

**MURPHY & ASSOCIATES, INC.**  
**CASH OR DEFERRED PROFIT SHARING PLAN AND TRUST**  
**PARTICIPANT DISTRIBUTION ELECTION**

Participant: \_\_\_\_\_

1. **Distribution Election.** After reading the PARTICIPANT DISTRIBUTION NOTICE and the SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS, I, the undersigned Participant, make the following distribution election: *(Choose (a) or (b))*

- a. Qualified Annuity Benefit. I elect to receive the Qualified Annuity Benefit, as explained to me. *[Note: If you elect (a), complete sections 5 and 6 and no other section.]*
- b. Waiver of Qualified Annuity Benefit. I hereby waive the Qualified Annuity Benefit and instead elect: *(Choose (1), (2), (3), (4), or (5))*
- (1) Elect a direct rollover of my entire vested account balance to the IRA or to the plan designated below. *(Complete section 2. Information for Direct Rollover below.)*
- (2) Elect a lump-sum payment of my entire vested account balance, less income tax withholding.
- (3) elect a direct rollover of the following portion of my vested account balance to the IRA or to the plan designated below: \$\_\_\_\_\_ (not less than \$500), with the balance paid in lump-sum, less income tax withholding. *(Complete section 2. Information for Direct Rollover below.)*
- (4) Elect an annuity other than the Qualified Annuity Benefit. *(Choose (i.) or (ii.))*
- (i.) Joint and 75% annuity.
- (ii.) Joint and 100% annuity.
- (5) Elect installment payments. The installment method election will permit you to split your distribution between installments and lump-sum and to elect a direct rollover of any payment which is an eligible rollover distribution. *(Complete section 2. Information for Direct Rollover below.)*

I hereby elect:

- (a) My entire vested account balance in installments.
- (b) \$\_\_\_\_\_ in lump-sum, with the rest of my vested account balance in installments.

Installment Term. (Complete c. and d.)

(c) I request payment of installments:  monthly  quarterly  semi-annually  annually

(d) I elect the following installment term (Choose i., ii. or iii. below.)

(i.) \_\_\_\_\_ years.

(ii.) My life expectancy, as determined under Treasury regulations.

(iii.) The joint life and last survivor expectancy, as determined under Treasury regulations, of my designated beneficiary and me.

If I am over 70 1/2 years of age, I understand my installment payments for a calendar year will be adjusted if necessary to satisfy the minimum distribution requirements under the Plan.

- (e) I elect a direct rollover of my installment payments. This election applies until revoked. *[Note: This option is not available unless you elect an installment period of less than 10 years. (Complete section 2. Information for Direct Rollover below.)]*

Note: Failure to elect a direct rollover will result in income tax withholding on any payments that are eligible rollover distributions. See the SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS included with your distribution package.

2. **Information for Direct Rollover** [Do not complete unless you check 1.(b)(1), 1.(b)(3) or 1.(b)(5)(e)]

I represent that the IRA or retirement plan of another employer designated below is a proper recipient for a direct rollover.

Name of IRA or retirement plan \_\_\_\_\_  
\_\_\_\_\_

Account Number: \_\_\_\_\_  
\_\_\_\_\_

Address to send direct rollover \_\_\_\_\_  
\_\_\_\_\_

Please rollover my investments in-kind to the rollover account above. I understand that there may be an additional charge and not all investments can be transferred in-kind.

3. **Distribution Charge.** I understand the Plan may charge a fee of at least \$25 for the processing of the distribution.

4. **Waiver of minimum notice period.** I consent to an immediate distribution of my vested account balance. I affirmatively waive any unexpired portion of the minimum 30-day notice period during which I may consent to a distribution from the Plan.

5. **Marital status.** I am: (check one)  married  not married  
[Note: If you are married and your elected 1.(b), your spouse must complete section 6]

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_

\_\_\_\_\_  
Print Name of Participant

\_\_\_\_\_  
Signature of Participant

\_\_\_\_\_  
Street Address (include apartment no.)

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
City State Zip Code

I certify that (1) this distribution is in accordance with the terms of the Plan, (2) the plan administrator has provided the participant with a written explanation of the rules permitting direct rollover of eligible rollover distribution amounts to an eligible retirement plan and mandating 20% withholding on distributions that are not directly rolled over and has also complied with any other notice requirements to the participant that are applicable to this distribution and (3) the recordkeeper is entitled to rely on our authorization for this distribution.

\_\_\_\_\_  
Signature of Trustee or Plan Representative

\_\_\_\_\_  
Date

**6. Consent of Spouse**

I, \_\_\_\_\_, spouse of the Participant hereby consent to the waiver of the Qualified Annuity Benefit and Qualified Optional Survivor Annuity and to the timing and form of distribution elected on this form. I have received a written explanation of the Qualified Annuity Benefit, my right not to consent to this waiver election, the waiver election period, and the financial effect of the election not to receive benefits in the form of the Qualified Annuity Benefit or Qualified Optional Survivor Annuity. I understand my consent is irrevocable unless my spouse revokes the waiver election. I understand any change in this form of benefit election is subject to my consent, unless my spouse elects to receive the Qualified Annuity Benefit or Qualified Optional Survivor Annuity.

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_

\_\_\_\_\_  
Signature of Participant's Spouse

NOTE: In order to consent, there must be a witness to spouse's consent by either a Plan Representative OR a Notary.

Witness by Plan Representative: \_\_\_\_\_

Signature of spouse witnessed this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_

\_\_\_\_\_  
Plan Representative

OR

Witness by Notary:

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

BEFORE ME, the undersigned, a Notary Public, personally appeared \_\_\_\_\_ who executed the above Spouse's Consent as a free and voluntary act.

IN WITNESS WHEREOF, I have signed my name and affixed my official notarial seal this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_.

(SEAL) Notary Public \_\_\_\_\_

My Commission expires: \_\_\_\_\_

**MURPHY & ASSOCIATES, INC.**  
**CASH OR DEFERRED PROFIT SHARING PLAN AND TRUST**

**PARTICIPANT DISTRIBUTION NOTICE**

Participant: \_\_\_\_\_

As a Participant in Murphy & Associates, Inc. Cash or Deferred Profit Sharing Plan and Trust, you have accumulated benefits that will be paid to you under the provisions of the Plan. This notice explains your distribution options and rights under the Plan.

**MINIMUM NOTICE PERIOD.** For at least 30 days after you receive this notice, you have the right to consider your decision whether to consent to a distribution of your vested account balance, whether to waive the Qualified Annuity Benefit (see paragraph 3.) and consent to another benefit payment option (see 2. below), and whether to elect a direct rollover of any portion of your distribution eligible for rollover. If you sign and return the attached PARTICIPANT DISTRIBUTION ELECTION form to the Plan Administrator less than 30 days after you receive this notice, then the Plan Administrator's receipt of your signed form is your affirmative waiver of any unexpired portion of the minimum 30-day period and your affirmative election of a distribution or a direct rollover. If you affirmatively elect a benefit payment option other than the Qualified Annuity Benefit, then you have the right to revoke that election until the "annuity starting date," or if later, for at least 7 days after you receive this notice.

The "annuity starting date" is the actual distribution date if you elect to receive a lump-sum distribution. If you elect to receive installment payments or an annuity, then the "annuity starting date" may be before you receive the first installment or the first annuity payment.

1. **Forms.** We have also provided you the following forms:

**PARTICIPANT DISTRIBUTION ELECTION.** Use this form to elect payment of your benefits. See the explanation of your benefit options in 2. below. If you are married, then your spouse must consent to your election unless you elect the Qualified Annuity Benefit (see paragraph 3.).

**SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS.** This notice explains your right to elect a direct rollover of your vested account balance to another plan or to an IRA. This notice also explains the income tax withholding rules if you elect to receive payment from the Plan.

2. **Benefit payment options.** If your Vested benefit under the Plan does not exceed \$5,000, then your benefit may only be paid to you in a single lump-sum payment or directly rolled over to another plan or IRA. If your vested benefit under the Plan exceeds \$5,000, then unless you elect another form of payment, the Plan requires that payment be made to you in the form of a Qualified Annuity Benefit (see paragraph 3.). Instead of a Qualified Annuity Benefit, you may elect distribution in the following forms:

- a. Direct rollover to another plan or IRA.
- b. Lump-sum payment.
- c. Installments over a specified period of time.

You also may elect one form of payment for part of your vested account balance and another form of payment for another part of your vested account balance. For example, you may elect a direct rollover for part of your vested account balance and a lump-sum or an installment distribution payment for the other part. See SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS for rules on splitting your distribution.

If you are less than 100% vested in your account balance and you elect to receive your entire vested interest in the Plan (called a "cash-out") prior to the time you have incurred five consecutive breaks in service, then the nonvested portion of your account balance will be forfeited. Your election of a cash-out distribution is a consent to this forfeiture. If you return to employment with the Employer before your fifth consecutive break in service, the Plan provides you a 5-year period during which you may repay the entire amount of your cash-out distribution and restore your forfeited nonvested account balance.

3. **Qualified Annuity Benefit and Qualified Optional Annuity Benefit.** If you are married, the Qualified Annuity Benefit is a joint and 50% survivor annuity. A joint and 50% survivor annuity is a level monthly payment for your life and, if your spouse survives you, a level monthly payment for your spouse equal to 50% of the monthly amount payable during your joint lives. If you are not married, the Qualified Annuity Benefit is a life annuity. A life annuity is a level monthly payment for your lifetime, with the monthly payments stopping upon your death. These payments are guaranteed for your lifetime and, if you are married, your spouse's lifetime.

The Plan allows you to elect a Qualified Optional Survivor Annuity if you are married and do not elect the Qualified Annuity Benefit. The Qualified Optional Survivor Annuity is a joint and 100% (or 75%) survivor annuity. A joint and 100% (or 75%) survivor annuity is a level monthly payment for your life and, if your spouse survives you, a level monthly payment for your spouse equal to 100% (or 75%) of the monthly amount payable during your joint lives. These payments are guaranteed for your lifetime and, if you are married, your spouse's lifetime.

The Plan will use your vested account balance to purchase an annuity contract from an insurance company. The Plan then will distribute the contract to you as evidence of your right to receive the annuity payments from the insurance company. The actual level monthly payments made under the annuity contract will depend on the annuity purchase rates used by the insurance company, your age (and if you are married, your spouse's age at the time the distribution begins), and the amount of your vested account balance at the time the annuity contract is purchased. Your account will be charged for the cost incurred to purchase the annuity contract.

To determine the approximate level monthly payments you will receive if you choose one of the annuities options, divide your vested account balance by the annuity factor below which most closely approximates your situation. Determine your age and, if you are married, your spouse's age as of the birthday nearest the proposed distribution date. The Plan Administrator, upon request, will provide you with a more precise calculation.

**Annuity Factor Table for Married Participants**

| <u>Married<br/>Participant's Age</u> | <u>Spouse's Age</u> | <u>Joint and 75%<br/>Annuity Factor</u> | <u>Joint and 100%<br/>Annuity Factor</u> |
|--------------------------------------|---------------------|---|--|
| 50                                   | 45                  | 171.13                                  | 177.12                                   |
| 50                                   | 50                  | 167.77                                  | 172.64                                   |
| 50                                   | 55                  | 164.58                                  | 168.38                                   |
| 55                                   | 50                  | 161.52                                  | 168.38                                   |
| 55                                   | 55                  | 157.36                                  | 162.84                                   |
| 55                                   | 60                  | 153.48                                  | 157.66                                   |
| 60                                   | 55                  | 150.03                                  | 157.66                                   |
| 60                                   | 60                  | 145.00                                  | 150.96                                   |
| 60                                   | 65                  | 140.43                                  | 144.86                                   |
| 65                                   | 60                  | 136.68                                  | 144.86                                   |
| 65                                   | 65                  | 130.82                                  | 137.04                                   |
| 65                                   | 70                  | 125.66                                  | 130.17                                   |
| 70                                   | 65                  | 121.80                                  | 130.17                                   |
| 70                                   | 70                  | 115.29                                  | 121.48                                   |
| 70                                   | 75                  | 109.64                                  | 113.95                                   |

**Annuity Factor Table for Unmarried Participants**

| <u>Unmarried<br/>Participant's Age</u> | <u>Annuity Factor</u> |
|--|-----------------------|
| 50                                     | 153.16                |
| 52                                     | 148.45                |
| 54                                     | 143.49                |
| 55                                     | 140.93                |
| 57                                     | 135.59                |
| 59                                     | 130.02                |
| 60                                     | 127.15                |
| 61                                     | 124.23                |
| 62                                     | 121.26                |
| 63                                     | 118.25                |
| 64                                     | 115.21                |
| 65                                     | 112.14                |
| 66                                     | 109.07                |
| 68                                     | 102.91                |
| 70                                     | 96.69                 |

Note: We have based these annuity factors on the UP 1984 mortality tables, assuming a 6% interest rate. The insurance company from which the annuity contract is purchased may use different factors. Different factors will produce a different monthly payment.

The quotient of your annuity factor divided into your vested account balance represents the approximate monthly payment you will receive during your lifetime if you elect to commence distribution on the proposed distribution date. If you are married, the monthly payment your spouse will receive after your death is equal to the survivor annuity percentage times the monthly amount that you would receive during your lifetime. These monthly payments are only estimates. The Plan Administrator, upon request, will provide you with a more precise calculation.

For example, if you and your spouse both are 65 and your vested account balance is \$10,000, your approximate monthly payment as a Joint and 75% Annuity is \$76.44 (\$10,000 divided by 130.82) and, if your spouse survives you, the approximate monthly payment to your surviving spouse is \$57.33 (\$76.44 X 75%). If you are unmarried, age 65, and your nonforfeitable account balance is \$10,000, your approximate lifetime monthly payment is \$89.17 (\$10,000 divided by 112.14).

4. **Postponement of Distribution.** If you do not wish to commence distribution please ask the Plan Administrator to send you the POSTPONEMENT OF DISTRIBUTION ELECTION form. This form allows you to elect a delayed distribution date. You will receive a notice from the Plan shortly before that delayed distribution date explaining your distribution rights. Under a postponement election, your vested account balance will be subject to adjustment for investment gains or losses. Because of earnings or losses on investments, the amount ultimately paid to you at your postponed distribution date could be more or less than the value of your vested account balance described in this notice. If you fail to complete and return the PARTICIPANT DISTRIBUTION ELECTION form or if you fail to specify a later distribution date in the POSTPONEMENT OF DISTRIBUTION ELECTION form, the Plan Administrator will treat your failure as an election to defer your distribution until the later of age 62 or your Normal Retirement Age. However, you may revoke your election to defer distribution and receive a distribution in accordance with the Plan.

5. **Financial effect of distribution options.** Under a Qualified Annuity Benefit, you will receive lifetime income. If you are married and your spouse predeceases you, the annuity payments will continue until your death. If you are married and your spouse survives you, then the Qualified Annuity Benefit will make the joint life payments until your death, and continue 50% of the joint life payments until your spouse's death. The Qualified Annuity Benefit will not pay any death benefits to other beneficiaries. If you waive the Qualified Annuity Benefit, then you may receive your vested account balance in any form described in 2. above.

A direct rollover means the Plan pays the distribution amount directly to another plan or to an IRA. See SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS, included with your package. A lump-sum payment means you receive a single payment of the distribution amount. Under an installment distribution, the Plan makes periodic payment of your vested account balance over a specified period of time. Because of earnings or losses on investments, the total amount ultimately paid to you could be more or less than the value of your vested account balance as of the proposed distribution date or as of the date of the termination of your employment with the Employer. If you elect an installment distribution, you should also complete a DESIGNATION OF BENEFICIARY form. If you are married, your spouse must consent to the beneficiary designation unless your spouse is the only designated beneficiary.

If you elect installment payments directly from the Plan, then the Plan will calculate each annual installment payment by dividing your latest vested account balance by the remaining installment period. After commencing an installment distribution, you may accelerate the payment of all, or any portion, of your unpaid vested account balance at any time. Under a nontransferable annuity contract, the Plan will apply your entire vested account balance to the purchase of the contract and the contract will provide payments over the elected installment term. The level of payments provided under the contract will depend on the terms of the contract you choose.

6. **Plan administration and investment fees.** Assuming that you do not elect to take distribution of your account and pay immediate tax on the distribution, you may elect to leave your account in the Plan until a later date or, subject to the spousal consent requirement, roll over your account to another retirement plan vehicle (including an IRA). In determining the economic consequences of your choice, you should compare the administration costs and the investment options (including fees) you will have if your account remains in the Plan to those options you may have outside the Plan. The Plan may have available a special class of investments with a fee structure that does not apply outside the Plan.

7. **Additional information.** If you have any question regarding the information provided in this notice or any form included with your distribution package, please contact the Plan Administrator.

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Date

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Signature of Plan Administrator

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Date Received

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Signature of Participant

**MURPHY & ASSOCIATES, INC.**  
**CASH OR DEFERRED PROFIT SHARING PLAN AND TRUST**

**SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS**  
**(FOR PARTICIPANT)**

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 may also receive a distribution where 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 to a Roth IRA (provided that for distributions before January 1, 2010, your adjusted gross income for the taxable year of the distribution does not exceed \$100,000), a traditional IRA or an eligible employer plan that accepts rollovers. An "eligible employer plan" includes a plan qualified under Code Section 401(a), including a 401(k) plan, profit sharing plan, defined benefit plan, stock bonus plan (including an ESOP), and money purchase plan; a Section 403(a) annuity plan; a 403(b) plan; and an eligible Section 457(b) plan maintained by a governmental employer (governmental 457 plan). Special rules apply to the rollover of after-tax contributions. See "After-tax contributions" 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 over your distribution to an IRA or to split your rollover amount between the employer plan in which you will participate and an IRA. You should also 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 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, 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 the following:

*Required minimum distributions.* Beginning in the year in which you retire or reach age 70 1/2 (whichever is later), 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.

*Corrective distributions.* You may not roll over a distribution from the Plan to correct a failed nondiscrimination test or because legal limits on certain contributions were exceeded.

*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.

*Hardship distributions.* A hardship distribution is not eligible for rollover.

*Loans treated as taxable "deemed" distributions.* You may not roll over the amount of a plan loan that becomes a taxable deemed distribution because of a default. 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.

**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 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, unless the direct rollover is from a pre-tax account to a Roth IRA. Except for a direct rollover of a pre-tax amount to a Roth IRA, 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 Section 403(b) plan, a governmental 457 plan, or an IRA, your benefit will no longer be eligible for that special treatment. See the sections below entitled "10% penalty tax if you are under age 59 1/2" and "Special tax treatment if you were born before 1936."

**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 is 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. However, the adjusted gross income limit on direct rollovers from a pre-tax account to a Roth IRA does not apply to distributions you roll over after December 31, 2009.

## **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.

**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 may still roll over all or any portion of the distribution to an IRA or to another eligible employer plan that accepts rollovers. 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, except that a rollover of a distribution from a pre-tax account to a Roth IRA is subject to taxation in the taxable year in which the distribution occurs.

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% penalty tax if you are under age 59 1/2" 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 with 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 59 1/2.** If you receive a distribution from the Plan before you reach age 59 1/2 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 59 1/2, 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 tax 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 Section 403(b) plan, this special tax treatment is not available for the rest of the payment. A lump-sum distribution is payment of your entire vested account balance (including any nontaxable portion of your distribution) under the Plan (and certain similar plans maintained by the Employer) that is made within one calendar year. If you are not a self-employed individual, the distribution must occur after you attain age 59 1/2 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 59 1/2 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 59 1/2. You may not elect this special tax treatment if you rolled amounts into this Plan from a Section 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 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) plan, 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 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](http://www.irs.gov), or by calling 1-800-TAX-FORMS.