



PARTICIPANT DISTRIBUTION NOTICE

You have requested, or are otherwise eligible for, a distribution from the Diocese of Stockton Lay Retirement Plan. Please find enclosed a distribution package, which includes the following items for your attention:

- Instruction Sheet
- Distribution/Rollover Request Form
- Special Tax Notice for Distributions from Qualified Retirement Plans
- List of Available Investments in your Plan

If you would like to receive a distribution from the Plan, please return the enclosed Distribution/Rollover Request Form **and a copy of your driver's license or federal ID** to the address below. In order to prevent identity theft and ensure that retirement funds are distributed to the proper individual, we ask that all signatures be notarized.

Human Resources Department, Diocese of Stockton, 212 N. San Joaquin St., Stockton, CA 95202

Distributions: All vested funds in your account balance will be distributed according to your election in the Distribution/Rollover Request form as soon as administratively possible after receiving the form.

Minimum Notice Period: For at least 30 days after you receive this notice, you have the right to consider your decision whether to take a cash distribution of your vested account balance or elect a direct rollover of any portion of your eligible rollover distribution. If you sign and return the Distribution/Rollover Request Form less than 30 days after you receive this notice, the plan administrator's receipt of your signed form is your affirmative waiver of your 30-day right of review and your affirmative election of a distribution or a direct rollover. Please be advised that it requires 10 business days to process your distribution request. If additional contributions are due to your account, additional processing time may be required. If a terminated employee cannot be located or if a terminated employee doesn't reply in a timely manner (30 days), then their funds will be put into an IRA in their name.

Distribution Charge: All distributions are subject to an account-closing fee of \$75. The fee will be deducted from your account balance prior to the distribution. Delivery can be expedited for an additional charge of \$30 for overnight delivery.

Financial Effect of Distribution Options: Distributions from qualified retirement plans can have serious tax implications. The enclosed Special Tax Notice explains the available distribution options and the tax consequences of each option. Please read all of the enclosed information carefully.

If you have any questions or believe that you have received this notice in error, please contact BlueStar Retirement Services at 1-800-878-5220.

Diocese of Stockton Lay Retirement Plan

Instructions for Distribution/Rollover Request Form

Before you complete the Distribution/Rollover Request Form, please read the following instructions. Each item below corresponds with the steps on the form and contains important information that you may want to consider before completing the form. If you require additional information, please contact BlueStar Retirement Services at 1-800-878-5220.

STEP 1: PARTICIPANT INFORMATION

The information requested in this section applies to the Participant, and not the Beneficiary in the event of the Participant's death. Please be aware that if the address provided on the Distribution/Rollover Request Form is different from the address on your statement, we will change the address as indicated on the Distribution/Rollover Request Form. No distributions from your account will be processed until 15 calendar days have elapsed from the date of the address change. All correspondence to your account will then be sent to the new address.

STEP 2: BENEFICIARY INFORMATION

If you are the Beneficiary on this account and are requesting this distribution in the event of the Participant's death, please provide the requested personal information to ensure that the check (if applicable) is sent to the correct address and to ensure proper reporting to the federal government. **Please note that a death certificate is required to disburse money to a Beneficiary** and, if the Beneficiary is not the Participant's spouse, a Beneficiary Designation Form properly executed by the Participant specifying you as the designated Beneficiary is also required.

STEP 3: REASON FOR DISTRIBUTION

You **must** indicate a reason for the distribution. Federal tax law and your retirement plan allow distributions only for certain events. Please note the appropriate reason (Death or Termination) on the enclosed Distribution/Rollover Request Form.

STEP 4: METHOD OF DISTRIBUTION

As described in more detail in the attached *Special Tax Notice Regarding Plan Payments*, cash distributions from your retirement plan will result in a taxable event. However, money that is directly rolled over to another qualified plan or IRA is not subject to current taxation. This section allows you to specify what part, if any, of your distribution will be distributed as a cash payment and what part, if any, will be directly rolled over to another qualified plan or IRA. Please note that if you are the Beneficiary on the account, you may choose to 1) Rollover the account balance to an IRA in your name or to another qualified plan in which you are participating or 2) Take a lump-sum cash distribution.

Section A.

Choose option 1 (A direct rollover of my *entire* vested account balance as specified in Step 4) if you wish to rollover all of your distribution to another qualified plan or IRA and thereby avoid a taxable event.

Choose option 2 (A lump-sum distribution of my *entire* vested account balance as specified in Step 4) if you wish to receive a check for the full amount of the distribution made payable to you. Note that the full amount of this distribution is taxable to the payee and that federal law requires 20% of your distribution to be withheld for federal tax purposes.

Choose option 3 (A direct rollover of the following *portion* of my vested account balance as specified in Step 4) if you wish to rollover only a portion of your distribution to another qualified plan or IRA and wish to receive the balance as a direct payment to you. Note that the portion of the distribution paid to you is taxable and that federal law requires 20% of the cash portion of the distribution to be withheld for federal tax purposes.

Section B. Complete this section if you chose either Option 1 or 3 in Step 4, Section A. Taxes will not be withheld from the rollover portion if the check is made payable to another investment provider for your benefit. This check can be mailed directly to the investment provider at the address you provide on your behalf. If you prefer, you can check the box "Do not send check on my behalf" and the check will be mailed directly to you. You can then provide this check to your investment provider.

Section C. Complete this section if you chose either Option 2 or 3 in Step 4, Section A. The check will be mailed to the Participant's address specified in Step 1 or to the Beneficiary's address specified in Step 2.

Section D. Distributions will be made as soon as administratively feasible. If additional contributions are due to your account, additional processing time may be required. Once the distribution processing is complete, your check can be sent via regular mail or

overnight delivery. The additional costs associated with overnight delivery will be deducted from your disbursement amount. Overnight requests cannot be delivered to a P.O. Box.

STEP 5: INCOME TAX WITHHOLDING

If you chose in Step 4 to directly rollover the entire amount of your distribution to another qualified plan or IRA, skip to Step 6. If you chose in Step 4 to receive any portion of your distribution as a cash payment to you, specify your preferences regarding federal and state withholding in Step 5.

Federal Income Taxes: Note that federal law requires that 20% is withheld from any eligible rollover distribution that is not rolled over directly to another qualified plan or IRA. You cannot opt out of this withholding. You can only specify that you would like *additional* funds withheld for federal income tax purposes.

State Income Taxes: Some states require that state income taxes be withheld. State taxes in excess of those specified in the state tax tables cannot be withheld.

STEP 6: YOUR SIGNATURE

Please sign and date in the spaces indicated in front of a notary to avoid delays in processing your distribution request. Please note that your signature certifies that you have read all of the enclosed materials and that the information that you have provided is true and accurate. In order to prevent identity theft and ensure that retirement funds are distributed to the proper individual, we ask that all signatures be notarized.

STEP 7: PLAN SPONSOR APPROVAL

Once you have completed Steps 1-6, please send the completed form to the address indicated on the cover letter. Once approval from your Plan Sponsor is received, your distribution request will be processed. Please note that approval by your Plan Sponsor is still required even if you are no longer employed by the employer identified in Step 1.

Diocese of Stockton Lay Retirement Plan

Distribution/Rollover Request Form

Instructions: Use this form if you wish to request a distribution or rollover from your account in the Diocese of Stockton Lay Retirement Plan. Please complete Steps 1 through 6 to avoid delays in processing your request. Please note that requests for a distribution of your total account balance cannot be processed until all contributions to your account have been made. **A copy of your driver's license or federal ID must also be submitted with your form.**

STEP 1: PARTICIPANT INFORMATION

Participant's Name (Last Name, First Name, Middle Initial):		Social Security Number:	Date of Birth:
Marital Status: <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Widowed Divorced, Date Divorce Effective _____			
Street Address:			
City:	State:	Zip Code:	
Email Address:	Daytime Phone:	Evening Phone:	
Company/Worksite Employer:	Date of Hire:	Employment Status: <input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> Seasonal	

If you are the Beneficiary on the account, please provide the following information.

STEP 2: BENEFICIARY INFORMATION

Beneficiary's Name (Last Name, First Name, Middle Initial):		Beneficiary's Social Security Number:	Date of Birth:
Relationship to Participant:			
Street Address:			
City:	State:	Zip Code:	
Email Address:	Daytime Phone:	Evening Phone:	

STEP 3: REASON FOR DISTRIBUTION

Please check one of the following options. Please attach a copy of the death certificate if the reason for distribution is due to Participant Death and be sure to complete Step 2 Beneficiary Information. An account-closing fee of \$75 applies to your disbursement.

- Termination/Separation from Service, effective on: _____/_____/_____
(Month/Day/Year)
- Death, occurred on: _____/_____/_____
(Month/Day/Year)

STEP 4: METHOD OF DISTRIBUTION

Specify the method of distribution in Section A, the recipient of any direct Rollover funds in Section B, and the recipient of any lump-sum distributions payable to the Participant or Beneficiary in Section C.

A. Method of Distribution

- Option 1:** A direct rollover of my entire vested account balance to the traditional IRA or qualified plan designated in Section B below.
- Option 2:** A lump-sum distribution of my entire vested account balance to the Participant or Beneficiary designated in Step 2 above. Please note that any money paid directly to you will be subject to mandatory federal tax withholding of 20%.
- Option 3:** A direct rollover of the following *portion* of my vested account balance to the traditional IRA or qualified plan designated in Section B below: _____% or \$ _____ (not less than \$500), with the balance paid in a lump-sum, less mandatory federal tax withholding (Complete Sections B and C below). If your vested account balance is less than \$500, you may not choose Option 3.

B. Recipient of Direct Rollover Funds **Direct rollover to an Individual Retirement Account(IRA):**

IRA Account Name		Traditional IRA Account #	Roth IRA Account #
Check Payable To (Name of Financial Institution):			
Address of Financial Institution:			
City of Financial Institution:	State of Financial Institution:	Zip Code of Financial Institution:	
<input type="checkbox"/> Do not send check on my behalf directly to Financial Institution; send check directly to me (made payable to Financial Institution)			

 Tax deferred direct rollover to another Qualified Plan Be sure to verify with the receiving Plan the appropriate payee and address to which to send rollover funds:

Check Payable To (Name of Plan Trustee or Custodian)		
Address of Plan Trustee or Custodian:		
City of Plan Trustee or Custodian:	State of Plan Trustee or Custodian:	Zip Code of Plan Trustee or Custodian:
<input type="checkbox"/> Do not send check on my behalf directly to Plan Trustee/Custodian; send check directly to me (made payable to Plan Trustee/Custodian)		

C. Recipient of Cash Distribution Participant Beneficiary (Please attach Death Certificate and Beneficiary Designation Form)**D. Delivery Options** Specify how you would like funds delivered. Regular Mail Overnight Delivery (an additional fee of \$30 applies for overnight delivery).**STEP 5: INCOME TAX WITHHOLDING**

Distributions of taxable contributions plus earnings on all contributions, not directly rolled over to another qualified plan or traditional IRA, are subject to federal income tax. Contributions that were not previously taxed that are rolled into a Roth IRA are also subject to federal income tax. Federal law requires that 20% of the taxable amount of the distribution be withheld on any funds eligible for rollover. Please note that the amount withheld may not represent your entire tax bill. Please read the attached *Special Tax Notice*. Contact your tax advisor or IRS if you have any questions concerning your withholding or the Notice.

Federal Income Taxes

- I elect to withhold from my distribution only the mandatory 20% of the taxable amount for federal income tax purposes.
- I elect to have the mandatory 20% withholding *plus* an additional \$ _____ of the taxable amount withheld for federal income tax purposes.

State Income Taxes

- I elect **not** to have state income taxes withheld from my distribution. Please note that some states require state income taxes to be withheld and these will not be waived.
- I elect to have state taxes withheld according to state tax tables. Please note that state taxes in excess of state tax tables cannot be withheld.

STEP 6: YOUR NOTARIZED SIGNATURE

I certify that I have received the Special Tax Notice Regarding Plan Payments, which explains the tax consequences of, and the direct rollover option available with respect to, my distribution from my retirement savings plan. I understand that I have the right to consider the information provided in the Special Tax Notice Regarding Plan Payments for at least 30 days. To the extent that my distribution from the Plan can be made, or begin to be made, before the close of the 30-day period beginning with the date I received the Special Tax Notice, I hereby waive my right to consider the content of that notice for the full 30-day period and I hereby consent to the making of my distribution from the Plan as soon as administratively feasible. I further certify that all information provided by me is true and accurate. I certify under penalties of perjury that the Social Security number under which I requested this transaction is my correct taxpayer identification number. If I am a non-resident alien, I have attached IRS Form W-8BEN and included my US taxpayer identification number with this form in order to claim any applicable tax treatment benefits.

Signature: _____ Printed Name: _____ Date: _____

To be completed by a notary public.*

Notary Stamp should be provided below:

Sworn before me this day of _____, 20_____.

In the State of _____ County of _____

Notary Public _____

My commission expires: _____

*In order to prevent identity theft and ensure that retirement funds are distributed to the proper individual, we ask that all signatures be notarized.

STEP 7: PLAN SPONSOR APPROVAL

Step 7 is completed by the Plan Sponsor representative.

On behalf of (Name of Participant)	Date of Hire:	Date of Termination (if applicable):
Final contribution for Participant was or will be submitted on ____/____/____ for the pay period ending ____/____/____ (Month/Day/Year) (Month/Day/Year)		

Please attach, as appropriate, the requisite proof for disbursement event including proof of disability for disability disbursement, proof of termination for termination distributions, proof of retirement for retirement distributions, and Beneficiary Designation Forms for disbursements to a Beneficiary.

I acknowledge that the distribution requested on this form for the reason(s) indicated in Step 3 of this form is permitted under the terms of the employer plan.

Signature: _____ Printed Name: _____ Title: _____ Date: _____

RETURN INSTRUCTIONS:

To avoid processing delays and the potential rejection of your submission, please follow the instructions on the form carefully. As an additional security measure, we are requesting that you return a copy of your Driver's License and have your signature notarized. We understand that these additional requirements can pose a hardship to account holders and sincerely regret the necessity of such measures. In light of the rising instances of identity theft, BlueStar and your employer are taking additional steps to ensure the security of your account.

Don't Forget: Did you include a legible copy of your driver's licence or federal ID? Is your signature notarized? You can obtain a notarized signature at your bank or at many mailing companies like UPS.

Human Resources Department, Diocese of Stockton, 212 N. San Joaquin St., Stockton, CA 95202

SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS
(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. Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution.

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

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

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

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

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

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

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

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

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

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

B. DIRECT ROLLOVER

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

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

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

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

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

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

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

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

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

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

C. DISTRIBUTIONS YOU RECEIVE

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

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

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

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

You 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, or if you wish to have an amount other than 10% withheld, you will need to sign and date IRS Form W-4P, checking the box opposite line 1. The Plan Administrator will provide you Form W-4P if your distribution includes an amount that does not constitute an eligible rollover distribution. If you do *not* return the Form W-4P to the Plan Administrator prior to the distribution, the Plan Administrator will treat the failure to return the form as an *affirmative election* to have 10% withholding apply.

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

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

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

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

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

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

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

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

Repayment of participant loans. If you have an outstanding 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. The IRS plans to split Publication 590 into Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs), and IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs). These publications are available from a local IRS office, on the IRS’s Internet Website at www.irs.gov, or by calling 1-800-TAX-FORMS.

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

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

Election against special rule. You may elect not to have the special rule apply to net unrealized appreciation. If you elect not to apply the special rule, your net unrealized appreciation is taxable in the year of distribution, unless you roll over the stock. You may roll over the stock to an IRA or to another eligible employer plan in a direct rollover or a 60-day rollover. Generally, you no longer will be able to use the special rule for net unrealized appreciation if you roll the stock over to an IRA or to another eligible employer plan.

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

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

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