

INSTRUCTIONS FOR COMPLETING THE PARTICIPANT DISTRIBUTION PACKAGE

The participant must complete each applicable form in its entirety. Please make sure that your complete address and phone number is provided (including zip and area code). Your Social Security number is required so that we can accurately report your distribution to the IRS. **After you and your former employer have executed all necessary forms, please forward all paperwork to Sterling Trust.**

In the case of the death of a participant, the designated beneficiary should sign as the participant.

■ Participant Distribution Request Form

The date of termination, retirement, or disability is required so that we can determine the timing of your distribution. Failure to provide the date of separation could result in a delay in processing your distribution. The hours worked in year of separation may be estimated by calculating the number of hours worked each week. **The signatures of both you and your former employer are required.**

If the reason for the distribution is due to disability, please include a **Doctor's Certification of Disability**. If distribution is due to death, please provide a copy of the latest beneficiary designation form and a certified copy of the death certificate. A copy of the latest beneficiary designation form can be obtained from your former employer. Failure to provide any of the applicable forms could delay the processing of your distribution.

■ Spousal Consent Form

This form must be completed if you have indicated that you are married on the **Participant Distribution Request** form. Your spouse's signature is required even if you are requesting a direct rollover to an IRA or another qualified plan. **Please note that this form must be notarized and signed by your former employer.**

■ Application for Benefits and Substitute Form W-4P

This form is used to indicate how we are to process your distribution. If you decide that you would like to rollover your benefit payment to a **Sterling Trust IRA**, please include your completed IRA booklet. If you are rolling over your benefit payment to another Qualified Plan or IRA with another institution, please provide the complete address. **Please note that this form must be signed by the participant.**

■ Notice of Special Tax Rules on Distributions

This packet is provided to inform you of certain tax rules regarding your distribution. We urge you to read this information carefully and consult your tax advisor if you have any questions regarding your distribution.

If you have any questions on completing the distribution package, please contact a Qualified Plans Service representative by calling 800-955-3434, option 3. Please mail all original forms to the address provided below:

**Sterling Trust
P.O. Box 2526
Waco, TX 76702-2526
Attention: Qualified Plans Department**



Qualified Plan Services
 P.O. Box 2526, Waco, TX 76702
 7901 Fish Pond Rd., Waco, TX 76710
 Phone: 800.955.3434
 Fax: 254.772-9752
OPServices@SterlingTrustCompany.com
www.SterlingTrustCompany.com

This package contains the following documents required to obtain a distribution from your employer's retirement plan:

- Participant Distribution Request Form
- Spousal Consent Form
- Application For Benefits/Substitute Form W-4P
- Notice of Special Tax Rules on Distributions

Upon your termination from employment (by retirement, disability, resignation, etc.), please read and complete each document CAREFULLY. Please obtain all signatures, keep a copy of the completed forms for your records, and return the ORIGINALLY SIGNED package to:

Sterling Trust
 P.O. Box 2526
 Waco, TX 76702-2526
 Attention: Qualified Plans Department

Plan Name Account #

Participant Name

Social Security No. - - Date of Birth - -

Daytime Phone No. - -

Physical Address (required):

Street

City

State Zip -

Mailing Address (optional):

Street

City

State Zip -

Participant Signature Date - -

Your vested account balance cannot be distributed to you until all of the above forms are fully completed.

**** NOTE: Original forms must be on file at Sterling Trust ****



PARTICIPANT DISTRIBUTION REQUEST

Qualified Plan Services
 P.O. Box 2526, Waco, TX 76702
 7901 Fish Pond Rd., Waco, TX 76710
 Phone: 800.955.3434
 Fax: 254.772-9752
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Plan Name

Participant Name

I hereby request the following action be taken on my account in the Plan and Trust listed above:

I elect a TOTAL DISTRIBUTION from my account(s) for reason of:

- Termination from Employer** – Date of Termination - -
- Retirement** – Date of Retirement - - (Required)
- Disability** – Date of Disability - - (Required)
Must include Doctor’s Certification of Disability
- Termination of Plan**
- Divorce**
- Death**
 (If reason for termination is death, please provide a copy of the latest beneficiary designation form and a certified copy of the death certificate. A Substitute Form W-4P must be completed by the designated beneficiary before a distribution can be processed.)

NUMBER OF HOURS WORKED IN YEAR OF SEPARATION: (Required)

- I am single**
- I am married (A Spousal Consent form MUST be completed if this box is checked.) and I hereby elect to have my vested account balance paid to me as detailed on the attached "Application for Benefits and Substitute Form W-4P."**

I certify that I have received and read the “Notice of Special Tax Rules on Distributions” and understand that if I choose a direct distribution to me of my vested account balance, then 20% federal income tax withholding will be deducted from the distribution. In addition, a \$30.00 withholding fee and a \$30.00 distribution fee may apply. The \$30.00 withholding fee does not apply to direct rollovers.

Participant Signature Date - -

Employer Authorization Signature Date - -

**** NOTE: Original forms must be on file at Sterling Trust ****



SPOUSAL CONSENT

Qualified Plan Services
 P.O. Box 2526, Waco, TX 76702
 7901 Fish Pond Rd., Waco, TX 76710
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Plan Name

Participant Name

1. I hereby certify that I am the spouse of the above named participant.
2. I am aware of the distribution my spouse is about to receive from the above captioned Plan and I am aware of the estimated amount of the intended distribution.
3. I hereby consent to my spouse receiving the distribution.
4. I have read the Notice of Special Tax Rules on Distributions and understand that if a direct distribution is made to my spouse, then 20% federal income tax withholding will be deducted from the distribution, and state withholding will be deducted, if applicable (see attached chart). In addition, a \$30.00 withholding fee and a \$30.00 distribution fee may apply.

Printed or Typed Name of Consenting Spouse

 - -

Date

Signature of Consenting Spouse

 - -

Date of Marriage

State of County of

Before me on this date personally appeared known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same for the purposes and consideration therein expressed.

Given under my hand and seal this day of , 20 .

[SEAL]

NOTARY PUBLIC in and for the State of

My commission expires

Employer Authorization Signature

Date - -

**** NOTE: Original forms must be on file at Sterling Trust ****



APPLICATION FOR BENEFITS AND SUBSTITUTE FORM W-4P

Qualified Plan Services
P.O. Box 2526, Waco, TX 76702
7901 Fish Pond Rd., Waco, TX 76710
Phone: 800.955.3434
Fax: 254.772-9752
QPServices@SterlingTrustCompany.com
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Plan Name

Participant Name

As a participant in the above Plan, I hereby request payment of my benefit as provided below:

I choose to have my benefit paid as a Direct Rollover: (Complete **Direct Rollover** section below.)

% to be directly rolled over

% to be paid to me*

100% = Total

I choose to have my benefit paid directly to me.*


NOTICE OF FEDERAL WITHHOLDING ON DISTRIBUTIONS

*I understand that 20% federal income tax withholding will be deducted from the distribution before being paid to me. I elect to have an additional _____ % in federal income tax withholding deducted from my distribution before being paid to me.

Participant Signature Date - -

Direct Rollover

I choose to have my benefit paid as a Direct Rollover to:

 **Sterling Trust Self-Directed IRA**
Let us make the process of rolling over your funds easy for you. Your assets held at Sterling Trust will be re-registered directly to a Sterling IRA, and your IRA set-up and first year annual fees will be waived.

Qualified Plan (Complete information below)
Note: It is your obligation to insure that the Employer Plan named below will accept the rollover of your benefit payment.

IRA (Complete information below)
(Please print when completing sections below)

Institution/Trustee Name

Account/Plan Name Account/Plan Number

Address of Institution (include city, state, zip)

Contact Name Phone Number / -

Participant Signature Date - -

**** NOTE: Original forms must be on file at Sterling Trust ****

STATE OF RESIDENCE	STATE INCOME TAX WITHHOLDING REQUIREMENTS
AK, AZ, FL, HI, IL, MI, NH, NV, SD, TN, TX, WA, WY	<p align="center">State Income Tax Withholding is not Required</p> <p>State income tax is not required. We will not withhold for these states.</p>
AL, AR, CO, CT, GA, ID, IN, KY, LA, MD, MN, MO, MT, NE, NJ, NM, NY, ND, OH, RI, SC, UT, WI, WV	<p align="center">State Income Tax Withholding is Voluntary</p> <ul style="list-style-type: none"> We will withhold state income tax only if you instruct us to do so. You must indicate the amount to withhold. For CO, CT, MO, & NJ amounts must be whole dollars.
CA, NC, OR, DE, VT	<p align="center">State Income Tax Withholding is Mandatory Where Federal Withholding Applies</p> <p>If federal tax is withheld, you cannot opt out of state withholding. We will withhold state tax as indicated below.</p> <p>CA - 10% of federal tax withheld DE - you must tell us the amount to withhold NC - 4% of gross distribution OR - 8% of gross distribution VT - 24% of federal tax withheld</p>
IA, KS, ME, MA, OK	<p align="center">State Income Tax Withholding Is Mandatory Where Federal Withholding Applies</p> <p>We will withhold state tax as indicated below unless you indicate otherwise:</p> <p>IA - 5% of gross distribution KS - you must tell us the amount to withhold ME - 5% of gross distribution MA - 5.6% of gross distribution OK - 8% of gross distribution</p>
PA, MS	<p align="center">State Income Tax Withholding is Mandatory on Premature Distributions or a Series of Substantially Equal Payments Under IRC § 72(T)</p> <p>We will withhold state tax as indicated below:</p> <p>PA - 2.8% MS - 5%</p>
VA	<p align="center">State Income Tax Withholding is Mandatory on Qualified Plan Distributions Only</p> <p>We will not withhold state income tax on distributions from IRA, Roth, SEP, or Simple accounts.</p>

NOTICE

SPECIAL TAX RULES ON DISTRIBUTIONS

The Internal Revenue Code provides several complex rules relating to the taxation of the amounts you receive in this distribution. This notice merely summarizes these rules. You should promptly consult a tax advisor in deciding what course to follow with respect to this distribution.

Summary

A 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. A rollover is a payment of your Plan benefits to your individual retirement arrangement (IRA) or to another employer plan. This choice will affect the tax you owe.

1. If you choose a **DIRECT ROLLOVER**:

- Your payment will not be taxed in the current year and no income tax will be withheld.
- Your payment will be made directly to your IRA or, if you choose, to another employer plan that accepts your rollover.
- Your payment will be taxed later when you take it out of the IRA or the employer plan.

2. If you choose to have your Plan benefits **PAID TO YOU**:

- You will receive only 80% of the payment, because the Plan administrator is required to withhold 20% of the payment 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 unless you roll it over. You may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59½, you also may have to pay an additional 10% tax.
- You can roll over the payment by paying it to your IRA or to another employer plan that accepts your rollover within 60 days of receiving the payment. The amount rolled over will not be taxed until you take it out of the IRA or the employer plan.
- If you want to roll over 100% of the payment to an IRA or an employer plan, you must find other money to replace the 20% that was withheld.



MORE INFORMATION

Qualified Plan Services

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- 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 an IRA or to another employer plan that accepts rollovers. 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:

- 1) **Non-taxable Payments**—In general, only the "taxable portion" of your payment is an eligible rollover distribution. If you have made "after-tax" employee contributions to the Plan, these contributions will be non-taxable when they are paid to you, and they cannot be rolled over. (After-tax employee contributions generally are contributions you made from your own pay that were already taxed.)
- 2) **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 your life expectancy), or
 - your lifetime and your beneficiary's lifetime (or life expectancies), or
 - a period of ten years or more.
- 3) **Required Minimum Payments**—Beginning in the year you reach age 70½, a certain portion of your payment cannot be rolled over because it is a "required minimum payment that must be paid to you."

II. Direct Rollover

You can choose a direct rollover of all or any portion of your payment that is an "eligible rollover distribution," as described above. In a direct rollover, the eligible rollover distribution is paid directly from the Plan to an IRA or another employer plan that accepts rollovers. If you choose a direct rollover, you are not taxed on a payment until you later take it out of the IRA or the employer plan.

- 1) **Direct Rollover to an IRA**—You can open an IRA to receive the direct rollover. (The term "IRA," as used in this notice, includes individual retirement accounts and individual retirement annuities.) If you choose to have your payment made directly to an IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to an IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish an IRA to receive the payment. However, in choosing an IRA, you may wish to consider whether the IRA you choose will allow you to move all or a part of your payment to another IRA at a later date, without penalties or other limitations. See **IRS Publication 590, Individual Retirement Arrangements**, for more information on IRAs (including limits on how often you can roll over between IRAs).
- 2) **Direct Rollover to a Plan**—If you are employed by a new employer that has a plan, and you want a direct rollover to that plan, ask the administrator of that plan whether it will accept your rollover. An employer plan is not legally required to accept a rollover. If your new employer's plan does not accept a rollover, you can choose a direct rollover to an IRA.
- 3) **Direct Rollover of a Series of Payments**—If you receive eligible rollover distributions that are paid in a series for less than ten 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.

III. Payment Paid to You

If you have the payment made to you, it is subject to 20% income tax withholding (and State, if applicable) The payment is taxed in the year you receive it unless, within 60 days, you roll it over to an IRA or another plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

Income Tax Withholding:

- 1) **Mandatory Withholding**—If any portion of the payment to you is an eligible rollover distribution, the Plan is required by law to withhold 20% of that amount. This amount is sent to the IRS as income tax withholding. For example, if your eligible rollover distribution is \$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, you will report the full \$10,000 as a payment from the Plan. You will report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year.
- 2) **Voluntary Withholding**—If any portion of your payment is not an eligible rollover distribution but is taxable, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. To elect out of withholding, ask the Plan administrator for the election form and related information.
- 3) **Sixty-Day Rollover Option**—If you have an eligible rollover distribution paid to you, you can still decide to roll over all or part of it to an IRA or another employer plan that accepts rollovers. If you decide to roll over, you must make the rollover 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 IRA or the employer plan.

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

EXAMPLE: Your eligible rollover distribution 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 an IRA or 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 IRA or employer plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund 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).

- 4) **Additional 10% Tax If You Are Under Age 59½**—If you receive a payment before you reach age 59½ 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 does not apply to your payment if it is (1) paid to you because you separate from service with your employer during or after the year you reach age 55, (2) paid because you retire due to disability, (3) paid to you as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies), or (4) used to pay certain medical expenses. See **IRS Form 5329** for more information on the additional 10% tax.

5) **Special Tax Treatment**—If your eligible rollover distribution is not rolled over, it will be taxed in the year you receive it. However, if it qualifies as a "lump sum distribution," it may be eligible for special tax treatment. A lump sum distribution is a payment, within one year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you because you have reached age 59½ or have separated from service with your employer (or, in the case of a self-employed individual, because you have reached age 59½ or have become disabled). For a payment to qualify as a lump sum distribution, you must have been a participant in the Plan for at least 5 years. The special tax treatment for lump sum distributions is described below.

Five-Year Averaging: If you receive a lump sum distribution after you are age 59½, you may be able to make a one-time election to figure the tax on the payment by using "5-year averaging." Five-year averaging often reduces the tax you owe because it treats the payment much as if it were paid over 5 years.

Ten-Year Averaging if You Were Born Before January 1, 1936: 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) instead of 5-year averaging (using current tax rates). Like the 5-year averaging rules, 10-year averaging often reduces the tax you owe.

Capital Gain Treatment if You Were Born Before January 1, 1936: In addition, if you receive a lump sum distribution and you were born before January 1, 1936, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Plan (if any) 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. If you have previously rolled over a payment from the Plan (or certain other similar plans of the employer), you cannot use this special tax treatment for later payments from the Plan. If you roll over your payment to an IRA, you will not be able to use this special tax treatment for later payments from the IRA. Also, if you roll over only a portion of your payment to an IRA, this special tax treatment is not available for the rest of the payment. Additional restrictions are described in **IRS Form 4972**, which has more information on lump sum distributions and how you elect the special tax treatment.

Employer Stock or Securities: There is a special rule for a payment from the Plan that includes employer stock (or other employer securities). To use this special rule, 1) the payment must qualify as a lump sum distribution, as described above (or would qualify except that you do not yet have 5 years of participation in the Plan), or 2) the employer stock included in the payment must be attributable to "after-tax" employee contributions, if any. Under this special rule, you may have the option of not paying 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 it was held by the Plan. For example, if employer stock was contributed to your Plan account when the stock was worth \$1,000 but the stock was worth \$1,200 when you received it, you would not have to pay tax on the \$200 increase in value until you later sold the stock.

You may instead elect not to have the special rule apply to the net unrealized appreciation. In this case, your net unrealized appreciation will be taxed in the year you receive the stock, unless you roll over the stock. The stock (including any net unrealized appreciation) can be rolled over to an IRA or another employer plan either in a direct rollover or a rollover that you make yourself.

If you receive employer stock in a payment that qualifies as a lump sum distribution, the special tax treatment for lump sum distributions described above (such as 5-year averaging) also may apply. See **IRS Form 4972** for additional information on these rules.

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 is an order issued by a court, usually in connection with a divorce or legal separation. Some of the rules summarized above also apply to a deceased employee's beneficiary who is not a spouse. However, there are some exceptions for payments to surviving spouses, alternate payees, and other beneficiaries that should be mentioned.

If you are a surviving spouse, you may choose to have an eligible rollover distribution paid in a direct rollover to an IRA or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA, but you cannot roll it over to an employer plan. If you are an alternate payee, you have the same choices as the employee. Thus, you can have the payment paid as a direct rollover or paid to you. If you have it paid to you, you can keep it or roll it over yourself to an IRA or to another employer plan that accepts rollovers. If you are a beneficiary other than the surviving spouse, you CAN choose a trustee-to-trustee transfer to an IRA, but you CANNOT roll over the payment yourself.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is not subject to the additional 10% tax described in section III above, even if you are younger than age 59½.

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 section 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 a professional tax advisor BEFORE you take a payment of your benefits from the Plan. Also, you can find more specific information on the tax treatment of payments from qualified retirement 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 or by calling 1-800-TAX-FORMS.