive payment now rather than deferring receipt of your benefits until you retire, 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 (not available for Financial Hardship withdrawals). 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.

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.

For more information, read your Plan's Summary Plan Description.

### **FINANCIAL HARDSHIP**

The Internal Revenue Service regulations require you to meet two tests before you qualify for a hardship withdrawal:

**Test 1** - A hardship withdrawal can only be permitted for the following reasons:

1. Medical expenses (including amounts necessary to obtain medical care) for you, your spouse or your dependents. These have to be expenses that would normally be tax-deductible for federal income tax purposes.
2. Purchase of your principal residence (excluding mortgage payments).
3. Payment of tuition and related educational fees for the next twelve months of post-secondary education for you, your spouse, children (whether or not still dependents) or dependents.
4. Need to prevent your eviction from or foreclosure on your principal residence.
5. Burial or funeral expenses for your deceased parent, spouse, children or dependents.
6. Repair of casualty damage to your principal residence caused by a sudden and unexpected event (i.e. storm, earthquake, flood, fire, vandalism) that would qualify for the casualty deduction on your personal tax return, determined without regard to whether the loss exceeds 10% of adjusted gross income.

**Test 2** - You must certify that you meet (or will meet) each of the following four requirements:

1. The amount withdrawn does not exceed the amount of your expense and the applicable taxes and penalties. (You will have to provide documentation to support the amount requested.)
2. You have obtained all available distributions and loans from all retirement plans sponsored by your Employer in which you participate.
3. You will stop all contributions to all plans sponsored by your Employer following receipt of the hardship withdrawal for the minimum period required by the Plan and by law. In addition to stopping 401(k) deferrals, you must also stop contributions to the Employer's cafeteria plan for anything other than health benefits.

## FORM OF BENEFIT

If your total vested benefit is \$5,000 or less, your withdrawal will be paid to you as a Single Sum Payment in cash. If your total vested benefit exceeds \$5,000 and your plan allows, you can elect 1) a Single Sum Payment in cash, or 2) a monthly annuity.

### 1. **Single Sum Payment in Cash**

- a. Processing of withdrawal check may take 4 to 6 weeks.
- b. **Plans subject to the Joint and Survivor Annuity Requirement:** If you are married and your vested benefit exceeds \$5,000, you can choose the Single Sum Payment only if your spouse gives notarized consent. To find out if your Plan is subject to the Joint and Survivor Annuity requirement, please contact your Employer or read the Plan's Summary Plan Description.

### 2. **Annuity** (monthly payments) – ***This option applies only to Plans that offer annuities as a form of benefit payment. Check with your Employer for more information or read your Plan's Summary Plan Description.***

- a. **Unmarried Participants** - If you are not married, your withdrawal will be used to purchase a Single Life Annuity. Under a Single Life Annuity, you will receive a monthly pension for your lifetime. Payments will stop upon your death.
- b. **Married Participants** - If you are married, your withdrawal will be used to purchase a Joint and Survivor Annuity. Under a Joint and Survivor Annuity, you will receive a pension for your lifetime. If your spouse survives you, he or she will continue to receive a pension during his or her lifetime. The payments will stop when both you and your spouse die. The amount of your spouse's pension will be a percentage (from 50% to 100% as elected by you) of the pension you were receiving.

Monthly annuities will be purchased from an insurance company with payments to commence on the date you and the insurance company agree upon. The monthly pension amount depends upon the value of your distribution, your age, your spouse's age (if you are married), the survivor protection (from 50% to 100%) you have elected for your spouse (if you are married) and the date the annuity commences. Contact your Employer if you would like additional information on the annuity option.

## Payment Options and Taxability of Withdrawal

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

1. If the Plan allows and you elect to take your benefit in the form of monthly annuity payments, none of your payments are "Eligible Rollover Distributions." Therefore, your payments cannot be rolled over into an IRA or another qualified plan.
2. Hardship withdrawals of 401(k) contributions are distributed with a check made payable to you.
3. Age 59½ withdrawals are paid to you in one of the following three methods:
  - a) Check made payable to you
  - b) Direct rollover to an IRA or another eligible retirement plan
  - c) Combination of (a) and (b)
4. If any portion of your withdrawal is paid directly to you:
  - a) the withdrawal is taxable;
  - b) age 59½ withdrawals are **subject to 20% withholding** for federal income tax;
  - c) withholding is optional for hardship withdrawals of 401(k) contributions;
  - d) the withdrawal may be subject to state income tax withholding (income tax withholding is required in California and certain other states); and
  - e) the withdrawal is subject to an additional 10% federal tax and 2½% California tax if you are under age 59½.

For age 59½ withdrawals, you will be able to defer income taxes if you make a rollover to an IRA or another eligible retirement plan within 60 days after receipt of your withdrawal.

5. Any portion of your withdrawal paid directly into an IRA or another eligible retirement plan is not taxable until later withdrawn. Therefore, no taxes will be withheld. The following are additional rules and restrictions regarding direct rollovers:
  - a) Direct rollovers are not available for hardship withdrawals of 401(k) contributions.
  - b) Direct rollovers can be made to only one IRA or another eligible retirement plan. You may not split your rollover among different institutions.
  - c) If you elect to have a portion of your withdrawal 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.
  - d) The direct rollover will be made in the form of a check payable to the trustee of the IRA or eligible retirement plan.
6. If your total withdrawal 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 total withdrawal is less than \$200, the Plan does not permit a direct rollover to an IRA or another eligible retirement plan.

### **Instructions**

1. Complete, sign and date the Application for 401(k) Withdrawal form. If your account is with a daily recordkeeper (e.g. John Hancock, Great-West, ING, MFS, American Funds, etc.), complete BOTH the Application for 401(k) Withdrawal and your recordkeeper's withdrawal form.
2. If the Plan is subject to the Joint and Survivor Annuity requirement, and either your benefit exceeds \$5,000 or you have reached Normal Retirement Age, you must sign and date the Appendix. If you are married, your spouse must sign and date the Spousal Approval section of the Appendix. Your spouse's signature must be notarized.
3. If this is a Hardship Withdrawal, complete the Payroll Change form.
4. Return the completed form to your Employer so that payment can be made. If you are requesting a Hardship Withdrawal, you must submit documentation of your need such as a current tuition invoice or foreclosure notice.

**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.**

**APPLICATION FOR 401(k) WITHDRAWAL**

Name: \_\_\_\_\_ Soc. Sec. #: \_\_\_\_\_  
Tel. #.: \_\_\_\_\_ Date of Birth: \_\_\_\_\_  
Address: \_\_\_\_\_  
Plan Name: \_\_\_\_\_

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**A. CERTIFICATION OF MARITAL STATUS**

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

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**B. COURT ORDERS**

- 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.

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**C. WITHDRAWAL ELECTION**

- I hereby apply for a withdrawal from my account because I am at least age 59½, in the amount of \$\_\_\_\_\_ payable as a Single Sum Payment. (*Insert "maximum" if the maximum amount available is desired.*)
- If the Plan offers annuities as a form of benefit payment, I hereby apply for a withdrawal from my account because I am at least age 59½, in the amount of \$\_\_\_\_\_ payable as an annuity. (*Insert "maximum" if the maximum amount available is desired.*)

Payments on the annuity are to commence as soon as possible. Upon my death, my spouse's pension should be \_\_\_\_\_% (from 50% to 100%) of my pension. My spouse's date of birth is \_\_\_\_\_. **I understand that this form of payment is available only if my vested benefit is greater than \$5,000. Such annuity will be a Joint and Survivor Annuity if married and a Single Life Annuity if not married.**

- I hereby apply for a hardship withdrawal from my 401(k) contribution account in the amount of \$\_\_\_\_\_ payable as a Single Sum Payment because of the following immediate and heavy financial need. (*Insert "maximum" if qualification for the maximum amount available is met.*) **I HAVE ATTACHED DOCUMENTATION TO SUBSTANTIATE MY NEED AND IF MY APPLICATION INCLUDES AN ADDITIONAL AMOUNT TO PAY APPLICABLE TAXES AND/OR PENALTIES, I HAVE ATTACHED MY CALCULATION OF SUCH ADDITIONAL AMOUNT.**
  - Medical expenses (including amounts necessary to obtain medical care) incurred by me, my spouse or my dependents. I understand that such expenses must normally be tax-deductible.
  - Purchase of my principal residence (excluding mortgage payments).
  - Payment of tuition and related educational fees for the next twelve months of post-secondary education for myself, my spouse, children (whether or not still dependents) or dependents.
  - The need to prevent the eviction from my principal residence or foreclosure on the mortgage of my principal residence.
  - Burial or funeral expenses for my parent, spouse, children or dependents.
  - Repair of casualty damage to my principal residence caused by a sudden and unexpected event (i.e. storm, earthquake, flood, fire, vandalism). that would qualify for the casualty deduction on your personal tax return, determined without regard to whether the loss exceeds 10% of adjusted gross income.

With respect to my hardship withdrawal request, I agree to the following conditions:

1. The withdrawal requested does not exceed the amount of my immediate and heavy financial need (including amounts necessary to pay any applicable taxes and penalties).
2. I have obtained (or will obtain) all available distributions and loans from all retirement plans sponsored by the company. (If taking a loan would cause a financial hardship such that you would be unable to make the payments, please explain below.)
3. I will stop my contributions to all plans sponsored by the company following receipt of the hardship withdrawal for the minimum period required by the Plan and by law, including 401(k) deferrals and contributions made under the Employer's cafeteria plan for anything other than health benefits.

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**D. AGE 59½ WITHDRAWALS - PAYMENT ELECTION**

Please pay my withdrawal as follows:

- 1. Pay my total withdrawal directly to me. I understand that 20% federal and any required state income tax will be withheld from my withdrawal.
- 2. Direct Rollover to the IRA or other eligible retirement plan named in Section G.
- 3. Pay \$\_\_\_\_\_ to me directly and transfer \$\_\_\_\_\_ to the IRA or other eligible retirement plan named in Section G. I understand that 20% federal and any required state income tax will be withheld from the portion of the withdrawal that is paid to me directly. *Insert "remainder" in either blank above if you do not know your total withdrawal.*

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**E. HARDSHIP WITHDRAWALS - FEDERAL INCOME TAX ELECTION**

Federal law requires income tax withholding on amounts payable directly to you unless you elect not to have withholding apply.

- 1. I elect to have federal income tax withheld in accordance with published tables/schedules.
- 2. I elect to have \$\_\_\_\_\_ withheld for federal income tax.
- 3. I elect to have NO federal income tax withheld.

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**F. STATE INCOME TAX ELECTION**

*If Option 1 or 3 in Section D or Option 1 or 2 in Section E is elected, please complete this Section.*

Certain states, including California, require income tax withholding on amounts payable directly to you unless you elect not to have withholding apply.

- 1. I elect to have state income tax withheld in accordance with published tables/schedules.
- 2. I elect to have \$\_\_\_\_\_ withheld for state income tax.
- 3. I elect to have NO state income tax withheld.

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**G. AGE 59½ WITHDRAWALS - TRANSFER PLAN**

*If Option 2 or 3 in Section D is elected, please complete this Section.*

The following entity has agreed to accept my direct rollover:

- An individual retirement account.
- 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: (    ) \_\_\_\_\_

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**H. CERTIFICATION**

I certify that all information on this Application for 401(k) Withdrawal is true. My signature also indicates that I have received and read the Withdrawal Guidelines and the Special Tax Notice Regarding Plan Payments.

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Signature

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Date

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**I. PLAN ADMINISTRATOR'S DETERMINATION**

**Complete for all Withdrawal Applications:**

Approved  Disapproved for the following reason(s): \_\_\_\_\_

**Complete for Hardship Withdrawal Applications:**

- Participant must take all available loans before taking a hardship withdrawal. Process a hardship withdrawal only for the amount that exceeds the participant's maximum available loan amount (if any).
- Participant not required to take a loan before taking a hardship withdrawal, as a loan would cause a financial hardship.
- Loans are not permitted from this plan, or from any other retirement plan sponsored by the company.

**I certify that I have reviewed documentation supplied by the employee, and have determined that it adequately supports this request for a hardship withdrawal.**

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Authorized Plan Representative

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Date

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**APPENDIX**

*This Appendix applies if your Plan is subject to the Joint and Survivor Annuity requirement.*

Participant Name: \_\_\_\_\_ Soc. Sec. #: \_\_\_\_\_

Plan Name: \_\_\_\_\_

If your Plan is subject to the Joint and Survivor Annuity requirement, you must read and complete Part A. If you are married and either you are over the Plan's normal retirement age or your vested benefit is greater than \$5,000, your spouse must sign Part B. Your spouse's signature must be notarized. For more information regarding your Plan, please read the Plan's Summary Plan Description.

**PART A – PARTICIPANT CERTIFICATION**

I have received and reviewed the Withdrawal Guidelines describing the Single Life Annuity, Joint and Survivor Annuity and Single Sum Payment distribution options offered by the Plan.

**Unmarried Participants**

I understand that if I am over normal retirement age or if my vested benefit is greater than \$5,000, I can elect either a Single Sum Payment or a Single Life Annuity.

**Married Participants**

I understand that if I am over normal retirement age or if my vested benefit is greater than \$5,000, the normal form of benefit is a Joint and Survivor Annuity. If I elect a Single Sum Payment, my spouse must give notarized consent to such election, waiving all rights to a Joint and Survivor Annuity under the Plan.

\_\_\_\_\_  
Participant's Signature

\_\_\_\_\_  
Date

**PART B - SPOUSAL APPROVAL**

As the spouse of the above-named Participant, I have read and understand the 401(k) Withdrawal Guidelines describing the Joint and Survivor Annuity and the Single Sum Payment. I understand that my spouse's benefits under this Plan may consist in whole or in part of community property in which I have an interest. I am aware that it is recommended that I consult with legal counsel prior to consenting to the above election.

I understand that if my spouse has elected to receive a Single Sum Payment or Single Life Annuity, by approving this election I am waiving my spousal right to a Joint and Survivor Annuity from the Plan. I hereby voluntarily consent to and join in the benefit selections made herein. So long as my spouse shall allow this Application for 401(k) Withdrawal form to remain in force, I hereby waive any and all claim to benefits as spouse of said Participant except as my interest may appear herein.

Date: \_\_\_\_\_ Spouse's Signature: \_\_\_\_\_

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

On \_\_\_\_\_ before me, \_\_\_\_\_,

(insert name and title of the officer)

personally appeared \_\_\_\_\_, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature: \_\_\_\_\_

[This area for official notarial seal.]

**PAYROLL CHANGE FORM**

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Name: \_\_\_\_\_ Soc. Sec.#: \_\_\_\_\_  
(Please print)

Date of Birth: \_\_\_\_\_ Date of Hire: \_\_\_\_\_

Plan Name: \_\_\_\_\_

- ( ) I elect to CHANGE my contribution percentage to \_\_\_\_\_% of my pay each pay period. If the Plan allows for investment direction by the participant, I understand that my contributions will be invested based on my current investment elections.
  
- ( ) I elect to STOP my contributions to the Plan until further notice. I understand that if I receive a hardship withdrawal, I must also stop my contributions to the Employer's cafeteria plan(s), except for those contributions used to provide health benefits.

\_\_\_\_\_  
Employee's Signature Date

Plan Administrator's Confirmation

This Payroll Change form was received on \_\_\_\_\_.

Payroll Effective Date: \_\_\_\_\_

\_\_\_\_\_  
Plan Administrator/Representative

Distribution: Personnel, Payroll, Employee

## SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

This notice contains important information you will need before you decide how to receive your Plan benefits. It explains when and how you can continue to defer federal income tax on your retirement savings when you receive a distribution. Because this notice has been prepared for use by many different types of plans, some information may not apply to this Plan.

This notice is provided to you by your Plan Administrator because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you or your Plan Administrator to a traditional IRA, an inherited IRA, or an eligible employer plan. 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. Your payment cannot be rolled over to a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA). An "eligible employer plan" includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).

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. You should also find out about any documents that are required to be completed before the receiving plan will accept 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 a traditional IRA or split your rollover amount between the employer plan in which you will participate and a traditional IRA. 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 may also be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.

If you have additional questions after reading this notice, you can contact your Plan Administrator.

### **SUMMARY**

There are two ways you may be able to receive a Plan payment that is eligible for rollover:

(1) Certain payments can be made directly to a traditional IRA that you establish, to an inherited IRA for non-spouse beneficiaries or to an eligible employer plan that will accept it and hold it for your benefit ("DIRECT ROLLOVER"); or

(2) The payment can be PAID TO YOU.

If you choose a DIRECT ROLLOVER:

- Your payment will not be taxed in the current year and no income tax will be withheld.

- You choose whether your payment will be made directly to your traditional IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account because these are not traditional IRAs.

- A payment may be made directly to an inherited IRA that accepts the rollover. An inherited IRA is established in order to receive a death benefit for a non-spouse beneficiary. The payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account because these are not traditional IRAs.

- The taxable portion of your payment will be taxed later when you take it out of the traditional IRA, inherited 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.

- Effective January 1, 2008, 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. Currently rollovers to Roth IRAs are only available to individuals with an adjusted gross income that does not exceed \$100,000. This compensation restriction will be eliminated in 2010. 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. Please see Section V for more information about distributions from Roth accounts.

If you choose to have a Plan payment that is eligible for rollover PAID TO YOU:

- You will receive only 80% of the taxable amount of the payment, because the Plan Administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.

- The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59½, you may have to pay an additional 10% tax.

- You can roll over all or part of the payment by paying it to your traditional IRA, or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over will not be taxed until you take it out of the traditional IRA, or the eligible employer plan.

- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, *you must find other money to replace the 20% of the taxable portion that was withheld.* If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

- If your distribution includes designated Roth 401(k) or 403(b) contributions, special rules apply, which are described below.

Your Right to Waive the 30-Day Notice Period. Generally, neither a direct rollover nor a payment can be made from the plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal 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 withdrawal will then be processed in accordance with your election as soon as practical after it is received by the Plan Administrator.

**MORE INFORMATION**

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- II. DIRECT ROLLOVER ..... Page 3
- III. PAYMENT PAID TO YOU ..... Page 4
- IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES .. Page 6
- V. SPECIAL RULES FOR DESIGNATED ROTH CONTRIBUTIONS TO 401(K) AND 403(B) ACCOUNTS ..... Page 6

**I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER**

Payments from the Plan may be "eligible rollover distributions." This means that they can be rolled over to a traditional IRA, an inherited IRA, or to an eligible employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a SIMPLE IRA, or a Coverdell Education Savings Account. Your Plan administrator should be able to tell you what portion of your payment is an eligible rollover distribution.

*After-tax Contributions.* If you made after-tax contributions to the Plan, these contributions may be rolled into either a traditional IRA or to certain employer plans that accept rollovers of the after-tax contributions. The following rules apply:

a) Rollover into a Traditional or Inherited IRA. You can roll over your after-tax contributions to a traditional IRA either directly or indirectly and you can roll over your after-tax contributions to an inherited IRA directly. Your plan administrator should be able to tell you how much of your payment is the taxable portion and how much is the after-tax portion. You cannot roll these after-tax amounts into a Roth IRA.

If you roll over after-tax contributions to a traditional or inherited IRA, it is your responsibility to keep track of, and report to the Service on the applicable forms, the amount of these after-tax contributions. This will enable the nontaxable amount of any future distributions from the traditional or inherited IRA to be determined.

Once you roll over your after-tax contributions to a traditional or inherited IRA, those amounts CANNOT later be rolled over to an employer plan. However, you may roll over your after-tax contributions to another IRA.

b) Rollover into an Employer Plan. You can roll over after-tax contributions from an employer plan that is qualified under Code section 401(a) or a section 403(b) tax sheltered annuity to another such plan using a direct rollover if the other plan provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You CANNOT roll over after-tax contributions 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 of this Plan to make a direct rollover on your behalf. Also, you cannot first roll over after-tax contributions to a traditional or inherited IRA and then roll over that amount into an employer plan.

## II. DIRECT ROLLOVER

The following types of payments *cannot* be rolled over:

*Payments Spread over Long Periods.* You cannot roll over a payment if it is part of a series of equal (or almost equal) installment payments that are made at least once a year and that will last for:

- your lifetime (or a period measured by your life expectancy), or
- your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or
- a period of 10 years or more.

*Required Minimum Payments.* Beginning when you reach age 70½ or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you. Special rules apply if you own more than 5% of your employer.

*Hardship Distributions.* A hardship distribution cannot be rolled over.

*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 that is made to correct a failed nondiscrimination test or because legal limits on certain contributions were exceeded cannot be rolled over.

*Loans Treated as 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 III below. Ask the Plan Administrator of this Plan if distribution of your loan qualifies for rollover treatment.

The Plan Administrator of this Plan should be able to tell you if your payment includes amounts which cannot be rolled over.

A DIRECT ROLLOVER is a direct payment of the amount of your Plan benefits to a traditional IRA, inherited IRA, or an eligible employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. You are not taxed on any taxable portion of your payment for which you choose a DIRECT ROLLOVER until you later take it out of the traditional IRA, inherited IRA, or eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a DIRECT ROLLOVER. This Plan might not let you choose a DIRECT ROLLOVER if your distributions for the year are less than \$200. If a portion of your payment is from a designated Roth 401(k) or 403(b) account (as described below), the Plan may treat the Roth account portion of your payment as a separate distribution for purposes of the \$200 rule to determine amounts that are not rollover eligible.

Other special rules apply if your distribution includes designated Roth contributions in a 401(k) or 403(b) plan. Refer to the Roth discussion below for more information on the tax rules that apply to such accumulations.

*DIRECT ROLLOVER to a Traditional IRA.* You can open a traditional IRA to receive the direct rollover. If you choose to have your payment made directly to a traditional IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a traditional IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA to receive the payment. However, in choosing a traditional IRA, you may wish to make sure that the traditional IRA you choose will allow you to move all or a part of your payment to another traditional IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on traditional IRAs (including limits on how often you can roll over between IRAs).

*DIRECT ROLLOVER to an inherited IRA.* Inherited IRAs are established to receive rollover death distributions for non-spouse beneficiaries and may not be transferred to another IRA owned by the beneficiary or to another retirement plan at a later date. The rollover must be by a direct transfer from the Plan to the IRA. You may not roll over any distribution that the participant would have had to take as a "lifetime" required minimum distribution for the year of the participant's death. The beneficiary or your Plan Administrator can open an inherited IRA to receive the direct rollover. The death benefit must be paid directly to the inherited IRA which has been designated in the name of the decedent, for the benefit of the beneficiary.

*DIRECT ROLLOVER to a Plan.* If you are employed by a new employer that has an eligible employer plan, and you want a direct rollover to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to a traditional IRA. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the plan administrator of that plan before making your decision.

*DIRECT ROLLOVER of a Series of Payments.* If you receive a payment that can be rolled over to a traditional IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not make a DIRECT ROLLOVER for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

*Change in Tax Treatment Resulting from a DIRECT ROLLOVER.* The tax treatment of any payment from the eligible employer plan or traditional 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 have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or a traditional IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment. See the sections below entitled "Additional 10% Tax if You Are under Age 59½" and "Special Tax Treatment if You Were Born before January 1, 1936."

### **III. PAYMENT PAID TO YOU**

If your payment can be rolled over (see Part I above) and the payment is made to you in cash, it is subject to 20% federal income tax withholding on the taxable portion (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

Special rules apply if your distribution includes designated Roth contributions in a 401(k) or 403(b) plan. Refer to the discussion below for more information on the tax rules that apply to such accumulations.

### **Income Tax Withholding:**

*Mandatory Withholding.* If any portion of your payment can be rolled over under Part I above and you do not elect to make a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable payment of \$10,000, only \$8,000 will be paid to you because the Plan must withhold \$2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see "Sixty-Day Rollover Option" below), you must report the full \$10,000 as a taxable payment from the Plan. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than \$200. If a portion of your payment is from designated Roth contributions in a 401(k) or 403(b) account (as described below), the Plan may treat the Roth account portion of your payment as a separate distribution when applying this \$200 threshold.

*Voluntary Withholding.* If any portion of your payment is taxable but cannot be rolled over under Part I above, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, an amount will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask the Plan Administrator for the election form and related information.

*Sixty-Day Rollover Option.* If you receive a payment that can be rolled over under Part I above, you can still decide to roll over all or part of it to a traditional IRA, , or to an eligible employer plan that accepts rollovers. If you decide to roll over, *you must contribute the amount of the payment you received to a traditional IRA or eligible employer plan within 60 days after you receive the payment.* The portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan. This sixty-day rollover option is not available to non-spouse beneficiaries. See Section IV below for more information on the distribution options available to non-spouse beneficiaries.

You can roll over up to 100% of your payment that can be rolled over under Part I above, including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the traditional IRA, or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

*Example:* The taxable portion of your payment that can be rolled over under Part I above is \$10,000, and you choose to have it paid to you. You will receive \$8,000, and \$2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the \$8,000, you may roll over the entire \$10,000 to a traditional IRA or an eligible employer plan. To do this, you roll over the \$8,000 you received from the Plan, and you will have to find \$2,000 from other sources (your savings, a loan, etc.). In this case, the entire \$10,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund of part or all of the \$2,000 withheld.

If, on the other hand, you roll over only \$8,000, the \$2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the \$2,000 withheld. (However, any refund is likely to be larger if you roll over the entire \$10,000.)

Special rules apply if your distribution includes designated Roth contributions to a 401(k) or 403(b) plan. Refer to the discussion below for more information on the tax rules that apply to such accumulations.

State or Local Income Tax. Please note that state or local income tax is withheld only for those states where such withholding is mandatory. If you reside in a state that has a state income tax, and the state does not have a mandatory withholding rule, you will be responsible for any state income taxes due on the taxable portion of your distribution. You should also be aware that some states have not yet changed their laws to take into account the expanded rollover rules that became effective January 1, 2002. In certain cases, a rollover now permitted under federal law may be subject to taxation under state law. However, once the rollover is taxed under state law, the state would not tax this amount again when later you receive it as a distribution.

*Additional 10% Tax If You Are under Age 59½.* If you receive a payment before you reach age 59½ and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55, (2) payments that are paid because you retire due to disability, (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies), (4) death benefit distributions paid to a beneficiary, (5) dividends paid with respect to stock by an employee stock ownership plan (ESOP) as described in Code section 404(k), (6) payments that are paid

directly to the government to satisfy a federal tax levy, (7) payments that are paid to an alternate payee under a qualified domestic relations order, or (8) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

The additional 10% tax will not apply to distributions from a governmental 457 plan, except to the extent the distribution is attributable to an amount you rolled over to that plan (adjusted for investment returns) 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 January 1, 1936.* If you receive a payment from a plan qualified under section 401(a) or a section 403(a) annuity plan that can be rolled over under Part I and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a "lump sum distribution," it may be eligible for special tax treatment. (See also "Employer Stock or Securities", below.) A lump sum distribution is a payment, within one year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you after you have reached age 59½ or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59½ or have become disabled). For a payment to be treated as a lump sum distribution, you must have been a participant in the plan for at least five years before the year in which you received the distribution. The special tax treatment for lump sum distributions that may be available to you is described below.

*Ten-Year Averaging.* If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "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 and you were born before January 1, 1936, and were a participant in the Plan before 1974, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Plan taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. You may not elect this special tax treatment if you rolled amounts into this Plan from a 403(b) tax-sheltered annuity contract, a governmental 457 plan, or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from this Plan (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from the Plan. If you roll over your payment to a traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan, or annuity. Also, if you roll over only a portion of your payment to a traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.

*Employer Stock or Securities.* There is a special rule for a payment from the Plan that includes employer stock (or other employer securities). To use this special rule, 1) the payment must qualify as a lump sum distribution, as described above, except that you do not need five years of plan participation, or 2) the employer stock included in the payment must be attributable to "after-tax" employee contributions, if any. Under this special rule, you may have the option of not paying 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 it was held by the Plan. For example, if employer stock was contributed to your Plan account when the stock was worth \$1,000 but the stock was worth \$1,200 when you received it, you would not have to pay tax on the \$200 increase in value until you later sold the stock.

You may instead elect not to have the special rule apply to the net unrealized appreciation. In this case, your net unrealized appreciation will be taxed in the year you receive the stock, unless you roll over the stock. The stock can be rolled over to a traditional IRA or another eligible employer plan, either in a direct rollover or a rollover that you make yourself. Generally, you will no longer be able to use the special rule for net unrealized appreciation if you roll the stock over to a traditional IRA or another eligible employer plan.

If you receive only employer stock in a payment that can be rolled over, no amount will be withheld from the payment. If you receive cash or property other than employer stock, as well as employer stock, in a payment that can be rolled over, the 20% withholding amount will be based 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 be limited to the cash or property (excluding employer stock) paid to you.

If you receive employer stock in a payment that qualifies as a lump sum distribution, the special tax treatment for lump sum distributions described above (such as 10-year averaging) also may apply. See IRS Form 4972 for additional information on these rules.

Special rules apply if your distribution includes designated Roth contributions to a 401(k) or 403(b) plan. Refer to the discussion below for more information on the tax rules that apply to such accumulations.

*Repayment of Plan Loans.* If your employment ends and you have an outstanding loan from your Plan, your employer may reduce (or "offset") your balance in the Plan by the amount of the loan you have not repaid. The amount of your loan offset is treated as a distribution to you at the time of the offset and will be taxed unless you roll over an amount equal to the amount of your loan offset to another qualified employer plan or a traditional IRA within 60 days of the date of the offset. If the amount of your loan offset is the only amount you receive or are treated as having received, no amount will be withheld from it. If you receive other payments of cash or property from the Plan, the 20% withholding amount will be based on the entire amount paid to you, including the amount of the loan offset. The amount withheld will be limited to the amount of other cash or property paid to you (other than any employer securities). The amount of a defaulted plan loan that is a taxable deemed distribution cannot be rolled over.

#### **IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES**

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are "alternate payees." You are an alternate payee if your interest in the Plan results from a "qualified domestic relations order," which is an order issued by a court, usually in connection with a divorce or legal separation.

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described in Part I above, paid in a DIRECT ROLLOVER to a traditional IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to a traditional IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

If you are a beneficiary other than a surviving spouse or an alternate payee, the Plan may permit you to choose to have a payment that can be rolled over, as described in part I above, paid in a DIRECT ROLLOVER to an inherited IRA established by you or the Plan Administrator for your benefit, or paid to you directly. You may not roll over the payment that is made directly to you, nor may you choose to roll over the payment to an eligible employer plan. . Under a non-spouse inherited IRA, benefits must be distributed in accordance with the required minimum distribution rules. In general, distributions from the inherited IRA must either be paid to you in full within 5 years of the employee's death or must commence within 12 months of the employee's death and be paid over your life expectancy. The benefits cannot be rolled over from the Inherited IRA to any other IRA

As explained above, surviving spouses and alternate payees have the same choices as the employee. However, unlike surviving spouses and alternate payees, non-spouse beneficiaries do not have the same choices as the employee. Because of this difference, the mandatory withholding rules described in Part III above, that typically apply to payments that are not rolled over, do not apply to payments made to non-spouse designated beneficiaries.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in Part III above, even if you are younger than age 59½. However, if you roll over the death benefit, the taxable portion of any distribution from your IRA or eligible employer plan before you reach age 59½ is subject to a 10% penalty tax in addition to federal income taxes unless an exception applies. See IRS Form 5329 for more information on the 10% penalty tax.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions and the special rule for payments that include employer stock, as described in Part III above. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had 5 years of participation in the Plan.

## **V. SPECIAL RULES FOR DESIGNATED ROTH CONTRIBUTIONS TO 401(K) AND 403(B) ACCOUNTS**

*Direct Rollover to a Roth IRA.* Designated Roth contributions to 401(k) and 403(b) plans and the earnings attributable to them can be rolled over to a Roth IRA. However, 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. In the case of a rollover from a designated Roth account under a 401(k) or 403(b) plan to a Roth IRA, the period that the rolled-over funds were in the designated Roth 401(k) or 403(b) account does not count towards the 5-year period for determining qualified distributions from the Roth IRA. However, if you established a Roth IRA in a prior year, the 5-year period for determining qualified distributions from a Roth IRA that began as a result of your earlier Roth IRA contribution applies to any distributions from the Roth IRA (including a distribution of an amount attributable to a rollover contribution from a designated Roth contribution account).

*Direct Rollover to Another Employer Plan.* Designated Roth contributions to a 401(k) and 403(b) plan and the earnings attributable to them can be rolled over to another employer plan that accepts direct rollovers of designated Roth contributions. This means that a Roth 401(k) account can be directly rolled over to another Roth 401(k) plan, a Roth 403(b) plan, or another 401(a) plan, including a defined benefit plan, which accepts the rollover and provides separate accounting for the Roth amounts and related earnings that are rolled over. Similarly, a Roth 403(b) account can be directly rolled over to another Roth 403(b) plan or a Roth 401(k) plan. Your period of participation under the distributing plan is carried over to the recipient plan for purposes of determining whether you satisfy the 5-year requirement for determining qualified distributions under the recipient plan.

*"Qualified Distributions".* If you have made designated Roth contributions to a 401(k) or 403(b) plan, the amounts (both contributions and earnings) held in your designated Roth contribution account may be distributed tax-free if it is a "qualified distribution". A "qualified distribution" is a distribution that is made after at least five years have elapsed from the start of the year during which you made your first Roth contribution to the plan and meets one of the following requirements. The distribution must be made:

- (i) after you attain age 59½;
- (ii) to your beneficiary after your death; or
- (iii) on account of your disability.

If the distribution is not a qualified distribution, you will be taxed on any earnings in your Roth contribution account. Because your designated Roth contributions to the plan were made on an after-tax basis, you will receive a tax-free return of your designated Roth contributions. However, distributions of the following amounts are never qualified distributions, are not eligible for rollover, and the earnings are includible in taxable income:

- Corrective distributions (as discussed under Part I above).
- Taxable deemed distributions of participant loan defaults (as discussed under Part I above).

A lump sum designated Roth "qualified distribution" of employer stock or securities is tax-free, and the stock or securities take a fair market value adjusted basis. In the case of a lump sum designated Roth "nonqualified distribution", the ordinary rules explained under Part III above would apply.

*Sixty-Day Rollover Option.* If you receive a distribution from a designated Roth 401(k) or 403(b) account, you may roll over the entire amount (or any portion thereof) into a Roth IRA within 60 days of receipt. If only a portion of the distribution is rolled over, the portion that is rolled over is treated as consisting first of the amount of the distribution that would otherwise be taxable income. Alternatively, you may roll over the otherwise taxable portion of the distribution to a designated Roth 401(k) or 403(b) plan within 60 days of receipt. In addition, your period of participation under the distributing plan is not carried over to the recipient plan for purposes of determining whether you satisfy the 5- year requirement under the recipient plan.

*Example:* An employee receives a \$14,000 eligible rollover distribution that is not a qualified distribution from his designated Roth account, consisting of \$11,000 of designated Roth contributions and \$3,000 of taxable earnings. Within 60 days of receipt, the employee rolls over \$7,000 of the distribution into a Roth IRA. The \$7,000 is deemed to consist of \$3,000 of earnings and \$4,000 of after-tax contributions. Because the only portion of the distribution that could be includible in taxable income (the earnings) is rolled over, none of the distribution is includible in the employee's taxable income in the year of distribution.

*Basis Recovery Rules for Roth Payments that are Not "Qualified Distributions".* If you receive a partial distribution that is not a qualified distribution (i.e., one that does not meet the "qualified distribution" definition above) from your designated Roth account in a 401(k) or 403(b) plan, the portion of the distribution attributable to your after-tax designated Roth contributions will be recovered tax-free. The non-taxable portion is determined by multiplying the amount of your distribution by the ratio of your cumulative designated Roth contributions divided by your designated Roth account balance.

*Example:* If a distribution that is not qualified of \$5,000 is made from an employee's designated Roth account when the account consists of \$9,400 of designated Roth contributions and \$600 of earnings, the distribution consists of \$4,700 of after-tax designated Roth contributions and \$300 of taxable earnings.

#### **HOW TO OBTAIN ADDITIONAL INFORMATION**

The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with the Plan Administrator or a professional tax advisor before you take a payment of your benefits from your Plan. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, Pension and Annuity Income, and IRS Publication 590, Individual Retirement Arrangements. These publications are available from your local IRS office, on the IRS's Internet Web Site at [www.irs.gov](http://www.irs.gov), or by calling 1-800-TAX-FORMS.