Withdrawal Instructions - Eligible for Rollover

This form should be completed if:

- You have been terminated from your Employer for at least sixty (60) days and want to take a distribution of your vested account balance.

OR

- Your plan allows you to take in-service withdrawals.

Step 1: Complete the Withdrawal Instructions - Eligible for Rollover form. Each section should be completed in full. Incomplete information will delay your distribution.

Step 2: Return the completed form to Pentegra via fax at 864-370-5815 or via secure email at UGSOA-Admin@pentegra.com.

Allow 2-3 weeks from the date our office receives the completed form for your distribution to be mailed or sent by ACH.

Contact Pentegra's Call Center at 1-866-633-4015 if you have any questions.

Plan Name		Client #
UGSOA Retirement Plan and Trust - Paragon Systems, Inc.		PARSYS-K
Participant Name	Participant SSN	Participant Date of Birth
Participant Address	City State	Zip
Participant Phone ( )	Participant Email	

Important Information

- **It is important that you provide your address or confirm it if already provided above.**
- Direct deposits that are not able to be processed will be mailed to the address provided above.
- A 1099R form will be issued for each distribution and loan default (if applicable) to the address provided above. Contact the Call Center at 1-866-633-4015 for any changes in address.

Section 1 – Reason for Your Distribution

☐ **Separation From Service**
(check one of the following and provide date)

Month	Day	Year

☐ Termination of Employment ☐ Normal / Early Retirement ☐ Disability

☐ Check here if there are outstanding loans – Will any outstanding loan balances be offset? ☐ No ☐ Yes
(If yes, a separate 1099 will be created.)

☐ **In-Service** *(must complete Section 2)* A distribution to a Participant who has not yet separated from service and has satisfied any other conditions required by the Plan (e.g., attained age 59 ½).

☐ Age 59 ½ or older ☐ Employee Rollover Only

☐ Age 55 or older (Employer contribution accounts only are eligible for withdrawal)

Section 2 – Distribution Amount

☐ **Total Withdrawal** (100% of my vested account value)

☐ **Partial Withdrawal** (I understand up to 90% of my vested account value may be requested)

$ ____________ OR ____________ %

Section 3 – Distribution Instructions

☐ Direct Payment to Participant (Skip to Section 5 - subject to mandatory federal taxes & if applicable, state taxes – see Section 6 & 7)

☐ Direct Rollover (see Section 4)

☐ Direct Payment to Participant of $____________________ or __________% (see Sections 5, 6 and 7) AND Direct Rollover of remaining balance (see Section 4)

☐ Direct Rollover of $____________________ or __________% (see Section 4) AND remaining balance Paid to Participant (see Sections 5, 6 and 7)

Section 4 – Payment Instructions for Direct Rollovers

A check will be issued for ALL Direct Rollovers and will be mailed to the participant at the address provided on page 1. The participant is then responsible for mailing the check to the recipient along with any additional paperwork the recipient requires.

☐ Direct rollover to an IRA

____
Financial Institution Name

____
IRA Account #

☐ Direct rollover to another Section 401(a) Qualified Plan, Section 403(b) Plan or Governmental Section 457 Plan

The Trustee of
____
Plan Name

____
Financial Institution Name

____
Account #

Section 5 –Payment to Participant - Method of Payment

☐ Check – Allow 10-15 business days for regular mail delivery. Address information must be provided before the check will be issued.

☐ Direct Deposit – Allow 5-10 business days for processing time.

If this information is incomplete or incorrect, a check will be mailed to the participant address listed on Page 1 of this form and your distribution will be delayed.

Direct Deposit Information	
Bank Name	**ACH** Transit/Routing # (ABA# is 9 digits – Confirm this # with the Bank as it may not be the same as the routing number on your check)
Bank Account Number	Account Name (must include participant name)
City State Zip	☐ Checking ☐ Savings

Section 6 – Federal Income Tax Election

FEDERAL: Eligible rollover distributions are subject to federal income tax. Federal law requires that 20% of the taxable amount of the distribution be withheld, unless payment is directly rolled over to another Section 401(a) qualified plan, Section 403(b) plan, Government Section 457 plan or IRA. The amount withheld may not represent your entire tax bill. The mandatory tax withholding requirements do not apply if the eligible rollover distribution is being rolled over to a Roth IRA. The rollover will be reported to the IRS and you are responsible for the payment of the income tax(es) that apply in connection with the rollover. Refer to the Special Tax Notice provided by the Plan Administrator regarding the tax rules. Contact your tax advisor or the IRS if you have any questions regarding the withholding tax rules. Note: Amounts under $200 are not subject to federal income tax withholding.

☐ I elect a federal tax rate of 20%

☐ I elect a federal tax rate of 20% plus an additional __________% (specify a whole number) for a **total** of __________%

Section 7 – State Income Tax Election

STATE: Contact your state's Department of Revenue if you have any questions regarding the withholding tax rules.

Enter State of Residence at the time of your distribution if state tax withholding should be taken for a state other than the state provided to us.

State of Residence

State of Residence	Options for State Tax Withholding
AR, DC, DE, IA, KS, MA, MD, ME, NC, NE, OK, VA, VT	MANDATORY State Withholding. You may not opt out of state tax withholding. State income tax will be withheld based on the states' applicable minimum requirements.
MI	State tax withholding of 4.35% will be applied unless one of the following is elected: ☐ I elect to opt out of withholding ☐ I am eligible to claim an exemption of $_______________; withhold tax only on the taxable distributed amount that is in excess of the exempt amount. If you check one of the boxes above, you are also required to complete Form MI W-4P and return with this form. Form MI W-4P may be obtained from the MI State Revenue website.
CA, OR	I elect to opt out of the mandatory state withholding by checking here ☐.
AL, CO, CT, GA, ID, IL, IN, KY, LA, MN, MO, MS, MT, ND, NJ, NM, NY, OH, PA, RI, SC, UT, WV, WI	I elect to have voluntary state income tax withholding of: ☐ _________% ☐ $ _______________

Section 8 – Participants over 70 ½ - Required Minimum Distributions

If you: (1) have terminated employment, (2) are age 70 ½ or older this year and (3) your current Requirement Minimum Distribution (RMD) has not been fulfilled, you will receive a check for the amount of your RMD mailed to the address provided on page 1 and you will receive a subsequent distribution for the balance of your vested account processed in accordance with the instructions on this form.

The Internal Revenue Code requires the Plan to make "required minimum distributions" (RMD) to you. <u>Failure to take a distribution of the RMD results in a 50% excise tax penalty to you as the participant.</u> You may not roll over the required minimum distribution.

RMD Income Tax Withholding

FEDERAL: Your minimum distribution, if more than $200.00, is taxable and is subject to Federal income tax withholding at the rate of 10%. Even if you elect not to have Federal income tax withheld, you are liable for payment of Federal 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. Contact your tax advisor or the IRS if you have any questions regarding the withholding tax rules.

☐ I do **not** want Federal income tax withheld. No state tax will be withheld.

☐ Please withhold from the total taxable amount for Federal income tax: ________ **%**
(specify a whole number above 10%)

STATE: If federal income tax was withheld, then state income tax will be withheld from the taxable portion of your benefit if you are a resident of **AR, DC, DE, IA, KS, ME, MA, NC, NE, OK, VT, VA**. If you are a resident of **CA or OR**, state income tax will be withheld unless you elect otherwise. If you are a resident of **MI**, you are required to complete Form MI W-4P and return it along with this form. Residents of states that allow voluntary withholding may elect to have state income tax withheld from the taxable portion of your benefit. Contact your state's Department of Revenue if you have any questions regarding the withholding tax rules.

☐ I do **not** want state income tax withheld.

☐ Please withhold from the total taxable amount for state income tax:

________ **%** **$** ________

State of Residence

Section 9 – Participant Consent and Signatures

In accordance with state law, where applicable, any person who knowingly presents false or fraudulent claim for the payment of a loss is guilty of a crime and may be subject to fines and confinement in state prison.

Under penalties of perjury, I certify that:

(1) The number shown on this form is my correct Taxpayer Identification Number (Social Security Number).

(2) I am not subject to backup withholding because:

- I am exempt from backup withholding; or
- I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of failure to report all interest and dividends; or
- The IRS has notified me that I am no longer subject to backup withholding.

(3) I am a resident of the U.S. or a U.S. resident alien.

I consent to an immediate distribution of the elected portion of my Vested Account Balance. I affirmatively waive any unexpired portion of the minimum 30-day notice period during which I may consent to a distribution from the Plan.

Subsequent to the distribution, but no more than 180 days, if you are eligible for an additional allocation of earnings or employer contributions, the Plan Administrator will treat this consent to the distribution as applicable to the subsequent allocation and will make a subsequent distribution of such amounts in accordance with this election. Distribution fees will apply for each subsequent distribution processed.

Signature of Participant	Printed Name	Date

Section 10 – Third Party Administrator (TPA) Distribution Fee

The following Third Party Administrator Fee will be deducted from your net withdrawal amount: $ 75.00

Information About Your Distribution

MINIMUM NOTICE PERIOD. ***For at least 30 days after you receive this notice,*** you have the right to consider your decision whether to consent to a distribution of your Vested Account Balance and whether to elect a direct rollover of any portion of your distribution eligible for rollover. If you sign and return the attached Participant Distribution Election form to the plan administrator less than 30 days after you receive this notice, the plan administrator's receipt of your signed form is *your affirmative waiver* of any unexpired portion of the minimum 30-day period and your affirmative election of a distribution or a direct rollover.

DISTRIBUTION CHARGE. The plan administrator will charge your account directly for the reasonable expenses associated with processing your distribution. The amount of the charge (if applicable) will be: $75.00.

BENEFIT PAYMENT OPTIONS. You may elect distribution in the following forms: Direct rollover or Lump sum payment.

You also may elect one form of payment for part of your Vested Account Balance and another form of payment for another part of your Vested Account Balance. For example, you may elect direct rollover for part of your Vested Account Balance and a lump sum payment for the other part. See Special Tax Notice Regarding Plan Payment for rules on splitting your distribution.

If you are less than 100% vested in your Account Balance, and you elect distribution before you have incurred five consecutive breaks in service, you must elect a lump sum payment or direct rollover, known under the Plan as a "cash-out distribution." A cash-out distribution results in the forfeiture of the non-vested portion of your Account Balance. Your election of a cash-out distribution is consent to this forfeiture. If you return to employment with the Employer before your fifth consecutive break in service, the Plan provides you a 5-year period during which you may repay the entire amount of your cash-out distribution and restore your forfeited non-vested Account Balance.

FINANCIAL EFFECT OF DISTRIBUTION OPTIONS. A direct rollover means the Plan pays the distribution amount directly to another plan or to an IRA. See Special Tax Notice Regarding Your Plan Payment, included with your package. A lump sum payment means you receive a single payment of the distribution amount. If the Trustee invests your account in the same manner as other trust fund assets, because of the investment performance of the trust fund (or, if you direct your own investments in accordance with the Plan, because of the performance of your individual investments), the total amount the Trustee ultimately pays you could be more or less than the value of your Vested Account Balance as of the proposed distribution date or as of the date of the termination of your employment with the Employer. If you elect an installment distribution, you also must complete a Beneficiary Designation form. If you are married, your spouse must consent to the beneficiary designation unless your spouse is the only designated beneficiary.

CONSEQUENCES OF FAILING TO DEFER YOUR DISTRIBUTION. Your decision whether to take your distribution now or to defer receipt of your distribution has tax implications to you.

Loss of pre-tax growth. If you take the distribution now (and do not roll over the distribution): (1) you must include the distribution in your gross income for the year of the distribution, except to the extent you have "basis" (after-tax dollars) in your account; and (2) you lose the opportunity to defer taxation on any earnings on your account balance and to earn additional pre-tax earnings on the earnings themselves (referred to as compounding of pre-tax earnings). The longer you delay the distribution, the longer the period you have to accumulate more earnings in your account.

Potential 10% additional tax. If you currently are under age 59½ and you receive your distribution, the taxable portion of the distribution of the distribution will be subject to a 10% penalty tax in addition to any federal income tax, unless an exception applies. Deferring the distribution until you attain age 59½ avoids this 10% penalty. See the Special Tax Notice Regarding Plan Payments given to you with this Notice for a further explanation of the tax consequences of your distribution alternatives.

Rollover benefits. If you roll over the distribution (either by a direct rollover or by receiving the distribution and rolling over the distribution within 60 days of receipt), you can continue to receive the benefits of retirement plan growth, as is more fully explained in the Special Tax Notice Regarding Plan Payments.

Potential investments and fees. Some investment choices under the Plan may not be generally available on similar terms outside the Plan. Fees and expenses (including administrative or investment-related fees) outside the Plan may be different from fees and expenses that apply to your Plan account. Please contact the Plan Administrator at Pentegra Services, Inc. , 124 Verdae Boulevard, Suite 302, Greenville, SC 29607, (888) 822-68322 to obtain additional information on (1) the general availability outside the Plan of the Plan's currently available investment options or (2) the fees and expenses which apply to your account.

FURTHER INFORMATION. If you have any question regarding the information provided in this notice or any form included with your distribution package, please contact the plan administrator of the Plan.

Special Tax Notice Regarding Plan Participants

(*Alternative to IRS Safe Harbor Notice - For Participant*)

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

A. TYPES OF PLAN DISTRIBUTIONS

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

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

Deciding where to roll over a distribution. An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to an IRA or to split your rollover amount between the employer plan in which you will participate and an IRA. You also should find out about any documents you must complete before a receiving plan or IRA sponsor will accept a rollover. If an employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse's consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover also may be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover regarding subsequent distributions and taxation of the amount you will roll over, prior to making the rollover.

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

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

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

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

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

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

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

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

90-day automatic enrollment withdrawals. Contributions made under special automatic enrollment rules that you request to withdraw within 90 days of enrollment.

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

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

After-tax/rollover into an IRA. You may roll over your after-tax contributions to an IRA (including a Roth IRA) either directly or indirectly. The Plan Administrator will assist you in identifying how much of your payment is the taxable portion and how much is the after-tax portion. 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 you to determine the nontaxable amount of any future distributions from the IRA. Once you roll over your after-tax contributions to an IRA, you may NOT later roll over those amounts to an employer plan, but may roll over your after-tax contributions to another IRA.

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

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

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

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

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

B. DIRECT ROLLOVER

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

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

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

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

Automatic rollover of certain distributions. If your distribution is an eligible rollover distribution and the Plan will distribute your account balance (without your consent as required by the Plan), you still may elect whether to receive or to roll over the distribution. The Plan may distribute your account without your consent in limited circumstances (e.g., if your vested account balance does not exceed $1,000). The Plan Administrator will provide you a distribution notice and/or election forms that will advise you whether the Plan will distribute your account without your consent. If the Plan does distribute without your consent, you still may elect whether to receive the distribution or to directly roll over the distribution to another plan or to an IRA (subject to the exception for distributions less than $200 discussed above).

Taxation of direct rollover of pre-tax distribution to Roth IRA. If you directly roll over a pre-tax distribution to a Roth IRA, the taxable portion of the distribution is subject to taxation for the taxable year in which the distribution occurs (except that a special taxation rule applies to distributions during 2010 that you roll over to a Roth IRA, under which the distribution can be subject to taxation ratably during 2011 and 2012).

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

C. DISTRIBUTIONS YOU RECEIVE

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

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

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

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

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

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

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. To apply for a waiver, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590, Individual Retirement Arrangements (IRAs).

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

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

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

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

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

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

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

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

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

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

Repayment of participant loans. If you have an outstanding 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(including the 10% penalty tax on early distributions, unless an exception applies) 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.

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

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

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

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