

SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS
(Alternative to IRS Safe Harbor Notice - For Participant)

To: _____

From: _____ 401(k) Plan _____ ("Plan")

Date: _____

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 can 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 the 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. You also may receive a distribution under which part of the distribution is an eligible rollover distribution and part is not eligible for rollover. An eligible rollover distribution 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. 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 either 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), and money purchase plan; a §403(a) annuity plan; a §403(b) tax-sheltered annuity; and an eligible §457(b) plan maintained by a governmental employer (governmental 457 plan). **YOU MAY NOT ROLL OVER A DISTRIBUTION TO A ROTH IRA, SIMPLE IRA OR A COVERDELL EDUCATIONS SAVINGS ACCOUNT (FORMERLY KNOWN AS AN EDUCATIONAL IRA)** Any reference in this notice to an IRA *is only to a traditional 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 distributions. 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) hardship distributions; (4) ESOP dividends; (5) corrective distributions; or (6) loans treated as distributions.

1. *Substantially equal 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 continue 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.

2. *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.

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

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

5. *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.

6. *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.

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 qualified plan which you have designated. 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 Plan or IRA. You must deliver the check to that trustee/custodian. A direct rollover amount is not subject to taxation at the time of the rollover. The taxable portion of your direct rollover will be taxed later when you take it out of the IRA or 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.

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. The Plan might not let you choose a direct rollover if your distributions for the year are less than \$200.

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) tax-sheltered annuity, 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 59 ½ “ and “Special tax treatment if you were born before 1936.”

C. DISTRIBUTIONS YOU RECEIVE

1. 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.

2. 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 remit 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.

3. 60-day rollover option. The direct rollover explained in Section B is not the only way to make a rollover. If you receive payment of an eligible rollover distribution, you still may rollover all or any portion of the distribution to an IRA or another eligible employer plan that accepts rollovers. If you decide to rollover 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 is not subject to taxation until you receive distributions from the IRA or eligible employer plan.

You may rollover 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 rollover 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 obtain \$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 rollover only the \$4,000 paid from the Plan, the \$1,000 you do not rollover is taxable. In addition, the \$1,000 you do not rollover may be subject to a 10% penalty tax. See the discussion in paragraph 4. 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.

4. Withholding on distributions not eligible for rollover. The 20% withholding does not apply to any 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, you will need to sign and date 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 withholding apply.

5. 10% penalty tax. 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. For example, the 10% penalty does not apply if you separate from service with the Employer during or after the year in which you attain age 55, then receive distribution. See IRS Form 5329 for more information on the 10% penalty tax.

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 59 ½, unless one of the exceptions applies.

6. 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 rollover 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) tax-sheltered annuity, 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 accrued benefit (including the 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. 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%.

Income averaging 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. You may elect special tax treatment, known as income averaging, by filing IRS Form 4972 with your income tax return. The instructions to IRS 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 income averaging for a lump sum distribution if you elected income 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) tax-sheltered annuity contract or from an IRA not originally attributable to a qualified employer plan. You also may not elect income averaging if you previously rolled over another distribution from the Plan. Finally, you may not elect income averaging if you roll over your distribution to

an IRA, a governmental 457 plan or a §403(b) tax-sheltered annuity, and then take a distribution from the IRA, plan or annuity.

Repayment of participant loans. If you have an outstanding participant loan when you separate from service with the Employer, the Employer may reduce (“offset”) your account balance by the outstanding loan balance. The loan offset is a distribution and is taxable to you unless you roll over the amount of the offset within 60 days of the date of the offset. 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.

Government publications. IRS Publication 575 and IRS Publication 590 provide additional information about the tax treatment of plan distributions and rollovers. These publications are available from your local IRS office, on the IRS’s Internet Website at www.irs.gov, or by calling 1-800-TAX-FORMS.

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