

# QP/401(k) Hardship Distribution Request Form

*This form may be used if you are an active employee and you wish to request a distribution due to a hardship. This form may not be used to withdraw elective deferrals unless you have no other resources available from your employer's plan(s) to satisfy your hardship.*

## PARTICIPANT INFORMATION

Social Security Number \_\_\_\_\_  
First Name \_\_\_\_\_ Last Name \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
 Check this box if your address has changed since you received your last participant statement with respect to the plan.

## DISTRIBUTION INSTRUCTIONS

Amount of Distribution:  
 \$ \_\_\_\_\_  Maximum Amount Available  
Reason for Distribution:  
 Medical Expenses  Educational Expenses  Home Purchase  Prevention of Foreclosure/Eviction  
 Funeral Expenses  Uninsured Damage to Principal Residence (under Code Sec 165)  
 Other \_\_\_\_\_

## WITHHOLDING ELECTION

Form W-4P  
OMB #1545-0074

*Please select the boxes below if you would like to avoid having income tax withholding subtracted from your distribution. If the boxes below are not checked, Federal and State (if applicable) income tax will be withheld as described in the instructions unless you provide a specific withholding rate percentage. Refer to the instructions provided with this form for more information regarding withholding.*  
 Do not withhold Federal Income Tax  Do not withhold State Income Tax  
Withholding Rate \_\_\_\_\_% (must be at least 10 percent)

## AUTHORIZATION

I certify that I have read, understand and agree with the information provided in the instructions to this form. In addition, I certify that I have obtained all distributions and loans from my employer's plan(s) and my hardship distribution will not exceed the amount needed to satisfy my financial need. **I understand that if my hardship distribution includes elective deferrals, I will be unable to make additional elective deferrals for six months.**

I acknowledge that I have timely received a written explanation of the optional forms of benefit payments and have received, if applicable, my spouse's consent to take a distribution. I understand that I have 30 days to decide on my payment options and I elect to waive the 30-day period. I understand there may be a distribution fee charged against my account for this transaction and have been advised to contact the plan administrator for a description of any applicable fees. I instruct the plan administrator to authorize a distribution from the plan as soon as administratively possible.

Signature of Participant \_\_\_\_\_ Date \_\_\_\_\_

### Plan Administrator Use Only

Signature of Plan Administrator \_\_\_\_\_ Date \_\_\_\_\_

**NOTE:** *If the distribution includes elective deferrals, you must adjust your payroll records to reflect the participant's inability to make additional elective deferrals during the six month period following the distribution. To process this request in the most efficient manner, please utilize the website at*

# Using the QP/401(k) Hardship Distribution Request Form

Your plan generally permits you to withdraw your vested account balance when you or your beneficiary incur a financial hardship. If you or your beneficiary have experienced a hardship and you would like a distribution, please read the instructions below and complete the Hardship Distribution Request Form that accompanies these instructions. Once completed, the form should be forwarded to your plan administrator for approval. This form may not be used to withdraw elective deferrals unless you have no other resources available from your employer's plan(s) (including plan loans, if permitted under the plan) to satisfy your hardship. If you withdraw elective deferrals on account of a hardship, you will be unable to make additional elective deferrals to the plan for six months. Finally, your hardship must qualify as a hardship as that term is defined in the plan in order for the plan administrator to authorize a distribution to you.

## Participant Information

Please enter your social security number, full name, and address. In addition, please check the box if the address you have provided has changed since you received your last statement.

## Distribution Instructions

Please specify the amount of the distribution you wish to receive by entering a specific dollar amount or electing to receive the maximum amount available under your plan. The amount from all available sources will be dependent upon the distribution options in the plan. If the plan permits in-service distributions due to hardship and also hardship distribution of elective deferrals, the amounts distributed may include both employer contributions and elective deferrals. In addition, please select the reason for your hardship.

Your distribution will be deducted from your investment accounts proportionately and will be paid to you by check.

## Withholding Election

Distributions from your plan are subject to Federal (and in some cases, State) income tax withholding. You cannot waive withholding on any eligible rollover distribution that is paid to you. For other distributions (e.g., hardship distributions), you can elect not to have withholding apply. Check the Do Not Withhold box if you do not want any Federal (or State, if applicable) income tax withheld from your distribution. Even if you do not have income tax withheld, you are liable for payments of income tax on the taxable portion of your distribution. You may also be subject to tax penalties under the estimated tax payment rules if your payments of estimated tax and withholding, if any, are not adequate.

The election to not have withholding apply does not apply to any periodic or nonperiodic distributions that are delivered outside the U.S. or its possessions to a U.S. citizen or resident alien. If you are a non-resident alien, do not complete this section. Your distributions are generally subject to a tax-withholding rate of 30 percent. A reduced withholding rate, including exemption, may apply if there is a tax treaty between your country of residence and the United States, and you submit Form W-8-BEN, *Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding*, or satisfy the documentation requirements as provided under the regulations.

If you do not waive withholding on your hardship distribution, Federal income tax will be withheld at the rate of 10%, unless you specify a higher rate by completing the blank on the front of this form.

Remember that there are penalties for not paying enough tax during the year, either through withholding or estimated tax payments. New retirees, especially, should see Publication 505. It explains the estimated tax requirements and penalties in detail. You may be able to avoid quarterly estimated tax payments by having enough tax withheld from your pension or annuity using Form W-4P.

## Authorization

You must authorize this distribution by signing and dating the Hardship Distribution Request Form.

### Plan Administrator Use Only

Please sign and date the form to acknowledge that you, acting as a named and authorized representative of the plan, confirm that the information provided is complete and accurate and the request is in accordance with this plan. You acknowledge that the participant's vested account balance will be calculated based on the data you have provided. If the participant is married, you acknowledge that you have reviewed the Participant Distribution Spousal Consent Form, if applicable, and have found it to be in good order. You understand that elective deferrals may only be distributed on account of hardship after the participant has received all other distributions and loans available under the plan and you acknowledge that if the distribution includes elective deferrals you will adjust your payroll records to reflect the participant's inability to make additional elective deferrals during the six month period following the distribution. You authorize this request to be processed as instructed.

# QP/401(k) DISTRIBUTION NOTICE

## Important Information About Your Qualified Retirement Plan Distribution

### INTRODUCTION

As a participant in your employer’s qualified retirement plan, you have accumulated a vested account balance. You may receive your vested account balance only if you incur a triggering event. You may incur a triggering event if:

- you are no longer working for your employer,
- you attain the normal retirement age indicated in the plan,
- you become disabled under the plan’s definition,
- your employer terminates the plan,
- your plan permits in-service distributions (may be limited to certain contribution sources),
- your plan permits distributions during phased retirement (only applicable to certain plans and limited to participants that have attained age 62), or
- you incur a hardship (only applicable to certain plans and may be limited to certain contribution sources).

However, you must refer to your Summary Plan Description to identify the specific triggering events which apply under your plan.

**NOTE:** Generally, payments from your employer’s qualified retirement plan must be delayed for a minimum of 30 days after you receive this notice, to allow you time to consider your distribution options. Although you are entitled to consider your distribution options for a period of 30 days, you may waive this 30 day notice requirement.

The law dictates the optional forms that your payments may take. The law also specifies how the different types of payments will be taxed. This notice summarizes your distribution options and illustrates the financial effect and the tax consequences of each distribution option.

PART ONE of this notice describes the plan payment options available to you. PART TWO describes your beneficiary(ies) payment options. PART THREE contains a special tax notice, required by the IRS, that explains the tax treatment of your plan payment and describes the direct rollover option for eligible rollover distributions. PART FOUR, if applicable, describes the plan payment options available to you and your beneficiaries for the portion of your plan that represents Roth elective deferrals and their earnings, in addition to explaining the tax treatment of these distributions and rollover options.

**NOTE:** The payment amounts indicated in this notice are only examples. You may obtain financial projections based upon your account balance by submitting a request, in writing, to the plan administrator (usually the employer).

### PART ONE – PAYMENT OPTIONS FOR PLAN PARTICIPANTS

*Important Notice  
To Participant*

**Read the following message before reviewing your options.**

*Of the three options listed below, some may not be available to you and you must refer to your Summary Plan Description to identify the specific payment options that apply under your plan.*

**NOTE:** If your vested account balance does not exceed the plan’s cashout level at the time of distribution, the plan administrator generally may pay your distribution to you in a single cash payment, regardless of whether you consent to the distribution. A distribution made without your consent is called a cashout distribution. If your plan allows for cashout distributions of amounts less than \$5,000, a cashout distribution of an amount greater than \$1,000 that is an eligible rollover distribution must be directly rolled over by the plan administrator to an individual retirement account chosen by the plan administrator. You may subsequently transfer the IRA to another IRA provider, once the IRA has been established. However, if your vested account balance exceeds the plan’s cashout level, you must generally consent to the form of payment, and, therefore may, if you wish, postpone commencement of distributions from your account balance.

Your Employer intends for your plan account to provide income to you during retirement. If you take a distribution prior to retiring or spend your retirement savings too quickly, you may not have sufficient income to live on in retirement. If you terminate employment and leave your money in the plan, a share of the plan’s administrative expenses may be charged to your account each year. Refer to your plan administrator for an explanation of any administrative expenses that may be charged to the accounts of terminated participants.

If you choose to roll over your vested account balance to an IRA or other eligible retirement plan, the distributing plan’s investment options may not be available under the receiving retirement arrangement and the fees may differ from those charged to you if your balance remained in the plan. Complete information concerning available investment options and fees currently charged by the plan is available from your plan administrator.

**Distribution  
Options**

**I. LUMP SUM PAYMENT**

You may request a lump sum payment.

**A. LUMP SUM PAYMENT DEFINED**

A lump sum payment is the payment of your entire vested account balance.

**B. FINANCIAL EFFECT AND TAX CONSEQUENCES OF A LUMP SUM PAYMENT**

Generally a lump sum payment is included in your income and taxed in the year of the distribution. Most lump sum payments are eligible rollover distributions and would, therefore, be subject to the 20 percent withholding rules unless directly rolled over to another plan or Traditional IRA. See Part Three, “Special Tax Notice Regarding Plan Payments” for more information.

**II. INSTALLMENT PAYMENTS**

You may elect to receive your vested account balance in installment payments. Installment payments for a period of less than 10 years are generally eligible rollover distributions and would, therefore, be subject to the 20 percent withholding rules unless directly rolled over to another plan or Traditional IRA. See Part Three, “Special Tax Notice Regarding Plan Payments” for more information.

**A. INSTALLMENT PAYMENTS DEFINED**

Installment payments are payments distributed to you in any amount you choose at intervals that you determine within limits set by the trustee or custodian. For example, the payments could be paid to you annually, semiannually, quarterly, or monthly. The payment schedule you choose cannot be longer than your single life expectancy or, if you have a beneficiary named, the joint life expectancy of you and your beneficiary.

**B. FINANCIAL EFFECT AND TAX CONSEQUENCES OF INSTALLMENT PAYMENTS**

Generally, each installment payment will be included in your income in the year in which you receive it. For example, a participant who elects to receive \$500 per month will include \$6,000 (\$500 x 12 months) in income each tax year.

**III. ANNUITY CONTRACT**

You may purchase an annuity contract with your vested account balance. This distribution option allows you to choose the type of annuity contract you wish to purchase. However, you cannot elect payments in the form of a life annuity.

**A. ANNUITY CONTRACT DEFINED**

You may use your vested account balance to purchase a term certain annuity or any other form of annuity except a life annuity. A term certain annuity would distribute dollars to you and your beneficiary for a specified number of years.

**B. FINANCIAL EFFECT AND TAX CONSEQUENCES OF THE ANNUITY**

If you elect to use your vested account balance to purchase a term certain annuity, payments will be made to you (and, if applicable, the beneficiary of your annuity) for a specified number of years. For example, assume a participant age 65 retires with a \$10,000 account balance. A 10 year period certain annuity may provide him or her with a monthly payment equal to \$106.07. Generally, each payment is included in income in the year it is received.

The annuity will be provided by purchasing an annuity contract from an insurance company with your account balance under the plan.

This example is an estimate and should not be viewed as an assurance that an insurer is able to provide the specific amount disclosed.

**PART TWO — PAYMENT OPTIONS FOR BENEFICIARIES OF DECEASED PLAN PARTICIPANTS**

**Important Notice To Beneficiary**

*If you are the designated beneficiary of a deceased participant's vested account balance, you are eligible to receive a distribution. The form of the benefit depends on several factors including, but not limited to, the type of plan and the amount in the participant's account. Of the options listed above, some may not be available to you.*

**I. PARTICIPANT'S ACCOUNT BALANCE**

If the participant's vested account balance was \$5,000 or less at the time of distribution, the plan administrator is required to pay your distribution to you in a single cash payment. If the participant's vested account balance exceeded \$5,000, you must consent to the form of payment.

**II. TYPE OF PAYMENT**

You may select Option I, II or III listed above. However, if you select the installment payment method described in Option II, the payment schedule you choose cannot be longer than your single life expectancy. The rollover option described below is available only if you are the spouse of the deceased participant.

**PART THREE — SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS**

**Summary**

*This notice explains how you can continue to defer federal income tax on your retirement savings, and contains important information you will need before you decide how to receive your plan benefits.*

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 an 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. 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; an annuity plan described under Section 403(a) of the Code; a tax-sheltered annuity described under Section 403(b) of the Code; and a deferred compensation plan, described under Section 457(b) of the Code, maintained by a governmental employer (governmental 457(b) 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 may contact your plan administrator.

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 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 the following will result.

- 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 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.
- The taxable portion of your payment will be taxed later when you take it out of the Traditional IRA or the eligible employer plan. Depending on the type of plan, the subsequent distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this plan.

If you choose to have a plan payment that is eligible for rollover paid to you, the following will result.

- You will receive only 80 percent of the taxable amount of the payment, because the plan administrator is required to withhold 20 percent 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 also may have to pay an additional 10 percent tax.

- You can roll over the payment by paying it to your 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 percent of the payment to an IRA or an eligible employer plan, *you must find other money to replace the 20 percent of the taxable portion that was withheld*. If you roll over only the 80 percent that you received, you will be taxed on the 20 percent that was withheld and that is not rolled over.

*More Information* 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 an IRA or 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 can tell you what portion of your payment is an eligible rollover distribution.

**A. AFTER-TAX CONTRIBUTIONS (OTHER THAN DESIGNATED ROTH CONTRIBUTIONS)**

If you made after-tax contributions to the plan, these contributions may be rolled into either an IRA or to certain employer plans that accept rollovers of after-tax contributions. The following rules apply.

1. **Rollover into an IRA.** You can roll over your after-tax contributions to an IRA either directly or indirectly. Your plan administrator can tell you how much of your payment is taxable and how much is after-tax. Beginning January 1, 2008 you may also be eligible to roll over these after-tax amounts to a Roth IRA.

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

Once you roll over your after-tax contributions to a Traditional IRA or a Roth IRA (on or after January 1, 2008), those amounts CANNOT later be rolled over to an employer plan.

2. **Rollover into an Employer Plan.** You can roll over after-tax contributions from an eligible employer plan that is qualified under Section 401(a), 403(a), or 403(b) of the Code to another such plan using a direct rollover if the plan receiving the rollover provides separate accounting for such amounts, including separate accounting for the after-tax contributions and earnings on those contributions. You CANNOT roll over such after-tax contributions to a governmental 457(b) plan. If you want to roll over your after-tax contributions to an employer plan that accepts such 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 IRA and then roll over such contributions into an eligible employer plan.

- B. The following are types of payments that 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) 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 ten 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 five percent 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.

**II. DIRECT ROLLOVER**

A direct rollover is a direct payment of the amount of your plan benefits to a Traditional 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 or eligible employer plan. In addition, no income tax withholding is required for any 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 consists of Roth elective deferrals (as described in Part Four below), the Plan will 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.

**A. 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).

**B. DIRECT ROLLOVER TO A ROTH IRA**

For distributions taken after December 31, 2007, you can open a Roth IRA to receive a rollover from your employer's plan if your modified adjusted gross income (MAGI) is not more than \$100,000 and you are not married filing a separate income tax return. The amount of the rollover from your employer plan to the Roth IRA will be treated as a distribution for income tax purposes and is includible in your gross income. Beginning in 2010, the \$100,000 MAGI limit and the married filing separate tax filing restriction will be eliminated for rollover eligibility. Although the rollover amount is generally included in income, the 10 percent early distribution penalty will not apply, regardless if you qualify for any exceptions to the 10 percent penalty. If you choose to have your payment made directly to a Roth IRA, contact a Roth IRA sponsor (usually a financial institution) to find out how to have your payment made as a rollover to a Roth IRA.

**C. DIRECT ROLLOVER TO A PLAN**

If you are employed by a new employer that has an eligible employer plan, and you want a payment from your previous employer's plan directly rolled over to your new employer's 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 your new employer's 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 the receiving plan before making your decision.

**D. 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, and it is paid in a series of payments for less than ten years, your choice to make or not make a direct rollover of the first 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.

**E. 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 tax-sheltered annuity described under Section 403(b) of the Code, a deferred compensation plan described under Section 457(b) of the Code, 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 percent 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 percent 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. If you do not roll it over, special tax rules may apply.

**A. INCOME TAX WITHHOLDING****1. 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 percent of the taxable amount. This amount is sent to the IRS as 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 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 consists of Roth elective deferrals (as described in Part Four below), the Plan will 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.

**2. 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.

**3. 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 an eligible employer plan. 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.

If you receive a payment after December 31, 2007 that can be rolled over under Part I above, you can still decide to roll over all or part of it to a Roth IRA. If you choose to roll it over, *you must contribute the amount of the payment you received to a Roth IRA within 60 days after you receive the payment.* The portion of your payment that is rolled over will be taxed at the time it is distributed, but will not be subject to the 10 percent early distribution penalty.

You can roll over up to 100 percent of your payment that can be rolled over under Part I above, including an amount equal to the 20 percent of the taxable portion that was withheld. If you choose to roll over 100 percent, 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 percent that was withheld. On the other hand, if you roll over only the 80 percent of the taxable portion that you received, you will be taxed on the 20 percent 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 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.)

**B. ADDITIONAL 10 PERCENT 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 percent of the taxable portion of the payment. The additional 10 percent 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) dividends paid with respect to stock by an employee stock ownership plan (ESOP) as described in Section 404(k) of the Code, (5) payments that are paid directly to the government to satisfy a federal tax levy, (6) payments that are paid to an alternate payee under a qualified domestic relations order, (7) payments that do not exceed the amount of your deductible medical expenses, or (8) payments that are paid to you as a qualified military reservist. See IRS Form 5329 for more information on the additional 10 percent tax.

The additional 10 percent tax will not apply to distributions from a governmental 457(b) 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(b) plan to another type of eligible employer plan or to a Traditional IRA will become subject to the additional 10 percent tax if it is distributed to you before you reach age 59½, unless one of the exceptions applies.

**C. SPECIAL TAX TREATMENT IF YOU WERE BORN BEFORE JANUARY 1, 1936**

If you receive a payment 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.

**1. 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.

**2. Capital Gain Treatment**

If you receive a lump sum distribution and you were born before January 1, 1936, and if you 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 percent.

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 or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from a governmental 457(b) plan (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from this plan. If you roll over your payment to a Traditional IRA, a tax-sheltered annuity described under Section 403(b) of the Code, or a governmental 457(b) plan, 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, a tax-sheltered annuity described under Section 403(b) of the Code, or a governmental 457(b) plan, 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.

**D. 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 percent withholding amount will be based on the entire taxable amount paid to you (including 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.

**E. DISTRIBUTIONS FROM GOVERNMENTAL RETIREMENT PLANS FOR HEALTH AND LONG-TERM CARE INSURANCE FOR PUBLIC SAFETY OFFICERS**

If your employer is a governmental entity and you are a public safety officer who, by reason of disability or attainment of normal retirement age has separated from service from your employer, you may take tax-free distributions of up to \$3,000 annually after December 31, 2006, to pay for qualified health insurance premiums. The health insurance premiums must be deducted from amounts distributed from the plan and paid directly to the insurer. Qualified health insurance premiums include premiums for accident or health insurance or qualified long-term care insurance contracts covering you, your spouse, or your dependents.

**F. REPAYMENT OF PLAN LOANS**

If your employment ends and you have an outstanding loan from the 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 percent withholding amount will be based on the entire taxable 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 nonspouse beneficiary, you may directly roll over the payment to an inherited Traditional IRA (Roth elective deferrals and their earnings may only be rolled over to an inherited Roth IRA), or have the payment paid to you. If you have the payment paid to you, you cannot roll it over to an inherited IRA.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10 percent tax described in Part Three Section III above, even if you are younger than age 59½.

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 Three Section 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 five years of participation in the plan.

**PART FOUR — ROTH ELECTIVE DEFERRALS**

This section explains the distribution options available to you and your beneficiaries with respect to the portion of your plan that represents Roth elective deferrals and their earnings. In addition, this section will explain the tax implications of distributions and rollovers, and contains important information you will need before you decide how to receive the portion of your plan that represents Roth elective deferrals. Unless otherwise stated below, the provisions of PART TWO and PART THREE apply (e.g., income tax withholding).

**I. PAYMENT OPTIONS**

You and/or your beneficiaries, plan permitting, have the same payment options as described in PARTS ONE and TWO of this notice available to you with respect to your Roth elective deferrals. See your Summary Plan Description for additional details relating to distribution options. Note, however, that Roth elective deferrals and the earnings attributable to them may not be rolled over to a Traditional IRA. These types of assets may only be rolled over to a Roth IRA or a designated Roth account of another employer plan that accepts direct rollovers of these types of assets. However, once these assets are rolled to a Roth IRA, you CANNOT subsequently roll over your Roth elective deferrals to an employer plan, even if the plan accepts designated Roth contributions. A nonspouse beneficiary may directly roll over Roth elective deferrals, and the earnings attributable to them, to an inherited Roth IRA.

**II. TAXATION OF DISTRIBUTIONS**

Roth elective deferrals and their earnings are distributed tax-free to you if the distribution is considered 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 is distributed

- after you have attained age 59½,
- to your beneficiaries after your death, or
- on account of your disability.

If a direct rollover is made from a designated Roth account under another plan, your five-taxable-year period begins on the first day of your taxable year for which you first had designated Roth contributions made to the other plan, if earlier. Your plan administrator is responsible for tracking the five-year period for the designated Roth contribution portion of your account.

If you or your beneficiaries take a distribution before satisfying the requirements for a qualified distribution, listed above, the distribution will be a nonqualified distribution and you must include the portion of the distribution attributable to earnings in your income. The portion attributable to the basis (amount contributed as deferrals) is excluded from your income.

All distributions from a designated Roth account, whether qualified or nonqualified, consist of a pro rata portion of Roth basis and earnings. The amount of the distribution attributable to basis is determined by applying to the distribution the ratio of the amount of deferrals as compared to the total value of the Roth elective deferrals and earnings. For example, if you have \$9,400 of basis and \$600 in earnings and you take a \$5,000 distribution, you will receive \$4,700 in basis and \$300 in earnings ( $\$9,400/\$10,000 \times \$5,000 =$  return of basis). Your plan administrator is responsible for calculating the amount of the basis and earnings for each distribution and reporting them to you, upon your request.

**III. ROLLOVER OPTIONS**

If you receive an eligible rollover distribution (as defined in PART THREE of this notice) from your designated Roth account, you have the option to roll it over to either a Roth IRA or another designated Roth account under an eligible plan.



**A. ROLLOVER TO ANOTHER DESIGNATED ROTH ACCOUNT**

You, or your spouse beneficiary upon your death, may directly roll over a qualified or nonqualified distribution to a designated Roth account under another similar plan that is eligible and willing to receive the rollover. For example, if the distribution is from a designated Roth account under a 401(k) plan, it may be directly rolled to a designated Roth account under another 401(k) plan. If a nonqualified distribution is payable to you, the nontaxable portion may not be rolled to another designated Roth account. If a direct rollover is made from a designated Roth account under another plan, your five-taxable-year period in the receiving plan begins on the first day of your taxable year for which you first had designated Roth contributions made to the other plan, if earlier.

**B. ROLLOVER TO A ROTH IRA**

You, or your spouse beneficiary upon your death, may roll over a qualified or nonqualified distribution to a Roth IRA. This rollover may be done directly from the plan to the Roth IRA, or you may roll it over within 60 days of receiving the distribution from the plan. 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. Upon completion of the rollover to a Roth IRA, these amounts are subject to the Roth IRA rules. The period that the rolled-over funds were in the designated Roth account does not count towards the five-taxable-year period for determining qualified distributions from a Roth IRA. Once you have satisfied the requirements for a qualified distribution from a Roth IRA, the distribution from the Roth IRA will be tax-free. For tax years prior to 2010, your eligibility to roll over designated Roth contributions to a Roth IRA may be limited if your modified adjusted gross income exceeds certain limits. Consult with your tax advisor to determine if you are eligible to perform this transaction.

A nonspouse beneficiary may directly roll over Roth elective deferrals and their earnings to an inherited Roth IRA. The Roth IRA must be maintained as an inherited Roth IRA, subject to the beneficiary distribution requirements (i.e., a nonspouse beneficiary may not roll over these assets to his or her own Roth IRA.)

**How To Obtain  
Additional  
Information**

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. 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 the 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-FORM.