

**SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS FOR NON-SPOUSE BENEFICIARY**

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 may either receive a distribution of the death benefit or may directly roll over the death benefit to an IRA you establish to receive the distribution. 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 and earnings either to a Roth IRA (provided for distributions before January 1, 2010, your adjusted gross income for the taxable year of the distribution does not exceed \$100,000 and you are not married filing a separate income tax return) or to a traditional 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. 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. 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. The taxable portion of your direct rollover will be taxed later when you take it out of the IRA. The 10% penalty tax for distributions before age 59 1/2 will not apply to a later distribution from the IRA, even if you are not age 59 1/2 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, for distributions after December 31, 2009, a Roth IRA) you establish to receive the rollover. For distributions before January 1, 2010, you may roll over any such after-tax contributions to a Roth IRA, provided your adjusted gross income for the taxable year of the distribution does not exceed \$100,000 and you are not married filing a separate income tax return. 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.

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. 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. The IRA trustee or custodian, or your tax advisor, can help you determine the amount of each year's required distribution amount.

**Splitting the distribution.** If your death distribution exceeds \$500, you may elect a direct rollover to an IRA of only a part of your distribution, provided the portion directly rolled over is at least \$500. If your death 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.

**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). For distributions before January 1, 2010, you may not roll over a distribution from a pre-tax account to a Roth IRA if your adjusted gross income for the taxable year exceeds \$100,000, or if you are married filing a separate income tax return. However, these limitations on direct rollovers from a pre-tax account to a Roth IRA do not apply to distributions after December 31, 2009.

**Federal Income Tax Withholding.** If you receive, rather than roll over, the distribution, you may elect whether to have federal income tax withholding apply to your death benefit distribution. If you do not wish to have any income taxes withheld on your 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 with Form W-4P.

## Special Tax Notice – Non-Spouse Beneficiary

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.

**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 payment of your entire death benefit (including any nontaxable portion of your distribution) under the Plan (and certain similar plans maintained by the Employer) made within one calendar year.

*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%.

*Income averaging election and limitations.* 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 the participant elected income averaging with respect to a prior lump-sum distribution he/she received after December 31, 1986, or after he/she had attained age 59 1/2. You may not elect income averaging 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 income averaging if the participant previously rolled over another distribution from the Plan.

**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](http://www.irs.gov), or by calling 1-800-TAX-FORMS.