

SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

This notice contains important information regarding your federal income tax options for your death benefit distribution from the Plan. 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.

Eligibility for rollover. You either may receive a distribution of the death benefit or may roll over directly the death benefit to an IRA you establish to receive the distribution. However, you may not roll over the required minimum distribution for any taxable year. You also 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); or (2) a period of 10 years or more. If you receive the death benefit, you subsequently may *not* roll over the death benefit. If you roll over the death benefit to an IRA, the rollover must be by a direct transfer (*i.e.*, direct rollover) from the Plan to the IRA. You may directly roll over the death benefit (other than Roth 401(k) plan deferrals and earnings) either to a Roth IRA or to a traditional IRA. You may directly roll over a distribution from a Roth 401(k) plan account to a Roth IRA. You also may not roll over any distribution that the participant would have had to take as a “lifetime” required minimum distribution for the year of the participant’s death.

Rollover to inherited IRA. The Code treats the rollover IRA as an “inherited” IRA. This means you, at a later date, may not transfer the IRA assets to another IRA you own or to any other retirement plan. The inherited IRA must be titled in a manner that reflects the decedent and the beneficiary, such as “Jessica Jones, as beneficiary of William Jones.” If you elect a direct rollover of the death benefit to an IRA, the Plan Administrator will pay the death benefit directly to the IRA which you have designated. A direct rollover amount is not subject to taxation at the time of the rollover, and the taxable portion of your direct rollover will be taxed later when you take it out of the IRA, unless you are rolling over a non-Roth account to a Roth IRA. See “Taxation of direct rollover of pre-tax distribution to Roth IRA” below. The 10% penalty tax for distributions before age 59½ will not apply to a later distribution from the IRA, even if you are not age 59½ at the time of the distribution.

After-tax contributions. If the deceased Participant made after-tax contributions to the Plan, you may directly roll over these contributions to the IRA (including a Roth IRA) you establish to receive the rollover. 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. However, if you roll over after-tax contributions to an IRA, it is your responsibility to keep track of, and to 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.

Distributions you receive. The taxable portion of a death distribution which you elect to receive is taxable to you in the year you receive the distribution. The 10% penalty tax does NOT apply to death benefit distributions to a beneficiary. If you elect to roll over the distribution to an IRA, for each year beginning with the year after the Participant’s death, you must take a minimum required distribution (subject to an exception if the decedent had not started taking required minimum distributions from the Plan and you complete the distribution of the entire death benefit within 5 years after the decedent’s death). Any distribution you subsequently take from the IRA is taxable to you in the year you receive the distribution, and is not eligible for rollover to another IRA or to any other retirement plan, except that a subsequent distribution is not taxable to the extent the distribution represents a return of “basis” (after-tax contributions) or is a qualified distribution from a Roth IRA. The IRA trustee or custodian, or your tax advisor, can help you determine the amount of each year’s required distribution amount, and the extent to which a particular distribution is taxable.

Taxation of Roth deferrals. If your distribution includes Roth 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 (on or after the date of the deceased Participant’s death) to be a qualified distribution, the

distribution must occur after the end of the 5th calendar year beginning with the first calendar year for which the decedent 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 the 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. As stated above, you may roll over to a Roth IRA any part of a distribution which includes Roth 401(k) plan deferrals or earnings thereon.

Taxation of Roth IRA distributions if you roll over to a Roth IRA. If you roll over a Roth deferral account to a Roth IRA, the amount you roll over will become subject to the tax rules that apply to the Roth IRA. In general, these tax rules are similar to those described under “Taxation of Roth deferrals” immediately above, but differences include:

- For a distribution from the Roth IRA (on or after the date of the deceased Participant’s death) to be a qualified distribution, the distribution must occur after the end of the 5th calendar beginning with the first calendar for which the decedent made any contribution to a Roth IRA. All of the decedent’s Roth IRAs will be considered for purposes of determining whether the 5-year rule has been satisfied to enable you to receive a qualified distribution from the Roth IRA (counting from January 1 of the year for which the decedent’s first contribution was made to any Roth IRA, which may be the calendar year you roll over the death benefit to a Roth IRA if the decedent had not ever established a Roth IRA during his/her lifetime).
- The tax rules that apply to a Roth IRA treat the first distributions from the Roth IRA as the non-taxable contributions (including rollover contributions from a non-Roth account), rather than earnings.
- Eligible rollover distributions from a Roth IRA can only be rolled over to another Roth IRA.

Taxation of direct rollover of pre-tax distribution to Roth IRA. If you directly roll over a pre-tax distribution to a Roth IRA, the taxable portion of the distribution is subject to taxation for the taxable year in which the distribution occurs (except that a special taxation rule applies to distributions during 2010 that you roll over to a Roth IRA, under which the distribution can be subject to taxation ratably during 2011 and 2012). If you directly roll over a pre-tax distribution to a Roth IRA, the taxation of the subsequent distributions from the Roth IRA are similar to those described under “Taxation of Roth IRA distributions if you roll over to a Roth IRA” immediately above. For more information, see IRS Publication 590, Individual Retirement Arrangements (IRAs).

Federal Income Tax Withholding. If you receive, rather than roll over, an eligible rollover distribution, the taxable portion of the 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.

If you receive a distribution that is not an eligible rollover distribution (e.g., the current year’s or any prior year’s required minimum distribution, or a periodic payment for your life expectancy or for a period of 10 years or more), you may elect whether to have federal income tax withholding apply to the distribution. If you do not wish to have any income taxes withheld on the distribution, or 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 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 to the distribution. The plan administrator can assist you in determining which portion of your distribution represents an eligible rollover distribution, and which portion is not eligible for rollover.

Special tax treatment if the deceased participant was born before 1936. If your distribution is a “lump sum distribution,” and the deceased participant was born before 1936, you may elect special tax

treatment. A lump sum distribution is a distribution, within one calendar year, of your entire death benefit (including any nontaxable portion of your distribution) under the Plan (and certain similar plans maintained by the Employer).

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

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

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

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

Employer Securities. The Code provides a special rule for a distribution which includes Employer securities (*i.e.*, stock of the Employer). In order to take advantage of this special rule (1) the distribution must qualify as a lump sum distribution, or (2) the Employer stock must be attributable to after-tax employee contributions. Under this special rule, you have the option of not paying the tax on the “net unrealized appreciation” of the stock until you sell the stock. Net unrealized appreciation generally is the increase in the value of the Employer stock while the Plan held the stock. For example, if the Employer contributed Employer stock to the deceased participant’s 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.

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. 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.