

**EXPLANATION OF TAX RULES RELATING TO DEATH
BENEFIT PAYMENTS TO NON-SPOUSE BENEFICIARIES**

The Internal Revenue Code (the "Code") provides several complex rules relating to the taxation of the amounts you receive in your distribution. This notice merely summarizes these rules. WE SUGGEST THAT YOU PROMPTLY CONSULT A TAX ADVISOR IN DECIDING WHAT COURSE TO FOLLOW WITH RESPECT TO YOUR DISTRIBUTION.

SUMMARY

A death benefit payment from the Plan that is eligible for "rollover" can be taken in two ways. You can have all or any portion of your payment either (1) PAID IN A "DIRECT ROLLOVER" or (2) PAID TO YOU. This choice will affect the tax you owe.

A rollover is a payment to a traditional individual retirement arrangement (IRA) that you establish for the purpose of receiving this death benefit.

If you choose a DIRECT ROLLOVER:

- Your payment will not be taxed in the current year and no income tax will be withheld.
- The IRA will be treated as an inherited IRA. Distributions from the inherited IRA are subject to the minimum distribution rules applicable to beneficiaries and cannot be further rolled over.
- Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account because these are not traditional IRAs.
- Your payment will be taxed later when you take it out of the traditional IRA.

If you choose to have your Plan benefit PAID TO YOU:

- You will receive only 80% of the payment, because the Plan Administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.
- Your payment will be taxed in the current year.

I. DIRECT ROLLOVER

A DIRECT ROLLOVER is a direct payment of the amount of your Plan benefits to a traditional IRA. You can choose a DIRECT ROLLOVER of all or any portion of your death benefit payment. You are not taxed on any portion of your payment for which you choose a DIRECT ROLLOVER until you later take it out of the traditional IRA. In addition, no income tax withholding is required for any portion of your death benefit payment for which you choose a DIRECT ROLLOVER.

You can open a traditional IRA to receive the direct rollover. If you choose to have your payment made directly to a traditional IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a traditional IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA to receive the payment. However, in choosing a traditional IRA, you may wish to make sure that the traditional IRA you choose will allow you to move all or a part of your payment to another traditional IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on traditional IRAs (including limits on how often you can roll over between IRAs).

II. PAYMENT PAID TO YOU

If you have the death benefit payment made to you, it is subject to 20% federal income tax withholding. The payment is taxed in the year you receive it.

Income Tax Withholding:

Mandatory Withholding. If any portion of the death benefit payment is paid to you, the Plan is required by law to withhold 20% of that amount. This amount is sent to the IRS as federal income tax withholding. For example, if your death benefit payment is \$6,500, only \$5,200 will be paid to you because the Plan must withhold \$1,300 as income tax. However, when you prepare your income tax return for the year, you will report the full \$6,500 as a payment from the Plan. You will report the \$1,300 as tax withheld, and it will be credited against any income tax you owe for the year.

HOW TO OBTAIN ADDITIONAL INFORMATION

This notice summarizes only the federal (not state or local) tax rules that might apply to your death benefit payment. The rules described above are complex. Therefore, you may want to consult with a professional tax advisor before you take a payment of your benefits from your Plan. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, Pension and Annuity Income, and IRS Publication 590, Individual Retirement Arrangements. These publications are available from your local IRS office, on the IRS's Internet Web Site at www.irs.gov, or by calling 1-800-TAX-FORMS.