IMPORTANT NOTICE ON LOAN DEFAULT

Records show that you have a loan from our Plan, which is about to be subject to loan default. This Notice provides a general review of what happens when a loan is defaulted upon, as well as options available to the impacted participant.

What Is a Loan Default?

A loan is defaulted when loan repayments are no longer received by the trust fund in accordance with terms of the loan agreement. When this happens, the loan becomes a "taxable event" for the participant. When this happens a Form 1099-R will be issued, reporting the value of the loan as taxable. Taxes that will apply will include normal income taxes, and if the participant is not at least age 59 ½, the early distribution penalty tax. The participant actually pays the tax on a defaulted loan when he or she next files an income tax return (Form 1040 Series). For a discussion on taxation of distributions you may wish to refer to the *Special Tax Notice* found under Processing Forms at www.ebspension.com.

Can Loan Default Be Avoided?

Before a loan is defaulted there is a "cure period". During this time action can be taken to avoid defaulting on the loan. The maximum cure period is the last day of the calendar quarter, which follows the calendar quarter in which the first loan payment was missed. As example, a loan payment is missed in May. The calendar quarter that follows the quarter holding May is July through September, so the cure period ends on September 30th. (Be advised that a plan may use a shorter cure period, but that is not common.) If the missed loan payment is not corrected before the end of the cure period, the loan is defaulted creating a taxable event for the participant. (Cure periods can be extended for several reasons, including recognized leave of absence and military service.) In summary, correcting the missing repayments before the end of the cure period avoids loan default.

Other Concerns Created by Loan Default?

In addition to creating a taxable event for the participant, defaulting on a loan can create other negative consequences. While a default of this type of loan does not impact your credit rating, it does impact your ability to obtain another loan from the plan. A defaulted loan, depending on the type of default, may reduce the maximum loan value available to that person. In addition, a history of defaulting loans may curtail or eliminate your ability to use our Plan's loan feature.

Types of Loan Default?

There are two types of loan default. They are "deemed distribution" and "loan offset". While both are taxable events, they do have differences. One difference is that the participant is still expected to repay the loan with a deemed distribution, but with a loan offset the loan is "closed out". A deemed distribution occurs when the participant is not qualified to receive a distribution under plan terms (e.g. in-service distribution). If the person is eligible under plan terms to receive a distribution, then the default is a loan offset. A deemed distribution normally occurs when the participant is still working for the firm. Typically, if the person no longer working for the firm then the default is a loan offset.

What Options May be Available to Me?

If you are still working for the firm you should contact personnel and have steps taken to have loan repayments made to the trust fund. (This can be done even if the loan was already defaulted.) If, however, you no longer work for the firm you probably have 5 options. They would be:

- ❏ Contact the Plan Administrator to set up your sending the firm your loan repayments. You will need to mail a check payable to the firm, on each repayment date as defined by the loan agreement, which they will deposit to the Plan's trust fund.

- ❏ Contact the Plan Administrator to send the loan payoff to the firm for deposit to the trust. To exercise this option first contact the Plan Administrator to obtain the payoff value. You will then need to mail this sum to the Plan Administrator using a check that is payable to the firm.

- ❏ If our Plan uses individual investment accounts, you may contact the financial institution holding your account to determine if you can send repayments directly to them for deposit to your account.

- ❏ If our Plan uses individual investment accounts, you may contact the financial institution holding your account to determine if you can send the loan payoff value directly to them for deposit to your account.

- ❏ Do nothing and allow the loan to default.

Please note that under some plans the only options will be to pay off the loan in full and loan default. Also, some financial institutions require that repayments go through the Plan Administrator. In that case, sending loan repayments (or payoff value) directly to the financial institution will not be allowed.

What Should I Do?

At this time you should consult with your financial advisor(s) and decide which action is best for you. You must then take appropriate steps to have your choice applied.

Should you need assistance with taking action necessary to avoid loan default, please contact the office of our Plan Administrator. Contact information for the Plan Administrator is in our Plan's Summary Plan Description (SPD). If you need another copy of the SPD you may make your request by calling personnel, or emailing benefits@ebspension.com.

Employee Benefit Systems, Inc. (EBS) can provide limited assistance on actions needed to avoid default. You can request their assistance via email to benefits@ebspension.com. Please be advised that they can not provide you with advice or guidance on this matter. They can only assist you by facilitating communication between yourself, the Plan Administrator, and the financial institution used by our Plan. In their role they can not accept any responsibility for choices you must make, or actions you must take.

As final comment, if you do not take action to avoid default of your loan, it will be assumed that you have decided to allow your loan to default. No action for defaulting your loan will be taken during the next 5 business days; however, after that time period has lapsed your loan will be defaulted as applicable. If you wish to avoid defaulting the loan, you must at minimum provide the Plan Administrator with written notice of the action you intend to take to avoid default. Please be advised that providing that written notice will not prevent defaulting on the loan if the action you intend to take is not completed prior to the last day of your loan's cure period.