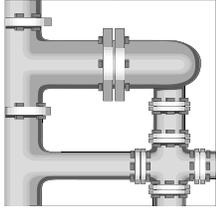


Annuity Fund



Connecticut Pipe Trades Local 777 Annuity Fund

1155 Silas Deane Hwy.

Wethersfield, CT 06109

Phone (860) 571-9191 Fax (860) 571-9221

www.connecticutpipetrades.com

ANNUITY HARDSHIP WITHDRAWAL PROVISIONS

Requirements

- A minimum balance of at least \$5,000.00 in your account to be eligible for a distribution.
- The minimum withdrawal amount is \$2,000.00 but cannot exceed more than 50% (fifty- percent) of your account balance. With an exception of the provision for the purchase of a primary residence, a participant will be allowed to withdraw 90% (ninety-percent) of his/her account balance for the first hardship distribution to purchase a primary residence but any subsequent distributions for such reason would be limited to 50% of his/her account balance.
- A Hardship Distribution can be taken one time in any (twelve) 12-month period except for distributions related to tuition expenses, which can be requested twice every twelve months per child.
- If you are married, you must obtain your spouse's consent for a Hardship Withdrawal.
- Submit proper evidence to support your need for a Hardship Withdrawal. You may not withdraw more than is necessary to satisfy this immediate need (i.e., if you are requesting a distribution for foreclosure or eviction, you can only receive the amount necessary to prevent such action; you can not take a distribution for future mortgage or rent payments.)

Federal & State Tax Penalty Information

- Your distribution will be taxed at your tax rate at the end of the year in which you take the distribution. You will also be assessed a 10% penalty by the IRS for early withdrawal. The distribution will also be subject to State income tax.
- New tax laws have made the hardship distribution ineligible for a rollover. This means that the Fund is no longer required to withhold the 20% federal income tax on hardship distributions as it was required in previous years. If you wish to have taxes withheld, you must indicate so on the application form.
- Please consult your personal tax advisor regarding your tax liabilities for distributions. The decision to take an early distribution should be examined carefully keeping in mind the tax liability and reduced future growth of your annuity account.

Qualification for a Financial Hardship Withdrawal

- Medical Expenses, incurred by you, your spouse or dependent which are not covered by other insurance.**

Required Evidence:

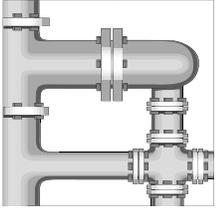
- Copies of the 'Explanations of Benefits' (EOB's) received from your Health Insurance Provider indicating amounts not covered.
- For dependents, the participant must provide evidence to the Board of Trustees that he/she provides for at least 50% of the dependent's financial support and may be claimed by such participant as a dependent on his/her Federal Income Tax returns.

- Education expenses for you or your spouse or dependent child for attendance at any accredited educational institution.**
Required Evidence:
- Copies of the UNPAID tuition statement or invoice (on institution letterhead) showing student's name, amount owed and semester / school session dates;
 - Proof of School's accreditation; and
 - If student is a dependent or spouse of the participant a copy previous years' federal income tax returns proving their relationship to you.
- Purchase of primary residence or new construction of primary residence.**
You may, on a one-time basis, override the 50% maximum distribution limitation for this Financial hardship and obtain up to 90% of your account balance. Any subsequent requests to purchase a primary residence will be limited to 50% of your Account balance.
Required Evidence:
- A copy of the fully executed sales contract signed by you and the seller;
 - Copy of closing costs or a Loan Estimate from the financial institution from which you are obtaining the loan;
 - If constructing a new home (as primary residence), you must submit a copy of the signed contract from your builder including the construction costs;
 - Additions and remodeling to current residence are **not** eligible under this provision.
 - Purchase of a parcel of land is not allowed unless you have already contracted a builder to build on the property.
- Expenses incurred to prevent eviction from your primary residence, or foreclosure on the primary residence of the participant including the forced sale of such property, by a financial mortgage institution or government agency.**
Required Evidence:
- Copies of letters from the mortgage holder threatening foreclosure (final notice by mortgage institution accelerating and/or calling the loan in default).
 - A letter from person or entity with a right to foreclose, threatening foreclosure, or governmental agency seeking the sale of the proper to satisfy unpaid taxes.
 - Letter(s) must include the amount necessary to stop eviction or foreclosure. No other evidence is acceptable.
- Funeral expenses incurred by you due to death of spouse, child or parent**
Required Evidence:
- Copies of unpaid funeral bill (in your name);
 - Proof of relationship to deceased; and
 - Copy of Death Certificate
- Bond or bail for jail or imprisonment of you, your spouse or dependent child**
Required Evidence:
- A copy of the Court Order establishing Bond or Bail.
- Expenses for legal defense or litigation**
Required Evidence:
- *Affidavit by participant that other reasonable avenues were unavailable to satisfy this financial obligation (*obtain affidavit through the Fund Office)
 - Copy of attorney bills, retainer agreement, or invoices for unpaid litigation expenses.

The Hardship Provisions are very specific and strict due to the federal regulations and the Internal Revenue Code. Should the Fund not adhere to the regulations set forth, it could lose its tax deferred status.

NOTE: This form is meant for information purposes only. Should there be a conflict, the Plan Document will control and should be referred to for details.

Annuity Fund



Connecticut Pipe Trades Local 777 Annuity Fund

1155 Silas Deane Hwy.

Wethersfield, CT 06109

Phone (860) 571-9191 Fax (860) 571-9221

www.connecticutpipetrades.com

HARDSHIP WITHDRAWAL APPLICATION

The Hardship Withdrawal Provisions are attached and state all required evidence necessary to qualify. Please note: If your application is incomplete and/or supporting evidence is not attached, it will be returned to you for completion.

A federal income tax notice is enclosed with the distribution forms. Please read the notice as here can be heavy tax consequences to early distributions from tax qualified plans. It is suggested that you discuss the tax consequences with your accountant or the IRS. The Fund Office is not qualified to advise you on this matter.

1. PARTICIPANT INFORMATION

Name _____	Social Security # _____
Date of Birth _____	Are You a U.S. Citizen? _____
Address _____	Home Local Union # _____
Apt. / Unit # _____	Phone # _____
City _____	State _____ Zip _____
Marital Status: (see Page 5 for required information to submit with application)	
<input type="checkbox"/> Single	<input type="checkbox"/> Married - Spouse's Full Name _____
<input type="checkbox"/> Widowed	<input type="checkbox"/> Divorced – Date of Divorce _____. Please provide full copy of Divorce Judgment.

2. REASON FOR FINANCIAL HARDSHIP DISTRIBUTION

See: *Qualification for a Financial Hardship Withdrawal – Pages 1 & 2*

<input type="checkbox"/> Medical expenses, incurred by you, your spouse or dependent, which are not covered by Insurance.
<input type="checkbox"/> Purchase of primary residence or contracted a builder to construct new primary residence.
<input type="checkbox"/> Tuition or related educational expenses pertaining to post secondary education for you, your spouse or a dependent or educational expenses at any level for a handicapped child.
<input type="checkbox"/> Prevention of eviction from, foreclosure on, or tax sale on, your primary residence.
<input type="checkbox"/> Funeral expenses incurred by you for death of a spouse, child or parent of the participant.
<input type="checkbox"/> Expenses for bond or bail to prevent the imprisonment of you or your dependents.
<input type="checkbox"/> Expenses for legal defense or litigation.

3. WITHDRAWAL AMOUNT

I wish to withdraw \$ _____. ****Amount cannot exceed the amount submitted as evidence****

- A minimum balance of \$5,000.00 must be in your account to be eligible for a hardship withdrawal.
- The minimum withdrawal allowed is \$2,000.00.

Payment Options: A check will be mailed to you directly from John Hancock Retirement Plan Services unless you make or have made an election to direct deposit the funds into your bank account. To make a direct deposit election please log into mylifenow, at mylife.jhrps.com or call: 1-800-294-3575.

4. FEDERAL INCOME TAX AND CONNECTICUT STATE WITHHOLDING ELECTION (FOR HARDSHIP WITHDRAWALS)

Tax will not be withheld if you have the plan administrator pay the eligible rollover distribution directly to another qualified plan or an IRA in a direct rollover. Hardship distributions are not eligible for rollover, so tax withholding will not apply unless you elect to have it apply. You are still liable for any additional federal income taxes due on the taxable part of your distribution, and you could incur penalties if your withholding or estimated tax payments for the year are not enough.

- I do **not** wish to have Federal Income Tax withheld.
- I wish to have 20% Federal Income Tax withheld from my Hardship distribution
- I wish to have Connecticut State Income Tax Withheld from my Hardship distribution. \$ _____ or _____ %
(NOTE: You must indicate an amount or percentage if you wish Connecticut State Tax withheld.)

5. PARTICIPANT CERTIFICATION & SIGNATURE

I hereby certify that my financial need as described above cannot be relieved by any of the following resources:

Through reimbursement or compensation by insurance or otherwise; through reasonable liquidation of my assets, including those of my spouse and minor children (for example, sale of a vacation home, boat, sales of securities or stock options, etc.) to the extent that such a liquidation would not itself cause an immediate and heavy financial need; through other distributions or non-taxable loans from any plan maintained by my employer or by borrowing from commercial sources at reasonable commercial terms. I understand that if I take a hardship distribution, I will owe federal and state income taxes on the amount I withdraw and that I may also be responsible for a penalty tax equal to 10% of the amount withdrawn.

I have received the Tax Notice describing the tax treatment of such distributions.

Signature of Participant

Date

6. PARTICIPANT'S STATEMENT & SIGNATURE

ALL PARTICIPANTS are required to read, sign and obtain Notary Public Acknowledgement (regardless of marital status).

I understand that, normally my benefits under the Plan would be paid as a Joint and Survivor Annuity and that by receiving my benefits in the form indicated above, neither my spouse, if any, nor I will receive lifetime monthly benefits from the Fund; that I may revoke this waiver at any time before benefit payments begin and that I understand that by signing this form, I am also waiving the 30 day notice period.

SIGNATURE OF PARTICIPANT

DATE

NOTARY PUBLIC

My Commission Expires on _____

**STAMP OR SEAL
REQUIRED**

SPOUSAL CONSENT (if applicable):

I am the spouse of the participant whose signature appears above. I have read the "Notice of Retirement Annuity Benefits. I understand that I have the right to have the Plan pay my spouse's retirement benefits in the special qualified joint and survivor annuity payment form, and I agree to give up that right. I understand that by signing this spousal consent, I may receive less money that I would have received under the special qualified joint and survivor annuity payment form and I may receive nothing after my spouse dies, depending on the payment form that my spouse chooses. I agree that my spouse can receive retirement benefits in the form selected above. I understand that my spouse cannot choose a different form of retirement benefits unless I agree to the change. I understand that I do not have to sign this spousal consent. I am signing this spousal consent voluntarily. I understand that if I do not sign the spousal consent, then my spouse and I will receive payments from the Plan in the special qualified join and survivor annuity payment form.

SIGNATURE OF SPOUSE

DATE NOTARY PUBLIC

My Commission Expires on _____

**STAMP OR SEAL
REQUIRED**

7. UNMARRIED PARTICIPANTS

Please submit the required information (if applicable) with your application:

- If you have never been married, please complete the Affidavit on Page 6.
- If your spouse is deceased, please provide a death certificate.
- If you are divorced, please provide a copy of the entire divorce decree including all attachments.
- If you are married, but cannot locate your spouse to sign this application, additional information is _____ needed.

AFFIDAVIT FOR PARTICIPANTS WHO HAVE NEVER BEEN MARRIED

I, _____, hereby solemnly and sincerely affirm and declare that I am not currently, nor have I ever been, legally married. Listed below are the names and addresses of two persons who can verify so upon request.

NAME _____	NAME _____
ADDRESS _____	ADDRESS _____
_____	_____
PHONE _____	PHONE _____
Signature of Applicant _____	Date _____

*****Section 6 must also be signed and notarized*****

NOTARY PUBLIC ACKNOWLEDGEMENT of Affidavit for participants who have never been married

State of _____
County of _____

On the ____ day of _____, year of _____, before me, the undersigned, a Notary Public in and for said State, personally appeared _____, known to me or proved to me on the basis of satisfactory evidence, to be the person described in and who executed the foregoing statement and (s)he duly acknowledged to me that (s)he executed the same as his/her free act and deed for the purposes contained herein.

Notary Public's
Acknowledgment _____ Date _____

My Commission Expires on _____

**STAMP OR SEAL
REQUIRED**

OFFICE USE ONLY:

Gross Amount \$ _____	Date Processed _____
Fed Tax \$ _____	Date to JHRPS _____
CT Tax \$ _____	
Net Paid \$ _____	Authorized Signature _____

Hardship (0505) **SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS**

This notice explains how you can continue to defer federal income tax on your retirement savings in the Connecticut Pipe Trades Local No. 777 Annuity Fund (the "Plan") and contains important information you will need before you decide how to receive your Plan benefits.

This notice is provided to you by the Connecticut Pipe Trades Local No. 777 Annuity Fund because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you or your Plan Administrator to a traditional IRA or an eligible employer plan. A rollover 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. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA). An "eligible employer plan" includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).

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. You should also find out about any documents that are required to be completed before the receiving plan will accept 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 a traditional IRA or split your rollover amount between the employer plan in which you will participate and a traditional IRA. 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 prior to making the rollover.

If you have additional questions after reading this notice, you can contact the Connecticut Pipe Trades Benefit Funds Administration Office at (800)-848-2129 or 860-571-9191, the Internal Revenue Service or your accountant.

SUMMARY

There are two ways you may be able to receive a Plan payment that is eligible for rollover:

- (1) Certain payments can be made directly to a traditional IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit ("DIRECT ROLLOVER"); or
- (2) The payment can be PAID TO YOU.

If you choose a DIRECT ROLLOVER:

- Your payment will not be taxed in the current year and no income tax will be withheld.
- You choose whether your payment will be made directly to your traditional IRA or to an eligible employer plan that accepts your rollover. 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.
- The taxable portion of your payment will be taxed later when you take it out of the traditional 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 choose to have a Plan payment that is eligible for rollover PAID TO YOU:

- You will receive only 80% of the taxable amount 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.
- The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59 1/2, you may have to pay an additional 10% tax.
- You can roll over all or part of the payment by paying it to your traditional IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.
- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, you must find other money to replace the 20% of the taxable portion that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

Your Right to Waive the 30-Day Notice Period.

Generally, neither a direct rollover nor a payment can be made from the plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal 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 withdrawal will then be processed in accordance with your election as soon as practical after it is received by the Plan Administrator.

MORE INFORMATION

- I. **PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER**
- II. **DIRECT ROLLOVER**
- III. **PAYMENT PAID TO YOU**
- IV. **SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES**

I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Payments from the Plan may be "eligible rollover distributions." This means that they can be rolled over to a traditional IRA or to an eligible employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account. Your Plan administrator should be able to tell you what portion of your payment is an eligible rollover distribution.

The following types of payments cannot be rolled over:

Payments Spread over Long Periods. You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for:

- your lifetime (or a period measured by your life expectancy), or
- your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or
- a period of 10 years or more.

Required Minimum Payments. Beginning when you reach age 70 1/2 or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you. Special rules apply if you own more than 5% of your employer.

Hardship Distributions. A hardship distribution cannot be rolled over.

The Plan Administrator of this Plan should be able to tell you if your payment includes amounts which cannot be rolled over.

II. DIRECT ROLLOVER

A DIRECT ROLLOVER is a direct payment of the amount of your Plan benefits to a traditional IRA or an eligible employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. You are not taxed on any taxable portion of your payment for which you choose a DIRECT ROLLOVER until you later take it out of the traditional IRA or eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a DIRECT ROLLOVER. This Plan might not let you choose a DIRECT ROLLOVER if your distributions for the year are less than \$200.

DIRECT ROLLOVER to a Traditional IRA. 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).

DIRECT ROLLOVER to a Plan. If you are employed by a new employer that has an eligible employer plan, and you want a direct rollover to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to a traditional IRA. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the plan administrator of that plan before making your decision.

DIRECT ROLLOVER of a Series of Payments. If you receive a payment that can be rolled over to a traditional IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not make a DIRECT ROLLOVER for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

Change in Tax Treatment Resulting from a DIRECT ROLLOVER. The tax treatment of any payment from the eligible employer plan or traditional 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 have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or a traditional IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment. See the sections below entitled "Additional 10% Tax if You Are under Age 59 1/2" and "Special Tax Treatment if You Were Born before January 1, 1936."

III. PAYMENT PAID TO YOU

If your payment can be rolled over (see Part I above) and the payment is made to you in cash, it is subject to 20% federal income tax withholding on the taxable portion (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

Income Tax Withholding:

Mandatory Withholding. If any portion of your payment can be rolled over under Part I above and you do not elect to make a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable payment of \$10,000, only \$8,000 will be paid to you because the Plan must withhold \$2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see "Sixty-Day Rollover Option" below), you must report the full \$10,000 as a taxable payment from the Plan. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than \$200.

Voluntary Withholding. If any portion of your payment is taxable but cannot be rolled over under Part I above, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, an amount will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask the Plan Administrator for the election form and related information.

Sixty-Day Rollover Option. If you receive a payment that can be rolled over under Part I above, you can still decide to roll over all or part of it to a traditional IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to a traditional IRA or eligible employer plan within 60 days after you receive the payment. The portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.

You can roll over up to 100% of your payment that can be rolled over under Part I above, including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the traditional IRA or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

Example: The taxable portion of your payment that can be rolled over under Part I above is \$10,000, and you choose to have it paid to you. You will receive \$8,000, and \$2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the

\$8,000, you may roll over the entire \$10,000 to a traditional IRA or an eligible employer plan. To do this, you roll over the \$8,000 you received from the Plan, and you will have to find \$2,000 from other sources (your savings, a loan, etc.). In this case, the entire \$10,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund of part or all of the \$2,000 withheld.

If, on the other hand, you roll over only \$8,000, the \$2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the \$2,000 withheld. (However, any refund is likely to be larger if you roll over the entire \$10,000.)

Additional 10% Tax If You Are under Age 59 1/2. If you receive a payment before you reach age 59 1/2 and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55, (2) payments that are paid because you retire due to disability, (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies), (4) dividends paid with respect to stock by an employee stock ownership plan (ESOP) as described in Code section 404(k), (5) payments that are paid directly to the government to satisfy a federal tax levy, (6) payments that are paid to an alternate payee under a qualified domestic relations order, or (7) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

The additional 10% tax will not apply to distributions from a governmental 457 plan, except to the extent the distribution is attributable to an amount you rolled over to that plan (adjusted for investment returns) 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.

Ten-Year Averaging. If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "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 and you were born before January 1, 1936, and you were a participant in the Plan before 1974, you may elect to have the part of your payment that is attributable to your pre- 1974 participation in the Plan taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. You may not elect this special tax treatment if you rolled amounts into this Plan from a 403(b) tax-sheltered annuity contract, a governmental 457 plan, or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from this Plan (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from the Plan. If you roll over your payment to a traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan, or annuity. Also, if you roll over only a portion of your payment to a traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.

IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are "alternate payees." You are an alternate payee if your interest in the Plan results from a "qualified domestic relations order," which an order is issued by a court, usually in connection with a divorce or legal separation.

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described in Part I above, paid in a DIRECT ROLLOVER to a traditional IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to a traditional IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

If you are a beneficiary other than a surviving spouse or an alternate payee, you cannot choose a direct rollover, and you cannot roll over the payment yourself.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in Part III above, even if you are younger than age 59 1/2.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions and the special rule for payments that include employer stock, as described in Part III above. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had 5 years of participation in the Plan.

HOW TO OBTAIN ADDITIONAL INFORMATION

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with the Plan Administrator or 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.