

HARDSHIP DISTRIBUTIONS

Steps for Processing Hardship Distribution Requests

- I. Have the Employee complete all three forms and return to you, the Plan Administrator (Plan Trustee).

- II. Review the Forms checking for completeness. Then check to see if the nature of the hardship is one of the six acceptable reasons listed below:
 - To pay for medical expenses for immediate family;
 - To pay for the tuition for the next semester or quarter for a member of the immediate family;
 - To be used for the purchases of the principle residence of the participant;
 - To avoid eviction from, or mortgage foreclosure on, the participant's principal residence;
 - To pay burial or funeral expenses for the employee's deceased parent, spouse, children or dependents;
 - To pay expenses for repair of damage to the employee's principal residence that would qualify as deductible casualty expenses (without regard to the 10% "floor" for deductibility).

- III. Advise the Employee of the tax consequences involved and the suspension of 401(k) deferrals for six months.

- IV. If the nature of the hardship is acceptable, contact Red Bank Pension Services, Inc. to calculate the maximum amount to which the Employee is entitled.

- V. When you have received written confirmation from Red Bank Pension Services, Inc., request the amount from your financial institution.

If you should have any questions regarding this procedure, please feel free to contact Red Bank Pension Services, Inc. @ (732) 747-1540.

PLAN NAME: _____

HARDSHIP WITHDRAWAL REQUEST

You have requested a withdrawal from your Section 401(k) Plan account. The Internal Revenue Service requires that you establish hardship in order to receive a distribution from your account. This form must be completed and signed by you in order to establish hardship. It may take up to 30 days from the date this form is received by the Trustee to process your distribution.

You are responsible for completing this form truthfully. If you make an obvious misstatement, we will ask you to correct it. You may be asked to provide documentation regarding your statements.

PART A - Amount Needed

I need \$ _____ to cover a hardship.

PART B - Nature of the Hardship

Check which item describes your hardship and explain if indicated:

1. () Expenses incurred by me, my spouse, or a dependent due to an injury, illness or death;
2. () Tuition expenses and related educational fees for the next 12 months of post-secondary education for me, my spouse, my child(ren), or a dependent;
3. () To purchase my initial principal residence (this does not include mortgage payments, other periodic payments, or furnishings);
4. () To avoid eviction from or mortgage foreclosure on my principal residence;
5. () Burial or funeral expenses for my deceased parent, spouse, children or dependents;
6. () Expenses incurred to me for repair of damage to my principal residence that would qualify as deductible casualty expenses (without regard to the 10% "floor" for deductibility);
7. () Other, explain: _____

PART C - Need for Withdrawal

Before you can receive a withdrawal from your account, the Internal Revenue Service also requires that you establish that you cannot satisfy your hardship through other means.

You must establish, to the satisfaction of a plan administrator, that your hardship cannot be satisfied by actions you have taken or could take, including:

- Reimbursement or compensation from insurance or other sources.
- Reasonable liquidation of your assets.
- Stopping your contributions (both before-tax and after-tax) to the plan.
- Obtaining other distributions and nontaxable loans from any employee benefit plan maintained by any of your employers.
- Taking out a commercial loan.

You may be required to present documentation of the above.

You can take the following actions, in which case it is assumed that your need cannot be met through other resources. (Unless your need is among those listed in #1 through #7 in Part B above, your withdrawal can still only be allowed if a Plan Administrator determined that it is immediate and heavy, as these items have been used by the IRS).

- You must obtain all distributions and non-taxable loans currently available to you under any of our employee benefit plans;
- You must suspend your before-tax and after-tax contributions to any of our plans in which you are eligible to participate for 6 months after you receive your hardship withdrawal. (This does not include contributions you are required to make to your pension plan, or contributions you make to your medical, dental, life or disability insurance plans.)
- Your before-tax contributions to any employee benefit plan in the calendar year (assuming you file your income tax returns on a calendar year basis) after the year in which you receive your hardship withdrawal will be limited to: the maximum contribution allowed by the IRS for that next year, minus the amount of your before-tax contributions during the year of your hardship withdrawal.

PART D - Certification

I certify that the statements I have made in this hardship withdrawal request are correct.

(Participant's Signature)

(Date)

(Participant's Name - PRINTED)

(Social Security Number)

PROCEDURES

If approved, your withdrawal request will be processed according to the following steps:

STEP #1: You will receive the maximum non-hardship withdrawal available to you.

STEP #2: If your hardship is not satisfied by this amount, the next step may be a plan loan (depending on how you completed Part C above).

STEP #3: If your hardship need is still not satisfied, you will receive the maximum hardship withdrawal available to you.

In any event, the total amount of these items cannot exceed the amount required to meet your need. This is the amount you showed in Part A.

PLAN NAME: _____

HARDSHIP DISTRIBUTION APPLICATION

I, _____, hereby make an application to the Trustee(s) of the above named plan for a hardship distribution in the amount of \$_____. This hardship cannot be relieved through insurance reimbursements, reasonable liquidation of any personal assets or that of my dependents, by suspending salary deferral contributions, or loans from any of the Company's retirement plan. This hardship distribution is requested as a result of:

I realize that upon receipt of the hardship distribution, the total amount of the distribution will be taxable to me in the year of the receipt; and, if I am under the age of 59½, I may also be subject to a 10% premature distribution excise tax. In addition, I realize that upon receipt of the hardship distribution, my participation in the plan's salary deferral feature shall be suspended for a period of at least six (6) months from the date of distribution.

*Participant's
Signature:* _____

Date: _____

SPOUSAL CONSENT

I hereby consent to my spouse's request for a hardship distribution from the above named plan. I hereby acknowledge that I understand the effect of this election.

*Spouse's
Signature:* _____

Date: _____

NOTARY PUBLIC

State of: _____

County of: _____

On this _____ day _____, _____ before me came an individual who signed the preceding consent. She/He acknowledged to me that she/he is the spouse of _____, a participant in the above named plan, and that the effect of this consent was explained to her/him and that she/he stated she/he understands the effect of this consent.

Notary Public: _____

Commission Expires: _____

PLAN TRUSTEE

I hereby authorize the Trustee(s) of the plan to distribute my hardship distribution amount with or without withholding any state income taxes.

*Participant's
Signature:* _____

Date: _____

Approved by: _____

Date: _____

**HARDSHIP ELECTION, SPOUSAL CONSENT,
DISTRIBUTION and WITHHOLDING ELECTION FORM**
(Both sides of this form must be completed before the distribution can be made)

NAME OF PLAN: _____

NAME OF PARTICIPANT: _____

ADDRESS: _____

SOCIAL SECURITY #: _____ - _____ - _____ PHONE #: (____) _____ - _____

Pursuant to the terms of the Plan, the normal form of payment for married participants is a 50% Joint & Survivor Annuity. The annuity will provide a benefit to you commencing at your Normal Retirement Age (present age if you have deferred retirement past Normal Retirement Age) payable over your lifetime, and would continue to your spouse at a rate of 50% of the benefit payable to you. If you are single, the annuity would be payable for your lifetime. Benefits may be provided by the purchase of an annuity contract.

As an alternative, whether you are married or single, you may choose to have the benefit payable in a lump sum.
NOTE: The plan administrator has the right to pay all benefits valued at less than \$5,000 in lump sum form.

If you are married and the value of your benefit is greater than \$5,000, the consent of your spouse must be obtained in writing in order to receive your benefit in a form other than a Joint & Survivor Annuity. Either a Plan Administrator or a Notary Public must witness this consent.

I hereby certify that I am: () Legally Married () Not Married

SPOUSAL CONSENT

I, as spouse of the above named Participant, consent to the manner of benefit payment selected above and waive any rights I otherwise have to receive benefits in the form of a Joint & Survivor Annuity. I certify that I understand the terms of the Joint & Survivor Annuity, my right not to consent to this distribution and the financial effect of my not receiving benefits in the Joint & Survivor Annuity.

(Spouse's Signature)

(Spouse's Name - PRINT)

(Plan Representative/Notary Public)

(Date)

DISTRIBUTION AND WITHHOLDING ELECTION

You will receive your benefit as a lump sum distribution.

NEW JERSEY RESIDENTS:

If you want New Jersey Income Tax withheld, you must specify an amount greater than \$10.

I want \$ _____ withheld for New Jersey Income Tax.

I have been provided with a copy of the “*Special Tax Notice Regarding Plan Payments*” and understand it was my responsibility to consult a professional tax advisor for any additional information prior to making the above election. I hereby waive the balance, if any, of my 30-day decision period described in said Special Tax Notice. I certify, if electing to rollover my distribution, that the recipient shown above is qualified to accept the rollover.

(Participant's Signature)

(Date)

SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS
(Alternative to IRS Safe Harbor Notice - For Participant)

To: _____

From: _____ (“Plan”)

Date: _____

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. An eligible rollover distribution 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. 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 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), and money purchase plan; a §403(a) annuity plan; a §403(b) tax-sheltered annuity; and an eligible §457(b) plan maintained by a governmental employer (governmental 457 plan). You may **not** roll over a distribution (other than Roth 401(k) plan deferrals and earnings) to a Roth IRA. 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) hardship distributions; (4) ESOP dividends; (5) corrective distributions; or (6) loans treated as distributions.

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.

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

After-tax/rollover into an IRA. You may roll over your after-tax contributions to an IRA either directly or indirectly. The Plan Administrator will assist you in identifying how much of your payment is the taxable portion and how much is the after-tax portion. If you roll over after-tax contributions to an IRA, it is your responsibility to keep track of, and report to the IRS on the applicable forms, the amount of these after-tax contributions. This will enable you to determine the nontaxable amount of any future distributions from the IRA. Once you roll over your after-tax contributions to an IRA, you may NOT later roll over those amounts to an employer plan, but may roll over your after-tax contributions to another IRA.

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

Roth 401(k) plan deferrals. You may roll over an eligible rollover distribution that consists of Roth deferrals (and earnings) ONLY to another qualified plan, including a defined benefit plan (by a direct rollover), to a Roth 403(b) plan (by a direct rollover), provided the qualified plan or the Roth 403(b) plan will accept the rollover and provides separate accounting for the amounts rolled over (including separate accounting for the Roth deferrals and earnings on those deferrals), or to a Roth IRA (either by a direct rollover or by a 60-day rollover). In any of these direct rollovers, the distribution may be a "qualified Roth distribution" or may be a Roth distribution that is not qualified. See Section C. "Taxation of Roth deferrals." below. If you are completing a 60-day rollover to a qualified plan or to a 403(b) plan, you only may roll over the taxable portion of a non-qualified Roth distribution. See Section C. "Taxation of Roth deferrals" and "60-day rollover option" below.

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 (to a Roth IRA or to a qualified plan in the case of a distribution of Roth deferrals) which you have designated. 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. You must deliver the check to that trustee/custodian. A direct rollover amount is not subject to taxation at the time of the rollover. 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.

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. The Plan might not let you choose a direct rollover if your distributions for the year are less than \$200.

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) tax-sheltered annuity, 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.”

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, within 60 days following receipt, you roll over the distribution to a Roth IRA, or you roll over the earnings on the Roth deferrals to a qualified plan or to a 403(b) plan, as explained under “60-day rollover option” below.

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

60-day rollover option. The direct rollover explained in Section B. above is not the only way to make a rollover. If you receive payment of an eligible rollover distribution, you still may roll over all or any portion of the distribution to an IRA or to another eligible employer plan that accepts rollovers, except that 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 qualified plan or to a 403(b) plan. If you decide to roll over the distribution, *you must make the rollover within 60 days of your receipt of the payment.* The portion of your distribution which you elect to roll over is not subject to taxation until you receive distributions from the IRA or eligible employer plan.

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

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.

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. For example, the 10% penalty tax does not apply if you separate from service with the Employer during or after the year in which you attain age 55, and then receive a distribution. See IRS Form 5329 for more information on the 10% penalty tax.

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) tax-sheltered annuity, 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%.

Income averaging 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, known as income averaging, 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 income averaging for a lump sum distribution if you elected income 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) tax-sheltered annuity contract, from a governmental 457 plan or from an IRA not originally attributable to a qualified employer plan. You also may not elect income averaging if you previously rolled over another distribution from the Plan. Finally, you may not elect income averaging if you roll over your distribution to an IRA, a governmental 457 plan or a §403(b) tax-sheltered annuity, 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 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.

Government publications. IRS Publication 575 and IRS Publication 590 provide additional information about the tax treatment of plan distributions and rollovers. These publications are available from your local IRS office, on the IRS’s Internet Website at www.irs.gov, or by calling 1-800-TAX-FORMS.

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 rollover which you make yourself. 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.

* * * * *