



INSTRUCTIONS FOR REQUESTING A HARDSHIP WITHDRAWAL FROM THE DIOCESE OF METUCHEN LAY EMPLOYEES' RETIREMENT PLAN

- Enclosed are the instructions and the form needed to request a **Hardship Withdrawal** from your retirement plan.
- Be sure you have exhausted any other withdrawal options available to you under the plan.
- Please review and complete each of the items as described in the procedures below.
- Return the required documents for processing to:

Diocese of Metuchen
Office of Human Resources
PO Box 191
Metuchen, NJ 08840-0191

ITEM	PROCEDURE	RETURN TO DIOCESE OF METUCHEN
Hardship Withdrawal Form	<ul style="list-style-type: none"> • Complete all relevant sections after reading the Important Hardship Withdrawal Information. • Sign and Date the form. • Attach all qualified documents as evidence of your hardship. (The reasons and necessary documents for hardship are described below.) • Return the form to the Diocese of Metuchen Office of Human Resources. The request will be reviewed and processed if in good order. 	Yes
Evidence of Hardship	<p>Acceptable reasons for hardship for the Plan and acceptable documents for proof of hardship, which must be returned with your request, are:</p> <ul style="list-style-type: none"> • Un-reimbursed medical expenses for you, your spouse, or your dependents: itemized insurance bills (including the insured and uninsured portions of the expenses); health care bills that the participant certifies are un-reimbursed (including doctors' and hospital bills); copies of bills for insurance that covers medical care; copy of the Explanation of Benefits Form from the insurance carrier; • Purchase of a principal residence: copy of the Purchase and Sales agreement (including the dollar amount of the purchase); Copy of the Buyer and Seller contract, including the dollar amount of purchase; Copy of the Mortgage Commitment letter, including the dollar amount of purchase <i>Note: In any case where a final dollar amount of purchase is not available, there must be included an estimate that is signed and dated by both purchaser and seller.</i> • Payment of post - secondary tuition and related expenses for the next 12 months for you, your spouse, your children or your dependents: Tuition bill (or estimate of tuition bill that is signed by the educational institution); bill for dormitory fees (or estimated bill for dormitory fees signed by the educational institution); bill for room and board expenses (or estimated room and board expenses signed by owner or manager of the room and board establishment) <i>Note: Estimates must be signed by the educational institution (or owner or manager of the room and board establishment).</i> • To prevent eviction from or mortgage foreclosure on your personal residence: Eviction Notice or notice that eviction proceedings will commence or proceed if a delinquency remains unpaid; Foreclosure Notice or notice that there will be an acceleration of the mortgage note if the delinquency remains unpaid 	Yes
Special Tax Notice Regarding Plan Payments	<p>This document contains important information regarding your distribution options, and the related restrictions and tax consequences. Read this information carefully before requesting your Retirement Distribution</p>	No

MFS Participant Service Center Representatives are available by calling the MFS Retirement Plan Information Line between the hours of 8AM and 9PM Eastern Standard Time. Representatives are available to help you complete the forms, or answer any questions you may have about your distribution or about the plan. Automated Retirement Account information can be accessed at any time.

Important Notice: It is only the *Plan Administrator* that can authorize payment or deny a claim for benefits under the Plan. MFS Retirement Services, Inc. (RSI), in processing hardship withdrawal requests in accordance with procedures determined by the Employer, in no way validates, denies, or otherwise makes any determination as to the right of a participant to receive a benefit. If your hardship request is returned to you, you may resubmit it with the requested changes or documents. You may also see your Benefits Representative if you wish to apply directly to the Plan Administrator for a hardship benefit. Please also note that MFS Retirement Services, Inc. (RSI) will process a hardship withdrawal upon receipt of a signed Hardship Withdrawal Request Form and a letter of instruction informing us to process the hardship distribution that is signed by an Authorized Signer for the Employer, notwithstanding the lack of any documents evidencing the hardship.



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DIOCESE OF METUCHEN LAY EMPLOYEES' RETIREMENT PLAN HARDSHIP WITHDRAWAL REQUEST

1 Participant Information

Social Security Number _____ - _____ - _____ Date of Birth ____/____/____
 Name _____ Date of Hire ____/____/____
 Street Address _____
 City/State/Zip _____
 Daytime Phone _____ Evening Phone _____

2 Reason for Withdrawal *(Please check and complete one of the following.)*

Please read the back of this form for information on Hardship Withdrawals

- Un-reimbursed medical expenses for me, my spouse, or my dependent
- Costs directly related to the purchase of my principal residence (but not including mortgage payments)
- Payment of tuition, related educational fees, and room and board expenses for the next 12 months of post - secondary education for me, my spouse, my children, or my other dependents
- Payments necessary to prevent mortgage foreclosure or eviction from my primary residence

You must include qualified documentation that evidences hardship with this form.

Withdrawal Request *(Please check and complete one of the following.)*

- I am requesting a Withdrawal in the amount of \$ _____
- I am requesting a Withdrawal for the maximum amount available.

Voluntary Tax Withholding Election NOTE: THIS SECTION MUST BE COMPLETED *If you elect to have federal taxes withheld and you are a resident of California, Delaware, Iowa, Kansas, Maine, Massachusetts, North Carolina, Oklahoma, Oregon, Vermont, or Virginia, applicable state taxes will also be withheld (this list of states is subject to change due to changes in state legislation). Choose one of the following. If no choice is made, your distribution will be subject to federal tax withholding at the rate of 10%, and the distribution will be "grossed up" so as to include federal taxes withheld as in Option B, below.*

- A. Do not withhold federal or any applicable state taxes from this hardship withdrawal
- B. Withhold ____ % (enter percent, generally 10%) or \$ _____ federal income tax and any applicable state taxes from this hardship withdrawal of pre - tax contributions. (Note: Unless you elect otherwise, the amount you requested will be 'grossed up' for federal taxes so that the amount you receive after taxes will be the amount you requested.
- Do not 'gross up' the distribution so as to include federal taxes. I understand that the amount of my check will be less than the amount I requested.

3 Participant Signature

Please complete, sign, date, and return this form along with qualified evidence of hardship to:

**Diocese of Metuchen
Office of Human Resources
PO Box 191
Metuchen, NJ 08840-0191**

I hereby request a hardship withdrawal to be paid in the form indicated above, subject to the terms of the plan and the approval of the Employer/ Plan Administrator. I certify to the Plan Administrator/ Employer that (1) the distribution is not in excess of the amount of the immediate and heavy financial need; (2) I have obtained all distributions (other than hardship distributions) available to me under all plans of the Employer; I also certify to the Employer/ Plan Administrator that all information provided on this form is correct and complete, that the documents attached are being provided in good faith compliance with procedures established by the Employer/ Plan Administrator, and that if I have requested a withdrawal for payment of medical expenses, those expenses are not reimbursed. I also certify that if this hardship withdrawal is being requested for the payment of medical or educational expenses of another person, then that person is my spouse, child, or dependent as defined in IRC Section 152.

Participant Signature _____ Date _____

Plan Sponsor Authorization

I hereby authorize the payment of this distribution and the withholding of federal tax and applicable state taxes in the manner described on the previous page.

I certify that: (1) this distribution is in accordance with the terms of the plan; (2) the participant has been provided with the Special Tax Notice Regarding Plan Payments and with any other notice requirements that are applicable to this distribution ; and (3) if the distribution authorized is one for which voluntary federal tax withholding and state tax withholding is applicable, RSI is entitled to rely on my authorization to withhold federal taxes and applicable state taxes in accordance with the Participant's elections and in the amount indicated on this form. I certify that my authorization to withhold or not withhold such taxes in accordance with the participant's election on this form does not constitute a delegation by the plan administrator of, and the plan administrator has not otherwise delegated, its income tax withholding duties and liabilities under section 3405 of the Internal Revenue Code of 1986, as amended (the "Code"). MFS Retirement Services, Inc. and its affiliates, the MFS Funds, are entitled to rely on my authorization and are released from any and all claims I may have, or claim to have, with respect to this distribution. I also agree to indemnify and hold harmless MFS Retirement Services, Inc. and its affiliates, the MFS Funds, from and against any loss liability, cost, or expense (including, without limitation, counsel fees and expenses in connection with the contest or settlement of any claim) that any one of them might incur or sustain, or discover that they have incurred or sustained, by reason of any claim which may be made against any of them as a result of this distribution.

Authorized Signer

Date

Print Name

Important Hardship Withdrawal Information

Hardship Withdrawals

Your plan provides for hardship distributions only if you incur certain expenses which are deemed to be the result of immediate and heavy financial need as defined under Treasury Reg. 1.401(k)-1(d)(2)(iv)(A). Your Employer requires that you furnish evidence to determine if the requested withdrawal meets the plan's criteria for hardship withdrawals. Therefore, the reason for this withdrawal must be a qualified reason as defined below, and you must provide evidence of hardship by attaching to this form one of the documents related to the reason you have chosen.

Hardship Reason	Required Documentation
Un-reimbursed medical expenses that must be paid to receive medical care for the participant, the participant's spouse, or the participant's dependent.*	<ul style="list-style-type: none"> a. Itemized insurance bills, including the insured and uninsured portions of expenses; b. Health care bills that you certify are un-reimbursed, including doctors' and hospital bills; c. Copies of bills for insurance that cover medical care; d. A copy of the Explanation of Benefits Form from the insurance carrier.
Costs directly related to the purchase of a principal residence of the participant (but not including mortgage payments).	<ul style="list-style-type: none"> a. Copy of the Purchase and Sales agreement including dollar amount of purchase; b. Copy of the Buyer and Seller contract including the dollar amount of purchase; c. Copy of the Mortgage Commitment letter including the dollar amount of purchase. <p>Note: In any case where a dollar amount of purchase is not available, there must be included an estimate that is signed and dated by both purchaser and seller.</p>
Payment of tuition, related educational fees, and room and board expenses for the next 12 months of post - secondary education for the participant, the participant's spouse, the participant's children, or the participant's other dependents.*	<ul style="list-style-type: none"> a. Tuition bill (or estimated tuition bill signed by the educational institution); b. Bill for dormitory fees (or estimated bill signed by the educational institution); c. Bill for room and board expenses (or estimated room and board expenses signed by owner or manager of the room and board establishment). <p>Note: Estimates must be signed by the educational institution (or the owner or manager of the room and board establishment).</p>
Payments necessary to prevent the eviction of the participant from the participant's residence, or foreclosure on the mortgage of that residence.	<ul style="list-style-type: none"> a. Eviction Notice or notice that eviction proceedings will commence or proceed if a delinquency remains unpaid; b. Foreclosure Notice or notice that there will be an acceleration of the mortgage note if the delinquency remains unpaid.

***NOTE:** If you are requesting a hardship withdrawal for either medical care or for educational expenses, but the hardship withdrawal is being requested to meet the financial needs of a dependent, you should review the definition of dependent in IRC Section 152, which, among other criteria, provides that a person is a dependent of the participant only if over half of his support is received from the participant.

Important Information: Your plan allows for in - service withdrawals after the age of 65, without any requirement for an immediate and heavy financial need. If you are over 65, this source must be used before a hardship withdrawal can be processed. In addition, you must generally have received all available loans from all plans of the Employer before you can qualify for a hardship withdrawal. Distribution requests for non-hardship withdrawals can be made by calling MFS Participant Service Center Representatives , who are available at 800-854-0647 between the hours of 8AM and 9PM Eastern Time. Representatives are available to help you complete the forms or answer general questions you may have about the plan. In addition, a hardship withdrawal request will only be processed based upon your signed request on this form and the appropriate qualified documentation if all other in - service withdrawal options have been exhausted.

Nonetheless, even if this request is returned to you with a request for additional information, you may apply directly to the Plan Administrator/ Employer for a hardship withdrawal, in which case the signature of an Authorized Signer to a statement that instructs us to pay a hardship withdrawal to you must accompany this form. Contact your Benefits Representative for more information.

Payment Policies: Your withdrawal will be prorated across your funds. All distributions will be made payable to the participant and will be mailed to the address we have on file.

Voluntary Federal Tax Withholding Notice: The withdrawals you receive from the retirement plan are subject to Federal income tax withholding unless you elect not to have withholding apply. Withholding will only apply to the portion of your distribution or withdrawal that is included in your income subject to Federal income tax. If you elect not to have withholding apply to your withdrawal, or if you do not have enough Federal income tax withheld from your withdrawal, you may be responsible for payment of estimated tax. You may incur penalties under the estimated tax rules if your withholding and estimated tax payments are not sufficient. You may elect not to have withholding apply to your hardship withdrawal or to have a specific percentage withheld. If less than the maximum amount available is requested, your distribution will be increased by the applicable tax withholding unless you elect not to have the distribution 'grossed up' by the amount of the withholding tax. If you are a resident of California, Delaware, Iowa, Kansas, Maine, Massachusetts, North Carolina, Oklahoma, Oregon, Vermont, or Virginia, the applicable state income tax will also be withheld if federal taxes are withheld.



DIocese of METUCHEN LAY EMPLOYEES' RETIREMENT PLAN Special Tax Notice regarding Plan Payments

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

This notice is provided to you by your Employer and/or Plan Administrator because all or part of the payment that you will soon receive from your retirement plan (the "Plan") may be eligible for rollover by you or your Plan Administrator to a traditional IRA or an eligible employer plan. A rollover is a payment by you or the Plan Administrator of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA). An "eligible employer plan" includes a plan qualified under Section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax sheltered annuity; and an eligible section 457(b) plan maintained by a government employer (government 457 plan).

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

If you have additional questions after reading this notice, you can contact your Employer and/or Plan Administrator.

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 that you establish or to an eligible employer plan that will accept it and hold it for your benefit ("DIRECT ROLLOVER"); or
- (2) The payment can be PAID TO YOU.

If you choose a DIRECT ROLLOVER:

- 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 traditional IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA or a Coverdell Education Savings Account because these are not traditional IRAs.
- The taxable portion of your payment will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the 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.
- The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that would reduce the tax you owe. However, if you receive the payment before age 59-1/2, you may have to pay an additional 10% tax.
- You can roll over all or part of the payment by paying it to your traditional IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.
- If you want to roll over 100% of the payment to a traditional 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 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

II. Direct Rollover

III. Payment Paid To You

IV. Surviving Spouses, Alternate Payees, and Other Beneficiaries

I PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Payments from the Plan may be “eligible rollover distributions.” This means that they can be rolled over to a traditional IRA or to an eligible employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account. Your Plan administrator should be able to tell you what portion of your payment is an eligible rollover distribution.

After Tax Contributions

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

a.) **Rollover into a Traditional IRA.** You can roll over your after - tax contributions to a traditional IRA either directly or indirectly. Your plan administrator should be able to tell you how much of your payment is the taxable portion and how much is the after-tax portion.

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

Once you roll over your after-tax contributions to a traditional IRA, those amounts CANNOT later be rolled over to an employer plan.

b.) **Rollover into an Employer Plan.** You can roll over after-tax contributions from an employer plan that is qualified under Code Section 401(a) or a Section 403(a) annuity plan to another such plan using a direct rollover if the other plan provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You can also rollover after-tax contributions from a Section 403(b) tax-sheltered annuity to another section 403(b) tax - sheltered annuity using a direct rollover if the other tax - sheltered annuity provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You CANNOT roll over after-tax contributions 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 of this Plan to make a direct rollover on your behalf. Also, you cannot first roll over after-tax contributions to a traditional IRA and then roll over that amount into an employer plan.

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:

- your lifetime (or a period measured by your life expectancy), or
- your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or
- a period of ten years or more.

Required Minimum Payments. Beginning when you reach age 70-1/2 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.

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

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

Loans Treated as Distributions. The amount of a plan loan that becomes a taxable deemed distribution because of a default cannot be rolled over. However, a loan offset amount is eligible for rollover, as discussed in Part III below. Ask the Plan Administrator of the Plan if distribution of your loan qualifies for rollover treatment. The Plan Administrator of this Plan should be able to tell you if your payment includes amounts which cannot be rolled over

II DIRECT ROLLOVER

A DIRECT ROLLOVER is a direct payment of the amount of your Plan benefits to a traditional IRA or an eligible employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. You are not taxed on any taxable portion of your payment for which you choose a DIRECT ROLLOVER until you later take it out of the traditional IRA or eligible employer plan. In addition, no income tax withholding is required for any 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. You can open a traditional IRA to receive the direct rollover. If you choose to have your payment made directly to a traditional IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a traditional IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA to receive the payment. However, in choosing a traditional IRA, you may wish to make sure that the traditional IRA you choose will allow you to move all or a part of your payment to another traditional IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on traditional IRAs (including limits on how often you can roll over between IRAs).

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. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the Plan Administrator of 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 or an eligible employer plan that will accept it, and it is paid in a series of payments for less than ten years, 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 ten-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 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 entitled "Additional 10% Tax if You Are Under Age 59 1/2 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 (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.

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

You can roll over up to 100% of your payment that can be rolled over 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% 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 59-1/2. If you receive a payment before you reach age 59-1/2 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 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,
- (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.

The additional 10% tax will not apply to distributions from a governmental 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 457 plan to another type of eligible employer plan or to a traditional IRA will become subject to the additional 10% tax if it is distributed to you before you reach age 59 ½, unless one of the exceptions applies.

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. (See also "Employer Stock or Securities", below.) A lump sum distribution is a payment, within one year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you after you have reached age 59-1/2 or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59-1/2 or have become disabled). For a payment to be treated as a lump sum distribution, you must have been a participant in the plan for at least five years before the year in which you received the distribution. The special tax treatment for lump sum distributions that may be available to you is described below.

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

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

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. You may not elect this special tax treatment if you rolled amounts into this Plan from a 403(b) tax sheltered annuity contract or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from the 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 457 plan, or 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 can elect the special tax treatment.

Employer Stock or Securities. There is a special rule for a payment from the Plan that includes employer stock (or other employer securities). To use this special rule, 1) the payment must qualify as a lump sum distribution, as described above, except that you do not need five years of plan participation, or 2) the employer stock included in the payment must be attributable to "after-tax" employee contributions, if any. Under this special rule, you may have the option of not paying tax on the "net unrealized appreciation" of the stock until you sell the stock. Net unrealized appreciation generally is the increase in the value of the employer stock while it was held by the Plan. For example, if employer stock was contributed to your Plan account when the stock was worth \$1,000 but the stock was worth \$1,200 when you received it, you would not have to pay tax on the \$200 increase in value until you later sold the stock.

You may instead elect not to have the special rule apply to the net unrealized appreciation. In this case, your net unrealized appreciation will be taxed in the year you receive the stock, unless you roll over the stock. The stock can be rolled over to a traditional IRA or another eligible employer plan, either in a direct rollover or a rollover that you make yourself. Generally, you will no longer be able to use the special rule for net unrealized appreciation if you roll the stock over to a traditional IRA or another eligible employer plan.

If you receive only employer stock in a payment that can be rolled over, no amount will be withheld from the payment. If you receive cash or property other than employer stock, as well as employer stock, in a payment that can be rolled over, the 20% withholding amount will be based 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 be limited to the cash or property (excluding employer stock) paid to you.

If you receive employer stock in a payment that qualifies as a lump sum distribution, the special tax treatment for lump sum distributions described above (such as 10-year averaging) also may apply. See IRS Form 4972 for additional information on these rules.

Repayment of Plan Loans. If your employment ends and you have an outstanding loan from your Plan, your employer may reduce (or "offset") your balance in the Plan by the amount of the loan you have not repaid. The amount of your loan offset is treated as a distribution to you at the time of the offset and will be taxed unless you roll over an amount equal to the amount of your loan offset to another eligible employer plan or a traditional IRA within 60 days of the date of the offset. If the amount of your loan offset is the only amount you receive or are treated as having received, no amount will be withheld from it. If you receive other payments of cash or property from the Plan, the 20% withholding amount will be based on the entire amount paid to you, including the amount of the loan offset. The amount withheld will be limited to the amount of other cash or property paid to you (other than any employer securities). The amount of a defaulted loan that is a taxable deemed distribution cannot be rolled over.

IV SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

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

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described in Part I above, paid in a DIRECT ROLLOVER to a traditional IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to a traditional IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

If you are a beneficiary other than the surviving spouse or an alternative payee, you cannot choose a direct rollover, and you cannot roll over the payment yourself.

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 59-1/2.

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.

V HOW TO OBTAIN ADDITIONAL INFORMATION

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with the Plan Administrator or a professional tax advisor before you take a payment of your benefits from your 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.