SOUTH CENTRAL ANNUITY FUND

Administrative Office
8441 Gulf Freeway Suite 304
Houston, TX 77017
713-643-9300 (or) Toll Free 1-866-236-3148
Fax 866-316-4794

APPLICATION FOR WITHDRAWAL

Instructions:

- Print all information in ink.
- Identification is required. Include applicable copies of drivers license or birth certificate, marriage license, certified copy of final divorce decree, or original death certificate.
- Read the "Explanation of Qualified Joint and Survivor Annuity (QJSA)."
- Read and discuss the "Special Tax Notice Regarding Plan Payments" with your tax advisor.
- The Applicant's Certification must be signed and Notarized. (See Page 3)
- If the account balance exceeds $5,000 and you select a payment option other than a 50% Qualified Joint and Survivor Annuity (50% QJSA) or 75% Qualified Optional Survivor Annuity (75% QOSA), the Participant's Affidavit and Spouse's Affidavit must be signed and Notarized. (See Page 4)
- Include copies of any other information you believe is pertinent to your application.

PARTICIPANT INFORMATION

Participant's Name ______________________________ Soc Sec No ____________________
(Last) *First)* *(Middle)*

Address ____
(Mailing Address) *(City)* *(State)* *(Zip Code)*

Date of Birth __________________ Home Phone ____________________ Local Union No ______
(Attach copy of identification)

Marital History: *(Attach proof of marriage, divorce, or spouse's death)*

Married __________ Divorced __________ Widowed __________ Never Married ____
(Date) *(Date)* *(Date)*

Current Spouse's Name ____________________ Soc Sec No ____________ Date of Birth __________
(Attach copy of identification)

Have you ever been divorced?

❐ **Yes** ❐ **No** **If yes,** and if your account balance exceeds $5,000, you must enclose a complete copy of each and every divorce decree marked as filed by the court and signed by the judge.

BASIS FOR ELIGIBILITY

Enter the last date of Covered Employment ______________.

Check one of the following reasons for making application for withdrawal of benefits under this Plan:

☐ **Normal Retirement** - Age 65 (may continue to work)

☐ **Early Retirement Benefits** - Age 55 but before age 65 (a participant shall only receive one distribution under Early Retirement Benefits). You must be completely withdrawn from the operating engineering industry and provide proof of retirement:

___ Central Pension Fund IUOE benefits ___ Social Security ___ Other proof of retirement

☐ **Disability Benefits:**
A copy of the Social Security Administration Notice of Disability Benefits must be provided as proof of disability.

☐ **Termination of Covered Employment**:
The Plan permits distributions after a participant has been absent from covered employment for two full years (24 consecutive months), during which no employer contributions are made to the Plan.

PAYMENT OPTION ELECTION

Check one of the following payment options (if your account balance is $5,000 or less, only a Lump-Sum Payment may be selected):

☐ 50% QJSA +

☐ 75% QOSA +

☐ Single Life Annuity +

☐ Lump Sum Payment

☐ Minimum Distribution (applicable to participants over 70 ½ years of age)

+ NOTE: The options marked with "+" must be negotiated with an insurance company from which an insurance annuity would be purchased. Contact the Administrative Office, if you need assistance with these payment options.

ELECTION OR REJECTION OF DIRECT ROLLOVER TO AN IRA OR RETIREMENT PLAN

Attention: Before completing this form please review the "Special Tax Notice Regarding Plan Payments" and the "Explanation of Qualified Joint and Survivor Annuity (QJSA)." You may also wish to consult with your professional tax advisor before making this election. If you will receive part or all of your benefits as a lump sum or for a specified period of less than 10 years, the payment will be an "eligible rollover distribution." You may elect to have part of or all of that distribution transferred directly to a traditional Individual Retirement Account (IRA) or to another qualified retirement plan (if it accepts rollovers). If your benefit is more than $3,500, you may choose to have part of the payment directly rolled over and to have the rest paid to you.

Check below to indicate whether or not you elect a direct rollover of your annuity payment:

☐ I do not want to rollover any part of my lump sum payment to a traditional IRA or other qualified retirement plan. Pay me the full amount of my benefits after withholding 20% for Federal income taxes as required by law. (This withholding does not increase your taxes; but will be credited against any income tax you owe.)

☐ I want to rollover my lump sum payment directly to rollover institution named below.

☐ I would like to have only part of my payment directly rolled over:
Please roll over $ ______________ to the traditional IRA or qualified retirement plan named below and pay the remainder of my benefit to me after withholding 20% for Federal income taxes.

If you elect a direct rollover, you must provide all of the following information. No direct rollover can be made without this information.

Name of IRA or Qualified Retirement Plan Trustee ____
Address ____
Account No _______________________ Contact Name and Telephone No ______________________

A. ____ Traditional IRA
B. ____ Qualified retirement plan - Section(s) ___________ of the Internal Revenue Code apply to the plan.

APPLICANT'S CERTIFICATION

I certify that the information I have provided and any additional information submitted with this application for withdrawal is true and complete to the best of my knowledge and belief. I have received notification of the alternate forms of benefits and have made the foregoing election. This is to certify that I have received and reviewed the Special Tax Notice Regarding Plan Payments and, if applicable, am aware of the Explanation of Qualified Joint and Survivor Annuity ("QJSA"). I also certify that I understand my distribution options.

Participant's Signature ______________________________

State of _____________
County of ___________

On the _____ day of _______________, _____, before me came ________________________________ to me known and known to me to be the person described above and who executed the foregoing statement and he/she duly acknowledged to me that he/she executed same.

(Seal) ____________________ Notary Public's Signature ____________________________
Commission Expiration Date

<u>If the Account Balance is $5,000 or more</u>
<u>and you choose a form of payment other than a 50% QJSA or a 75% QOSA</u>
<u>the Participant's Statement and the Spouse's Statement must be completed and Notarized.</u>

PARTICIPANT'S AFFIDAVIT

I, ______________________________ (name of participant) do not wish to receive my Plan benefits in the form of monthly payments under a 50% Qualified Joint and Survivor Annuity (QJSA) or 75% Qualified Optional Survivor Annuity (QOSA). I understand that rejecting these forms of annuities means that no benefits will be paid to my spouse under the Plan after my death unless I elect another option or unless benefits are payable under other provisions of this Plan.

(You must check one of the following statements):

___ I hereby swear that the person named in the Spouse's Affidavit of this document is my current spouse.

___ I hereby swear that I am not married at this time (formal or common law marriage).

Participant's Signature ______________________________

State of ____________
County of ___________

On the _____ day of _______________, _____, before me came ______________________________ known to me to be the person described above and who executed the foregoing statement and he/she duly acknowledged to me that he/she executed same.

(Seal) ____________________ Notary Public's Signature ______________________________
Commission Expiration Date

SPOUSE'S AFFIDAVIT

I, ______________________________, swear that I am the legal spouse of the participant named above. I have reviewed and understand the Explanation of Qualified Joint and Survivor Annuity (QJSA). I consent to the forgoing election. Further, I acknowledge that I understand (1) that the effect of my consent to this waiver is to forfeit benefits I would be entitled to receive upon my spouse's death, (2) that my spouse's waiver is not valid unless I consent to it, (3) that my consent is irrevocable unless my spouse revokes the waiver, and (4) that the balance available for distributions exceeds $5,000.

Spouse's Signature ______________________________

State of ____________
County of ___________

On the _____ day of _______________, _____, before me came ______________________________ known to me to be the person described above and who executed the foregoing statement and he/she duly acknowledged to me that he/she executed same.

(Seal) ____________________ Notary Public's Signature ______________________________
Commission Expiration Date

SOUTH CENTRAL ANNUITY FUND

EXPLANATION
OF
QUALIFIED JOINT AND SURVIVOR ANNUITY (QJSA)

1. WHAT IS A QJSA AND A QOSA?

If you are married, federal law requires the **South Central Annuity Fund** (the "Plan") to pay retirement benefits in the form of a Qualified Joint and Survivor Annuity (QJSA), unless you waive the QJSA and choose a different payment form. You waive the QJSA by so indicating on the Application for Withdrawal. If you are married, and you waive the QJSA and choose a form of payment other than a Qualified Optional Survivor Annuity (QOSA), your spouse must agree to that choice.

The QJSA and QOSA payment forms give the participant a monthly retirement payment for the rest of his or her life. This is often called an "annuity." Under the QJSA, after the participant dies, his or her surviving spouse will receive 50 percent of the retirement benefit that was paid to the participant. Under a QOSA, after the participant dies, his or her surviving spouse will receive at least 75 percent of the retirement benefit that was paid to the participant. The benefit paid to the spouse under a QJSA or QOSA after the participant dies is called a "survivor annuity." Your spouse will receive this survivor annuity for the rest of his or her life. If either of these forms of payment is elected, the Plan uses your entire vested account balance to purchase the annuity from a legal reserve life insurance company and distribute to the Participant a single-premium non-transferable contract providing a QJSA or QOSA, as applicable. This means you will receive monthly payments from the insurance company when you retire; they will not be provided directly from the Plan. The size of the monthly payments depends on the amount of your vested benefits under the Plan and the insurance company's annuity purchase rates.

EXAMPLE: Pat Doe and Pat's spouse, Robin, receive payments from the Plan under the QJSA payment form. As previously noted, the QJSA includes a 50 percent survivor annuity. Beginning after Pat retires, assume Pat receives $600 each month from the Plan. Pat then dies. The Plan will pay Robin $300 a month for the rest of Robin's life. If Pat had elected a QOSA with 100% survivor annuity, if upon retirement Pat received a $450 payment each month, after Pat dies, the Plan will continue to pay Robin $450 a month for the rest of Robin's life.

The monthly payment you receive under a QJSA or QOSA may be less than the payment you would receive on an annuity for your life alone. The chart below illustrates this effect using hypothetical actuarial assumptions and comparing payments under a life annuity and a QOSA with a 100% survivor annuity. The chart is not intended to predict the actual impact of taking a QOSA versus a life annuity in your particular situation. It is only intended as a general example.

Age	40	50	60	65
Life Annuity	$5.00	$6.00	$6.00	$7.00
QOSA with 100% Survivor Annuity	$5.00	$5.00	$6.00	$6.00

(Represents the monthly benefit purchasable with $1,000. The hypothetical assumes that the participant is a male and his spouse is the same age.)

2. HOW CAN YOUR SPOUSE CHANGE THE WAY BENEFITS ARE PAID?

You and your spouse will receive benefits in the special QJSA payment form required by federal law unless you choose a different payment form. If you choose any form of benefit other than a QOSA, your spouse must agree with your choice. If your spouse agrees to change the way the Plan's retirement benefits are paid, your spouse will give up his or her right to receive payments after your death, unless you elect a QOSA form of payment.

3. DOES YOUR SPOUSE HAVE TO GIVE UP RIGHTS TO THE QJSA BENEFIT?

Your spouse's choice must be voluntary. It is his or her personal decision whether he or she wants to give up rights to the special QJSA payment form.

4. WHAT OTHER BENEFIT FORMS CAN I CHOOSE?

If your spouse agrees, you can choose to have the retirement benefits paid in a different form. The alternatives available under the Plan are a:

A. Single lump sum payment; or

B. Partial distribution; or

C. A QOSA that will pay a monthly benefit for your life, and if you die and are survived by your spouse, your spouse will receive a monthly benefit of not less than 75% of the benefit being paid to you at the time of your death; or

D. A single life annuity with no survivor benefit; or

E. Minimum required distributions.

EXAMPLE OF LUMP-SUM PAYMENT FORM.

Pat and Robin Doe agree not to receive the special QJSA payments and decide instead that Pat will receive a single payment equal to the value of all of Pat's retirement benefits. In this case, no further payments will be made to Pat or Robin.

EXAMPLE OF AN QOSA.

Pat and Robin Doe agree not to receive the special QJSA payments and decide that Pat will elect a QOSA which will pay a monthly amount to your surviving spouse of 75% of the monthly amount payable during the joint lives of you and your spouse. Instead of receiving $600 per month, Pat will receive $530 per month for life and upon Pat's death, Robin will receive $400 per month (75% of what Pat was receiving) for the remainder of Robin's lifetime.

5. CAN YOU MAKE FUTURE CHANGES IF YOUR SPOUSE WAIVES HIS OR HER RIGHTS TO THE QJSA?

If your spouse waives his or her rights to the QJSA, you cannot change the election you are making without your spouse's consent.

SPECIAL TAX NOTICE
REGARDING PLAN PAYMENTS

This Notice explains how you can continue to defer Federal income tax on your retirement savings in the South Central Annuity Fund (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 should consider consulting with a professional tax advisor before you receive your distribution from the Plan

This Notice is provided to you by the Plan Administrator of the South Central Annuity Fund (the "Plan Administrator") because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you and the Plan Administrator to a traditional IRA, a Roth IRA, or an eligible employer plan. An "eligible employer plan" includes a plan qualified under Code Section 401(a), including a 401(k) plan, a profit-sharing plan, a defined benefit pension plan, a stock bonus plan, and a money purchase pension plan; a Code Section 403(a) annuity plan; a Code Section 403(b) tax sheltered annuity; and an eligible Code Section 457(b) plan maintained by a governmental employer. A rollover is a payment by you or the Plan Administrator of all or part of your benefit to another plan or IRA that, in general, allows you to continue to postpone taxation of that benefit until it is paid to you. However, as described below in Section II in the paragraph entitled "Direct Rollover to a Traditional IRA or Roth IRA," if you rollover a Plan distribution to a Roth IRA, you will be taxed on the distribution amount at the time of the rollover to the Roth IRA. Your payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account (formally known as an education IRA).

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts or designated Roth contributions and any earnings thereon. If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to a traditional IRA or split your rollover amount between the employer plan in which you will participate and a traditional IRA. If an employer plan accepts your rollover, the plan may restrict subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover. THIS TAX NOTICE IS FOR GENERAL INFORMATION AND NOT TO BE CONSIDERED LEGAL OR TAX ADVICE. PLEASE CONSULT YOUR LEGAL OR TAX PROFESSIONAL FOR SPECIFIC QUESTIONS AND ANSWERS THAT AFFECT YOUR PARTICULAR NEEDS.

If you have additional questions after reading this Notice, contact the Plan Administrator 713-643-9300 or toll free at 866-236-3148.

SUMMARY

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

(1) Certain payments can be made directly to a traditional IRA, Roth IRA or to an eligible employer plan that will accept it and hold it for your benefit (**"DIRECT ROLLOVER"**); or

(2) The payment can be **PAID TO YOU.**

If you choose a **DIRECT ROLLOVER:**

- Unless you roll over your Plan distributions to a Roth IRA, your payment will not be taxed in the current year and no income tax will be withheld.
- You choose whether your payment will be made directly to your IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account.
- Unless you roll over your Plan distribution to a Roth IRA, the taxable portion of your payment will be taxed later when you take it out of the IRA or the eligible employer plan. If you choose to roll over your Plan distribution to a Roth IRA, you will be taxed on the distribution at the time you roll it over into a Roth IRA. Depending on the type of plan or IRA, 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 choose to have a Plan payment that is eligible for rollover **PAID TO YOU:**

- You will receive only 80% of the taxable amount of the payment, because the Plan Administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes. (Note: the 20% mandatory withholding does not apply to distributions made to non-spouse beneficiaries prior to January 1, 2010, rather, distributions in 2009 to non-spouse beneficiaries will be subject to 10% withholding, unless the non-spouse beneficiary voluntarily elects to opt out of withholding. See the "Voluntary Withholding" section below.)
- The taxable amount of your payment will be taxed in the current year unless you roll it over within 60 days. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59½, you may have to pay an additional 10% tax.
- You can roll over all or part of the payment by paying it to your IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. Generally, the amount rolled over to a traditional IRA or eligible employer plan will not be taxed until you take it out of the traditional IRA or the eligible employer plan. If you rollover a Plan distribution to a Roth IRA, the distribution will be taxed

at the time of the rollover, and, in general, will not be taxed when you take the money out of the Roth IRA.

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

Your Right to Waive the 30-Day Notice Period. Generally, neither a Direct Rollover nor a payment can be made from the Plan until at least 30 days after your receipt of this Notice. Thus, after receiving this Notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the Notice period by making an affirmative election on the Election or Rejection of Direct Rollover form indicating whether or not you wish to make a Direct Rollover. Your withdrawal will then be processed in accordance with your election as soon as practical after it is received by the Plan Administrator.

MORE INFORMATION

I. Payments That Can and Cannot Be Rolled Over

Payments from the Plan may be "eligible rollover distributions." This means that the opportunity exists to rollover certain payments to a traditional IRA, Roth IRA, or eligible employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account. The Plan Administrator should be able to tell you what portion of your payment is an eligible rollover distribution.

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

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

(1) Your lifetime (or a period measured by your life expectancy), or

(2) Your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or

(3) A period of 10 years or more.

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

Hardship Distributions. A hardship distribution cannot be rolled over.

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

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

II. Direct Rollover

A **Direct Rollover** is a direct payment of the amount of your Plan benefits to an IRA or an eligible employer plan that will accept it. You can choose a Direct Rollover of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. You are not taxed on any taxable portion of your payment for which you choose a Direct Rollover to an eligible employer plan or a traditional IRA until you later take it out of the eligible employer plan or IRA. If you are rolling a Plan distribution into a Roth IRA, you will be taxed at the time of the rollover, but generally will not be taxed when you later take it out of the Roth IRA. No income tax withholding is required for any taxable portion of your Plan benefits for which you choose a Direct Rollover. This Plan might not let you choose a Direct Rollover if your distributions for the year are less than $200.

Direct Rollover to a Traditional IRA or Roth IRA. You can open a traditional IRA or Roth IRA to receive the Direct Rollover. However, before January 1, 2010 you cannot roll over a Plan distribution to a Roth IRA if either (i) you make more than $100,000 during the taxable year in which you receive the distribution or (ii) you are married and filing separately, regardless of income.

If you choose to rollover your distribution to a Roth IRA, you must pay tax on the distribution at the time of the rollover, but the distribution is not subject to the mandatory 20% withholding. If you directly roll over a Plan distribution to a Roth IRA before you are 59 ½, the usual 10% penalty will not apply even though the distribution is includible in gross income. However, if a taxable amount you roll over into a Roth IRA from a non-Roth account is distributed to you within five years, the 10% penalty will apply to that distribution as if it were includible in gross income. (See Part III below)

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

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

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

Change in Tax Treatment Resulting from a Direct Rollover. The tax treatment of any payment from the eligible employer plan or traditional IRA receiving your **Direct Rollover** might be different than if you received your benefit in a taxable distribution directly from the Plan. For example, if you were born before January 1, 1936, you might be entitled to 10-year averaging or capital gain treatment, as explained below. However, if you have your benefit rolled over to a Section 403(b) tax-sheltered annuity, a governmental Section 457 plan, or a traditional IRA in a Direct Rollover, your benefit will no longer be eligible for that special treatment. See the sections below titled "Additional 10% Tax If You Are Under Age 59½" and "Special Tax Treatment if You Were Born before January 1, 1936".

III. Payment Paid to You

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

Income Tax Withholding:

Mandatory Withholding. If any portion of your payment can be rolled over under Part I above and you do not elect to make a Direct Rollover, the Plan is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as Federal income tax withholding. For example, if you can roll over a taxable payment of $10,000, only $8,000 will be paid to you because the Plan must withhold $2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days of receiving your distribution (see "60-Day Rollover Option" below), you must report the full $10,000 as a taxable payment from the Plan. You must report the $2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than $200.

Voluntary Withholding. If any portion of your payment is taxable but cannot be rolled over under Part I above, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, 10% will be taken out of this portion of your payment for Federal income tax withholding. To elect out of withholding, ask the Plan Administrator for the election form and related information.

60-Day Rollover Option. If you receive a payment that can be rolled over under Part I above, you can still decide to roll over all or part of it to an IRA (including a Roth IRA) or to an eligible employer plan that accepts rollovers. If you decide to roll the payment over, you must contribute the amount of the payment you received to an IRA or eligible employer plan within 60 days after you receive the payment. If you roll over your distribution to a traditional IRA or eligible employer plan, the portion of your payment that is rolled over will not be taxed until you take it out.

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

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

Additional 10% Tax If You Are under Age 59½. If you receive a payment before you reach age 59½ and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to:

(1) Payments that are paid after you separate from service with your employer during or after the year you reach age 55;
(2) Payments that are paid because you retire due to disability;
(3) Payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies);
(4) Dividends paid with respect to stock by an employee stock ownership plan (ESOP) as described in Internal Revenue Code Section 404(k);
(5) Payments that are paid directly to the government to satisfy a Federal tax levy;
(6) Payments that are paid to an alternate payee under a qualified domestic relations order; or
(7) Payments that do not exceed the amount of your deductible medical expenses.

See IRS Form 5329 for more information on the additional 10% tax.

If you directly roll over a Plan 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 it is distributed to you before you reach age 59 ½, unless one of the exceptions applies.

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

Special Tax Treatment If You Were Born before January 1, 1936. If you receive a payment from a plan qualified under Section 401(a) or a Section 403(a) annuity plan that can be rolled over under Part I and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a "lump-sum distribution", it may be eligible for special tax treatment. A lump-sum distribution is a payment, within one year, of your entire balance under a plan (and certain other similar plans of the employer) that is payable to you after you have reach age 59½ or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59½ or have become disabled). For a payment to be treated as a lump-sum distribution, you must have been a Participant in the plan for at least 5 years before the year in which you received the distribution. The special tax treatment for lump-sum distributions that may be available to you is described below.

10-Year Averaging. If you receive a lump-sum distribution and you were born before January 1, 1936, you may make a one-time election to figure the tax on the payment by using "10-year averaging" (using 1986 tax rates). 10-year averaging often reduces the tax you owe.

Capital Gain Treatment. If you receive a lump-sum distribution and you were born before January 1, 1936, and you were a Participant in the Plan before 1974, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Plan taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment for lump-sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump-sum distributions that you receive in that same year. You may not elect this special tax treatment if you rolled amounts into this Plan from Section 403(b) tax-sheltered annuity contract or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from this Plan (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from the Plan. If you roll over your payment to a traditional IRA, governmental Section 457 plan, or a Section 402(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan or annuity. Also, if you roll over only a portion of your payment to a traditional IRA, governmental Section 457 plan, or the Section 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional information on lump-sum distributions and how you elect the special tax treatment.

IV. Surviving Spouses, Alternate Payees and Other Beneficiaries

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

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described in Part I above, paid in a **Direct Rollover** to a traditional IRA, Roth IRA or to an eligible employer plan or paid to you. In general, if you have the payment paid to you, you can keep it or roll it over yourself to a traditional IRA, Roth IRA or to an eligible employer plan. However, if you are a non-spouse beneficiary (other than an alternate payee), and you receive a cash distribution, you cannot roll over the distribution to a Roth IRA.

If you are a beneficiary other than a surviving spouse or you are a person who is a beneficiary of a trust designated as the deceased participant's beneficiary for the Plan, the Plan allows a Direct Rollover to an IRA to be requested. When the Direct Rollover to the IRA occurs, the IRA custodian is required to administer the IRA as an "inherited IRA account". You cannot roll over the payment yourself. You must instruct the Plan Administrator of the Plan to make a Direct Rollover to an "inherited IRA" established on your behalf or on behalf of the trust. You will be required to receive annual payments from the IRA in accordance with IRS regulations. See IRS Publication 590, Individual Retirement Arrangements, for more information. If you are a designated beneficiary other than a surviving spouse and you do not choose a Direct Rollover to an IRA, the taxable portion of your payment will be taxed in the current year and federal income tax will be withheld to the extent required.

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

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

HOW TO OBTAIN ADDITIONAL INFORMATION

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