

Barrett Business Services, Inc. Retirement Savings Plan

Plan Summary for Employees of Santa Cruz Underground & Paving, Inc.

**Si usted tiene preguntas acerca del plan, por favor llame
al Centro de Servicios de Beneficios al 1.800.996.6579.
Los representantes que hablan español están a su servicio.**

Life has a way of rushing by — before you know it tomorrow is yesterday.

That's why it's so important to have a plan for your future and to begin saving to make that plan more than a dream. Your Employer, Santa Cruz Underground & Paving, Inc., is a participating employer in the Barrett Business Services, Inc. Retirement Savings Plan (BBSI Retirement Savings Plan). As an employee of Santa Cruz Underground & Paving, Inc. (referred to as "your Employer" in this brochure), you have a real advantage. By participating in the BBSI Retirement Savings Plan, you:

- Build an excellent source of supplemental income for your future
- Lower your current taxable income by saving on a pre-tax basis
- Have the opportunity to save on a "Roth" after-tax basis with a potential for future tax-free withdrawal of your Roth account
- Become eligible to receive Employer Matching Contributions
- Become eligible for Profit Sharing Contributions
- Can take advantage of a variety of investment choices

This brochure is a summary of the provisions of the BBSI Retirement Savings Plan offered by your Employer. It tells how you can build the kind of financial resources which, when joined with Social Security and your other savings, can help provide financial security during retirement.

So, start today. Begin planning — and saving — to make your retirement dreams come true.

The information included in this brochure serves as a Summary Plan Description of the provisions of the Barrett Business Services, Inc. Retirement Savings Plan as adopted by Santa Cruz Underground & Paving, Inc. and in effect as of June 1, 2022. A complete description, found in the legal documents (Plan, Trust Agreement and Participation Agreement) that governs the Plan, can be obtained from your Employer. If there are any differences between the information in this Summary Plan Description and the actual provisions of the Plan as reflected in the Plan and Trust Agreement, the Plan and Trust Agreement will govern.

June 1, 2022

Eligibility and Participation

You are covered by the BBSI Retirement Savings Plan provided:

- You are at least age 18.
- You have completed at least 6 months of service.

However, you are not covered by the BBSI Retirement Savings Plan if you are:

- A nonresident alien who receives no U.S. source income.
- An employee covered by a collective bargaining agreement.
- A non-common law employee.
- An independent contractor.

You will join the plan on the first day of the month coinciding with or next following the date you have satisfied the eligibility requirements above, and are then eligible to make Employee 401(k) contributions to the plan and receive any Employer contributions described in the section titled “Contributions to the Plan.” To make Employee 401(k) contributions, you must enroll in the plan. First review the enrollment instructions and log on through the Internet at **MillimanBenefits.com** or call the Telephone Hotline.

Naming Your Beneficiary

Your beneficiary is the person or persons whom you want to receive your plan accounts in the event of your death. If you are married, your spouse is automatically your beneficiary unless your spouse provides written notarized consent to the naming of another beneficiary. To elect your beneficiary, simply log on to **MillimanBenefits.com** to make or change your beneficiary election. If written consent is required, you will be prompted to print the beneficiary form in order to obtain the required notarized signatures.

You may change your beneficiary as often as you wish (with the required spousal consent if you are married). If you do not designate a beneficiary, then your benefit will be payable in the following descending order to:

- (1) first, your surviving spouse;
- (2) then, your children, including adopted children, in equal shares by right of representation (one share for each surviving child and one share for each child who predeceases you with living descendants);
- (3) then, your surviving parents, in equal shares;
- (4) then, your surviving siblings, in equal shares;
- (5) then, your surviving nephews and nieces, in equal shares;
- (6) then, your estate.

Plan Participation After Reemployment

If you were a plan participant or were eligible but had not actually joined the BBSI Retirement Savings Plan before leaving your Employer, then under most circumstances, you will be eligible to reenter the plan immediately upon your rehire.

Plan Participation After Military Duty

The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) extends certain plan benefit protection rights to reservists called to active duty and those who volunteer for such service. These rights relate to vesting service and the availability of makeup contributions if you return to work within the time periods set forth in USERRA. There may also be benefits for employees who die or become disabled while on active duty. Employees who receive wage continuation payments while in the military may benefit from law changes effective in 2009.

Account Access

Internet Access: MillimanBenefits.com

Access to your BBSI Retirement Savings Plan account is always at your fingertips. Through **MillimanBenefits.com**, you can access up-to-date information on your account balance, provisions of the BBSI Retirement Savings Plan and investment fund information, as well as initiate a web chat or email exchange with a Milliman representative regarding your BBSI Retirement Savings Plan account. The website also provides you with access to retirement planning tools. You can:

- Enroll in the Plan.
- Change your payroll deduction at any time. After your request is processed, it is effective on the next available payroll.
- Transfer funds.
- Change your investment elections.
- Apply for loans or withdrawals.
- Designate or change your beneficiary.
- Explore different investment strategies.
- Determine your retirement income needs and ways to achieve your goals.

Toll-free Telephone Hotline: 1.800.996.6579

Through a convenient toll-free Telephone Hotline, available seven days a week, you can get some of the same information and conduct some of the same transactions as through the Internet website.

Benefits Service Center

When you have a question and cannot find the answer on the Telephone Hotline menu, follow the prompts to speak with a Benefits Service Representative. Representatives are available Monday through Friday from 7:00AM until 7:00PM Central Time.

Internet and Telephone Hotline Security

To ensure that only you can access your account information, a security system requires your Social Security number and personal identification number (PIN) or password.

Hotline PIN: Prior to initiating any transactions, you must request a temporary PIN through the Telephone Hotline system. This temporary PIN may be received via text message, email, or mail to a mobile phone, email address or mailing address that is on record and associated with your account. For your security and protection, you must change your temporary PIN to a permanent one before it expires.

Internet Username and Password: The login process at **MillimanBenefits.com** is designed to protect access to your retirement account information. The steps you will take to log on depend upon whether you are a new user or have already visited the website. To get started, go to **MillimanBenefits.com**. You can access the website in either English or Spanish. When you log on to **MillimanBenefits.com** for the first time, click on “New User” and follow the prompts to register your account. If you have previously registered, enter your Username and Password to log in and follow the prompts to access your account. For security purposes, you may be asked to provide additional information. If you do not remember your Username or Password, click on “Login Help?” and follow the prompts to access your account.

Using your PIN and/or password has the *force of signature*. This means transactions requested through the Telephone Hotline or Internet are legally binding — as if you had personally signed the request.

For your protection, **MillimanBenefits.com** is a secure website. However, to ensure that **only you** have access to your information, always select *Log Off* when exiting the system.

Paperless Payments

You may make payment requests from the BBSI Retirement Savings Plan over the **MillimanBenefits.com** website - fast, easy and paperless. You will receive your check much more quickly than by using a paper form. You can request to complete a paper form instead of using the paperless process if you prefer by contacting the Telephone Hotline.

In order for the BBSI Retirement Savings Plan to offer the paperless payment process, you must receive a *TAX NOTICE REGARDING YOUR ROLLOVER OPTIONS* as a reference document. This Notice is included in this brochure as Appendix A. You may also view this Notice online when you request a payment over the **MillimanBenefits.com** website.

See the section titled “Payments From The Plan” in this brochure for more details about available payment options from the BBSI Retirement Savings Plan.

Confirmations

When using **MillimanBenefits.com** to make a change in your account(s), a confirmation of your transaction is automatically stored for future reference. You can print your confirmation if desired. When using the Telephone Hotline, a transaction confirmation is mailed or emailed to you within two working days of your request. In any case, you should review each confirmation and notify your benefits representative immediately if you think an error has occurred. Every possible effort is made to correct errors reported within 30 days of the date the confirmation was generated. Failure to report an error within 30 days indicates your acceptance of the transaction.

Contributions to the Plan

Contributions to the plan are based on your pay, defined as your total W-2 earnings, including overtime, bonuses, commissions and your elective deferrals to this plan, but excluding reimbursements and other expense allowances, fringe benefits, moving expenses, deferred compensation, welfare benefits, and amounts paid to you after you terminate employment with your Employer. In addition, any pay you receive that is not paid through the BBSI payroll system is excluded.

Pay earned prior to your initial plan entry date is not considered.

By law, the plan cannot recognize pay in excess of \$305,000 (for 2022) for all purposes other than for purposes of Employee 401(k) Contributions. This dollar limit will be adjusted in future years for cost of living increases.

Employee 401(k) Contributions

Save from 1% to 100% of your pay (up to Internal Revenue Service (IRS) limits) through convenient payroll deductions. At your election, these may be either ***“traditional” before-tax or “Roth” after-tax 401(k) contributions***, depending on whether they are deducted ***before or after*** federal income taxes are withheld, or a combination of both.

The IRS imposes a limit on the maximum amount that you may save in the way of 401(k) deferral contributions (traditional and Roth combined). Your total 401(k) deferrals in any taxable year may not exceed a dollar limit which is set by law, currently \$20,500 (for 2022). The maximum limit is higher for those who are age 50 or older (have attained age 50 by the end of the applicable calendar year). The law allows this age group to make additional 401(k) contributions known as “catch-up contributions,” currently an additional \$6,500 catch-up amount, for a combined dollar limit of \$27,000 (for 2022). You must contribute up to the regular 401(k) contribution limit before you can make catch-up contributions.

These maximum limits will be adjusted periodically for cost of living increases.

These limits apply to each participant individually and generally are not plan-specific. If you participate in another 401(k) plan or 403(b) plan during the same calendar year you participate in the BBSI Retirement Savings Plan, please be sure that your deferrals for the calendar year will not exceed the limits.

Employee 401(k) contributions are deposited into the BBSI Retirement Savings Plan after each payroll period.

You can increase or decrease your deferral percentage at any time via **MillimanBenefits.com** or the toll-free Telephone Hotline. After BBSI processes your request, it is effective on the next available payroll.

Employer Matching Contributions

To encourage you to save for your future financial security, your Employer matches a portion of your Employee 401(k) contributions, including any catch-up contributions.

For every dollar that you contribute up to 3% of your pay, your Employer matches 100% of your contribution. For every additional dollar that you contribute above 3% of your pay, up to 5% of your pay, your Employer matches 50% of your contribution.

For example:

If you contribute:	Your Employer Matching contribution will be:
1% of your pay	1% of your pay
2% of your pay	2% of your pay
3% of your pay	3% of your pay
4% of your pay	3.5% of your pay
5% or more of your pay	4% of your pay

Matching contributions are calculated each pay period and deposited into the BBSI Retirement Savings Plan each pay period.

These Employer Matching contributions satisfy certain IRS “safe harbor” rules, which eliminate the need for most types of nondiscrimination testing. Under the safe harbor approach, Employee 401(k) contributions and Employer Matching contributions your Employer makes to the BBSI Retirement Savings Plan are deemed to satisfy the IRS nondiscrimination tests that normally apply to these two types of contributions because the BBSI Retirement Savings Plan complies with the following requirements:

- The Employer Matching contribution satisfies a prescribed formula under the IRS safe harbor rules.
- Employer Matching contributions are fully vested.
- Eligible participants receive a required annual notice of their rights and obligations under the plan. In addition, if your Employer wants to discontinue the safe harbor approach, the notice will inform you of this change, and the plan must perform and satisfy the applicable IRS nondiscrimination tests.

Employer Nonelective Contributions

Each year your Employer may elect to make a Profit Sharing contribution to the BBSI Retirement Savings Plan. The total Profit Sharing contribution, if any, will be an amount determined and authorized by your Employer for the plan year. To share in this contribution for any year it is made, you must be employed on December 31 and have worked at least 1,000 hours during the year, unless you terminated employment during the year due to death, total and permanent disability or retirement on or after normal retirement age (age 65). You will also be eligible to share in this contribution if you took an approved leave of absence during the year.

If you enter the plan on an entry date other than the first day of a plan year, the amount of your pay that otherwise would be considered in determining your Profit Sharing contribution is limited to the pay you actually receive while participating in the plan.

Rollover Contributions

If you have a balance in an eligible retirement plan with a previous employer, you can roll over that money to the BBSI Retirement Savings Plan *immediately* even if you have not met the eligibility requirements of the plan. If you choose to roll over your money, you can immediately take advantage of the loan and withdrawal options described later in this brochure. You may roll over money from any eligible retirement plan (e.g., 401(k), 403(b), governmental 457(b), IRA, etc.). Such rollovers may not include after-tax contributions, unless the after-tax amounts are from Roth elective deferral accounts (401(k), 403(b) or governmental 457(b)). Other special rules apply to rollover contributions.

To obtain information about rollover contribution rules or to make a Rollover contribution, request a Rollover Contribution Form through **MillimanBenefits.com** or the Telephone Hotline.

Limitations on Contributions

The Internal Revenue Service has imposed specific limitations on the amounts that highly paid plan participants can contribute to plans like the Barrett Business Services, Inc. Retirement Savings Plan. The BBSI Retirement Savings Plan has been designed in such a way that there should not be any effect on the amounts you decide to save. However, some highly paid employees may have to lower the amount of their deferral contribution to the plan. You will be notified if you are affected by this limitation. If you are eligible to make a catch-up contribution, as described in the “Employee 401(k) Contributions” section above, your catch-up contribution will not be included in this limit.

Federal tax law also places an overall limit on the amount of contributions (and allocated forfeitures) that may be credited to your accounts for any one year. The current maximum amount is the lesser of 100% of your annual pay or \$61,000 (for 2022). The maximum dollar limit will be adjusted in future years for cost of living increases.

Accounting for Contributions

All contributions to the BBSI Retirement Savings Plan are held in trust at Charles Schwab Trust Bank for the exclusive benefit of the BBSI Retirement Savings Plan’s participants and beneficiaries. All contributions made to the BBSI Retirement Savings Plan on your behalf are credited to one or more separate accounts established in your name (e.g., a before-tax account, Roth after-tax account, employer contribution account or rollover account).

Vesting

Vesting means ownership in your accounts and is based on your service with your Employer. You will always be 100% vested in your Employee 401(k), safe harbor Employer Match, and Rollover contribution accounts. Your vested percentage in your Profit Sharing contribution accounts, if applicable, is based on the following schedule.

Years of Service	Vested Percentage
Less than 1	0%

1	20%
2	40%
3	60%
4	80%
5 or more	100%

You become 100% vested if you are employed when you reach your normal retirement date (age 65), or if you leave employment due to disability (as defined by this plan) or death, even if you have not yet completed the years of service listed in the above schedule.

You will receive a year of vesting service for each plan year during which you complete at least 1,000 hours of service with your Employer and its affiliates.

For vesting purposes, your years of service are calculated from your original date of hire, but certain breaks in service may impact your vested percentage.

One-year Break-in-Service

The plan provides specific rules describing the effect of a participant having five consecutive “one-year breaks-in-service.” A “one-year break-in-service” is defined as a plan year during which a participant completes 500 or fewer hours of service.

For purposes of determining a participant’s vested benefit at the time of his termination of employment but after he has incurred five consecutive one-year breaks-in-service, vesting years of service after such break are not taken into account in determining the vested percentage of the portion accrued prior to the break.

Forfeitures

If you are not fully vested in your employer contribution accounts when you terminate employment with your Employer, you forfeit (or lose) the nonvested portion of those contributions and allocable investment gain/loss. In other words, you will not be entitled to a payment of the nonvested portion. Forfeitures are used to pay plan expenses or to meet your Employer’s obligation to make a contribution to the plan.

Restoration of Forfeitures

The amount you forfeit can be restored to your account. To qualify, you generally must be rehired within five years of your termination.

If (i) you receive a distribution from the plan when you terminate employment with your Employer and all of its affiliates, (ii) you are not 100% vested in your employer contribution accounts at the time of that distribution (so that you forfeit a portion of those accounts), and (iii) you are later rehired within five years of your separation, you may make a contribution to the plan equal to the amount of your earlier distribution. If you make that restoration contribution within five years of your rehire date, the amount you forfeited will be restored to your Employer accounts. If you feel you meet these requirements and are interested in making a restoration contribution, please log on to MillimanBenefits.com or call the Telephone Hotline for more information.

Your Investment Options

Available Investment Options

BBSI works with an investment advisor to select the array of funds available in the BBSI Retirement Savings Plan. The selection of funds is intended to provide a variety of investment options to meet the various savings and investment goals of all participants. You can find additional fund information at **MillimanBenefits.com**.

Your Investment Elections

You direct the investment of all money in your accounts. Your job is to allocate your assets in the plan fund options most appropriate for your needs. Several investment funds are available to you. You determine how your contributions are invested; you can allocate all of your contributions into one investment fund or divide them (in whole percentages) among any combination of the funds.

Consider your tolerance for risk and your time horizon before allocating your assets. For help in determining your investment risk tolerance and time horizon, use the investment help tools available through **MillimanBenefits.com**.

Make investment changes through **MillimanBenefits.com** or the Telephone Hotline. Any change to your existing investments generally will be initiated on or before the next business day. Any investment changes for future contributions are effective when contributions are next deposited into the plan. In unusual circumstances, redemptions and/or purchases may be temporarily suspended as permitted by federal securities laws, including the Investment Company Act of 1940.

Future and existing balance elections must be made separately. If you change your existing fund choices **and** you also want to change your future contribution investment elections, you must **separately** change your investment elections for future contributions.

REMEMBER:

Investment changes should be made from a long-term retirement planning perspective.

In accordance with U.S. Department of Labor Regulations, the BBSI Retirement Savings Plan is intended to qualify under the Employee Retirement Income Security Act of 1974 (ERISA) as an ERISA 404(c) plan, which relieves plan fiduciaries of liability for any investment losses that result from investment directions made by plan participants. If you do not make an election as to how the BBSI Retirement Savings Plan should invest your contributions, then the plan trustee will invest them in the “default” investment option. The BBSI Retirement Savings Plan’s default investment option is intended to qualify as an ERISA 404(c) “qualified default investment alternative” (QDIA) which also relieves plan fiduciaries of liability for any investment losses that result from default investment to the QDIA.

If this applies to you, you will receive an initial, as well as an annual QDIA notice which will explain your right to direct your investments and describe the default investment, including its investment objectives, risk and return characteristics, fees and expenses.

See the section titled “ERISA 404(c) Plan and Investment Information” in this brochure for more details.

Loans

Using **MillimanBenefits.com** or the Telephone Hotline, you can elect to borrow from your investment funds in the BBSI Retirement Savings Plan. You can set the amount of your loan and the repayment schedule that's best for you through a process called *loan modeling*. After you enter various loan amounts and repayment frequencies, the loan modeling process calculates your loan payments.

You may request a loan for any reason. You have up to five (5) years to repay this loan.

Loan Amount

The minimum amount you may borrow is \$1,000.

The maximum amount is 50% of your vested account balance (including the Roth portion of your account) or \$50,000, whichever is less. The \$50,000 may be reduced by your highest outstanding loan balance during the last 12 months.

You may have no more than **two (2) outstanding loans** at any time.

Interest Rate

The interest rate you pay on a loan is the prime rate (as quoted in the *Wall Street Journal* on the day the loan is requested) plus 1%. The interest is paid back to your account(s) as you make repayments.

Loan Fees

A loan set up fee of \$100 will be charged directly to your account.

Loan Funding and Repayments

Your loan is funded on a pro rata basis from your existing accounts and investment funds (except the Roth 401(k) portion of your account will be used last).

You repay your loan through mandatory payroll deductions. Your loan payments are reinvested according to your investment elections for future contributions.

You may prepay your outstanding loan at any time with a single lump-sum payment via a cashier's check or money order.

Upon leaving your Employer, you may repay your outstanding loan(s) by the end of the calendar quarter following the calendar quarter for which repayment is due with a single lump-sum payment via a cashier's check or money order.

If you are on an unpaid authorized leave of absence, you may suspend loan payments during your leave, without your loan being in default, provided:

- the suspension period does not exceed 12 months, and
- your loan is repaid by its originally scheduled final due date.

If you are on military leave, your loan payments will be suspended during your leave (or until your fifth anniversary of commencement of military service, if earlier) without your loan being in default. While you are on active military duty, the interest rate on your loan will not exceed 6%, compounded annually.

Defaulting on a Loan

You will default on a loan if you cannot make the regularly scheduled payroll deduction for the loan, or if your employment terminates for any reason and you do not repay the outstanding balance of your loan as required in the BBSI Retirement Savings Plan's loan procedures.

Tax Upon Default

A loan is not considered taxable income. However, if you default on your loan, the taxable portion of the outstanding loan balance will become a taxable distribution to you. In addition, if you are not yet age 59½, a 10% additional penalty tax will apply.

Payments From The Plan

Payments from the BBSI Retirement Savings Plan are available under two circumstances:

- (1) If you are still employed and are eligible to withdraw a portion of your balance from your accounts, you may take an "In-service Withdrawal." *See the section titled "Payments From The Plan While Employed (In-service Withdrawals)" in this brochure for more details.*
- (2) When you retire, become disabled, die, or otherwise terminate from the service of your Employer, you may be entitled to a "full payout" of all your accounts under the BBSI Retirement Savings Plan. *See the section titled "Payments From The Plan When You Leave or Become Disabled (Full Payouts)" in this brochure for more details.*

Full payouts and In-service Withdrawals are subject to different limitations, provisions, and taxation rules.

Refer to the *TAX NOTICE REGARDING YOUR ROLLOVER OPTIONS* (included in this brochure as Appendix A) for more information about the taxation rules.

Recovery of Overpayments

An overpayment is any payment to you (or your beneficiary) from the BBSI Retirement Savings Plan that results in you (or your beneficiary) receiving any payment you are not entitled to receive under the terms of the BBSI Retirement Savings Plan. You (or your beneficiary) have a legal obligation to repay any BBSI Retirement Savings Plan overpayment (plus interest through the date of repayment). The plan fiduciaries have the right to recover any benefit overpayments. Legal action may be brought against you (or your beneficiary) to collect an overpayment (plus interest and collection costs) if the plan administrator is unable to secure acceptable repayment arrangements. After your death, your estate and your beneficiaries may become liable to repay overpayments of your account.

Payments From The Plan While Employed (In-service Withdrawals)

You can request an in-service withdrawal through **MillimanBenefits.com** or the Telephone Hotline.

To request an in-service withdrawal, log on to **MillimanBenefits.com** or call the Telephone Hotline to request an in-service withdrawal.

Rollover Account Withdrawal

You may withdraw money representing amounts you transferred from a previous employer's plan or IRA from your Rollover contribution account at any time.

Qualified Reservist Distributions

If you are a reservist or national guardsman and you were called to active duty after September 11, 2001 and you were called to duty for at least 180 days or for an indefinite period, you may take a distribution of your elective deferrals under the BBSI Retirement Savings Plan while you are on active duty, regardless of your age. The 10% premature distribution penalty tax, normally applicable to plan distributions made before you reach age 59½, will not apply to the distribution. You also may repay the distribution to an IRA, without limiting amounts you otherwise could contribute to the IRA, provided you make the repayment within two years following your completion of active duty.

Age 59½ Withdrawal

If you have attained age 59½, you may request a withdrawal of your vested account balance from any of your accounts for any reason.

Financial Hardship Withdrawal

You may apply for a financial hardship withdrawal from your Employee 401(k) contributions made to the BBSI Retirement Savings Plan if you:

- Have incurred a severe financial hardship, and
- Have taken all other withdrawals available to you (other than loans).

However, you must exhaust all of your traditional before-tax Employee 401(k) contributions before you may withdraw any of your Roth after-tax 401(k) contributions.

Financial hardship withdrawals will be approved for:

- Unreimbursed medical expenses for you, your spouse, your children or other dependents or your primary beneficiary.
- Payment for the next 12 months of room and board, tuition or educational fees for post-secondary education for you, your spouse, your children or other dependents or your primary beneficiary.

- Costs directly related to the purchase (excluding mortgage payments) of your primary residence.
- Payment of amounts necessary to prevent eviction from or foreclosure on your primary residence.
- Payment of burial or funeral expenses for your deceased parents, spouse, children or other dependents or your primary beneficiary.
- Payment of expenses for the repair of casualty damage to your principal residence as allowed under Internal Revenue Code Section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income or deductibility of such expenses due to changes made by the Tax Cuts and Jobs Act).
- Payment of expenses and losses (including loss of income) you incur on account of a federally declared disaster by the Federal Emergency Management Agency (FEMA), provided your principal residence or principal place of employment at the time of the disaster was located in an area designated by FEMA for individual assistance with respect to the disaster.

You may withdraw only the amount needed to pay your hardship expenses. However, the amount of an immediate and heavy financial need may include any amounts necessary to pay taxes or penalties that may result from the distribution.

A financial hardship withdrawal cannot be rolled over to an IRA or to another eligible retirement plan and is subject to a voluntary 10% withholding rate. Also, a 10% nondeductible penalty tax, in addition to regular income tax, will generally apply if you have not reached age 59½, subject to exceptions. *However, special rules apply to Roth 401(k) after-tax monies. Consult your professional tax adviser for details.*

Required Minimum Distributions (In-service)

If you own more than 5% of the outstanding stock of your Employer and you continue working beyond age 72 (70½, if you reached that age before 2020), you must begin to receive a minimum distribution by April 1 of the year after the year you attain age 72 (70½, if you reached that age before 2020). Minimum annual distributions generally must continue thereafter.

Tax Treatment of In-service Withdrawals

If you do not roll over a withdrawal to an IRA or to another eligible retirement plan, the taxable portion of the withdrawal becomes ordinary income to you for the year in which you receive the distribution. The taxable portion of your in-service withdrawal that is not a financial hardship withdrawal is subject to 20% mandatory withholding. If you have not reached age 59½, the taxable portion of the withdrawal may also be subject to a 10% nondeductible penalty tax.

Special rules apply to Roth 401(k) after-tax monies. Consult your professional tax adviser for details.

Processing Fee

A \$35 processing fee will be deducted from your in-service withdrawal.

In-Plan Roth Rollovers (“Conversions”)

You may request a distribution from your vested account balance (other than from your Roth 401(k) account) to be rolled into your Roth 401(k) account (called an “in-plan Roth rollover” or “conversion”). In order to accomplish a Roth conversion of your vested account balances within the BBSI Retirement Savings Plan, you must be eligible to take an in-service withdrawal. This “in-plan Roth rollover” must be accomplished by a direct rollover (an “in-plan Roth direct rollover”).

In general, a Roth conversion allows you to convert amounts from certain before-tax accounts in the BBSI Retirement Savings Plan into a Roth after-tax account in the BBSI Retirement Savings Plan. Converting amounts in your before-tax account to a Roth after-tax account will result in taxation of the converted amounts. Refer to the *TAX NOTICE REGARDING YOUR ROLLOVER OPTIONS* (included in this brochure as Appendix A) for more information, including special rules that apply to in-plan Roth conversions.

A \$125 processing fee will be deducted from your in-plan Roth rollover. This processing fee is instead of, not in addition to, the regular distribution processing fee described above.

Payments From The Plan When You Leave or Become Disabled (Full Payouts)

When you terminate employment with your Employer or become disabled, you may receive 100% of your deferrals and rollover contribution account balances, plus the vested portion of your employer contribution accounts. The BBSI Retirement Savings Plan defines disability as the inability to perform the duties of your customary position of employment (or engage in any substantial gainful employment) by reason of a physical or mental condition that can be expected to result in death, or which has lasted, or can be expected to last for a continuous period of not less than 12 months. Disability shall be determined by a licensed physician chosen by BBSI or your Employer. However, if you qualify for disability benefits under the Federal Social Security Act, you will be considered disabled for purposes of the BBSI Retirement Savings Plan.

Account Balances Greater than \$5,000

If the value of your vested account balance (excluding any rollover account balance) is greater than \$5,000, log on to **MillimanBenefits.com** or call the Telephone Hotline to request your distribution electronically, without having to complete a paper form (a “paperless” distribution request). If you prefer, you can request to have your distribution package together with disclosure information mailed to you. You must submit a completed distribution request before payment can be made. After receipt of the distribution request, your BBSI Retirement Savings Plan payment check will be mailed generally within seven business days. If you do not submit a completed distribution request, you will be treated as deferring your BBSI Retirement Savings Plan payment until required by law (see “Deferred Payment” below).

Refer to the “Paperless Payments” section above for more information about paperless payments.

Account Balances of \$5,000 or Less

Your vested account balance will be payable as soon as possible following the date on which you last performed service with your Employer. If the value of your vested account balance (excluding

any rollover account balance) is \$5,000 or less, a distribution notice will be mailed to you as soon as administratively feasible after your date of termination from employment.

If you prefer, you can log on to **MillimanBenefits.com** or call the Telephone Hotline to request your distribution electronically, without having to complete a paper form (a “paperless” distribution request). After receipt of the distribution request, your BBSI Retirement Savings Plan payment check will be mailed generally within seven business days.

Refer to the “Paperless Payments” section above for more information about paperless payments.

If you do not submit a completed distribution request by the stated due date, your distribution will be automatically rolled over to an IRA. The IRA provider will invest the rollover funds in a type of investment designed to preserve principal and provide a reasonable rate of return and liquidity (e.g., an interest-bearing account, a certificate of deposit or a money market fund). The IRA provider will charge your account for any expenses associated with the establishment and maintenance of the IRA and with the IRA investments. As soon as the rollover occurs, you will be the owner of the IRA, and you will be able to exercise control over your IRA assets. For instance, you may transfer the IRA funds at any time to any other IRA or other eligible retirement plan you choose, or you may request a withdrawal of your IRA funds. Due to the complexities of income tax laws, you should consult a professional tax adviser before you request a withdrawal from your IRA.

Distribution Options

Cash Distribution

The normal form of benefit is a lump sum distribution. The trustee is required by the IRS to withhold 20% of the taxable portion of any eligible rollover distribution if it is not directly transferred to another eligible retirement plan or IRA.

In general, any portion of your benefit payment that is not an eligible rollover distribution is subject to voluntary withholding. Unless you elect to waive withholding, the trustee is required by the IRS to withhold 10% of the taxable portion.

If you take your benefit payment as ordinary income and have not reached age 59½, the taxable portion of the payment may be subject to an additional 10% nondeductible penalty tax.

Refer to the *TAX NOTICE REGARDING YOUR ROLLOVER OPTIONS* (included in this brochure as Appendix A) for more information, including special rules that apply to Roth 401(k) after-tax monies.

Direct Rollover

You will have the option of transferring your account (including any Roth after-tax monies) in cash to an IRA, or to another eligible retirement plan.

In the event of your death, if your beneficiary is entitled to receive an eligible rollover distribution, your beneficiary will also have certain rollover rights which vary depending on whether your beneficiary is your surviving spouse or not. A surviving spouse beneficiary would have the same rollover rights as you. However, a “non-spouse beneficiary” may choose a direct rollover but only to an “inherited IRA.”

Refer to the *TAX NOTICE REGARDING YOUR ROLLOVER OPTIONS* (included in this brochure as Appendix A) for more information, including special rules that apply to Roth 401(k) after-tax monies.

Deferred Payment

When you terminate employment with your Employer, you are entitled to receive the full value of your vested plan accounts. If the value of your total vested accrued benefit is more than \$5,000 (excluding any rollover account balance), log on to **MillimanBenefits.com** or call the Telephone Hotline to request your distribution electronically, without having to complete a paper form (a “paperless” distribution request). If you prefer, you can call the Benefits Service Center to have a distribution package mailed to you. If you do not request your distribution (either electronically or on a paper form), you are considered to have elected to *defer* (or delay) plan payments until the earlier of the date you:

- Request a distribution or
- Are required by law to begin plan payments. Under current law, plan payments must begin no later than April 1 of the calendar year following the calendar year in which you reach age 72 (70½, if you reached that age before 2020) or terminate employment with your Employer, if later.

Processing Fee

A \$35 processing fee will be deducted from your distribution.

Due to the complexities of income tax laws, you should consult a professional tax adviser before you receive a distribution from the BBSI Retirement Savings Plan.

General Information

Name of Plan: **Barrett Business Services, Inc. Retirement Savings Plan**

Type of Plan

The plan is a multiple-employer profit sharing plan that is intended to qualify for favorable tax treatment under Internal Revenue Code Section 401(a).

In addition, the BBSI Retirement Savings Plan contains a cash or deferred arrangement (“CODA”) intended to qualify under Internal Revenue Code Section 401(k).

Effective Date

The BBSI Retirement Savings Plan became effective on April 1, 1990. The BBSI Retirement Savings Plan was most recently amended and restated effective January 1, 2021.

Plan Sponsor

The BBSI Retirement Savings Plan is sponsored and maintained by:

Barrett Business Services, Inc.
8100 NE Parkway Drive, Suite 200
Vancouver, WA 98662
(360) 828-0700

Plan Identification

Some information about the BBSI Retirement Savings Plan is filed with the Internal Revenue Service and the U.S. Department of Labor. If you contact either agency regarding the plan, you must refer to BBSI's Employer Identification Number and the Plan Identification Number below:

Employer Identification Number: 52-0812977
Plan Identification Number: 001

Participating Employer

Santa Cruz Underground & Paving, Inc. adopted the BBSI Retirement Savings Plan as a participating employer effective June 1, 2022. You may contact Santa Cruz Underground & Paving, Inc. at the following address and phone number:

Santa Cruz Underground & Paving, Inc.
48 Riverside Road
Watsonville, California 95076
(831) 772-3125

Employer Identification Number: 34-2048002

Plan Administrator

The plan administrator is responsible for the operation and administration of the Barrett Business Services, Inc. Retirement Savings Plan. This includes establishing the rules necessary to administer the plan, keeping employee records, communicating with participants, determining eligibility, determining benefit amounts, supervising benefit payments, informing the members of all changes or amendments to the plan, bringing the plan into conformity with governmental laws and regulations, and making available to all participants reports and documents as prescribed by law. The plan administrator has the exclusive discretionary authority to interpret, construe and enforce all plan provisions, and its decisions are final and binding. If you wish to take legal action against the plan, you may have legal process served on the plan administrator or on the plan's trustee(s). If for any reason you wish to contact the plan administrator, you may do so at the following address and phone number:

**Gary Edward Kramer, Jr.
Anthony Jonathon Harris
Benjamin Ward**

c/o Barrett Business Services, Inc.
8100 NE Parkway Drive, Suite 200
Vancouver, WA 98662
(360) 828-0700

Although BBSI is responsible for the administration of the plan, BBSI has retained Milliman, Inc. (Milliman) to assist us. Milliman is responsible for the recordkeeping, accounting, toll-free telephone and web access features of the BBSI Retirement Savings Plan.

Plan Expenses

All fees, including custodial, recordkeeping, legal, investment, education and accounting fees, may be paid from the plan assets and deducted from individual plan accounts on a pro-rata (account value) basis. Any expense allocated to your account will appear on your quarterly statement.

Some of the plan's administrative fees may be paid from a portion of the operating expenses of one or more investment alternatives in which you may be invested.

You will be provided with certain quarterly and annual fee and expense disclosure information in accordance with the U.S. Department of Labor's regulations under Section 404(a) of ERISA, as applicable to 401(k) plans and other similar individual account retirement plans that permit participants to direct the investments in their individual accounts.

All publicly traded mutual funds, including the ones used by the BBSI Retirement Savings Plan, have expenses associated with their management and operations (also called "annual operating expenses"). These mutual fund management fees are automatically reflected in the share price you receive on any purchase or sale of a fund; they are not deducted from your plan account. Some of the plan's expenses for administration services (recordkeeping services, accounting services, trustee services, reporting services, etc.) may be paid from the annual operating expenses of the plan's designated investment alternatives (e.g., through revenue sharing arrangements, 12b-1 fees, subtransfer agent fees).

Funding

Plan benefits are provided both from your contributions and your Employer's contributions. All contributions are paid into a trust fund set up solely for the participants and their beneficiaries in the BBSI Retirement Savings Plan. These contributions, together with investment earnings of the trust fund, are used to provide your plan benefits.

Trustee

The trustees for the BBSI Retirement Savings Plan are subject to strict rules concerning the administration of the trust fund and its investments to assure, as much as possible, that the trust fund and its investments are handled with care, skill, prudence and diligence for the good of all participants in the BBSI Retirement Savings Plan. You may contact the other trustees at the following address and phone number:

**Gary Edward Kramer, Jr.
Anthony Jonathon Harris
Benjamin Ward**

c/o Barrett Business Services, Inc.
8100 NE Parkway Drive, Suite 200
Vancouver, WA 98662
(360) 828-0700

If you wish to take legal action against the BBSI Retirement Savings Plan, you may have legal process served on the plan administrator or on the plan's trustees.

Custodian

The custodian for the BBSI Retirement Savings Plan, Charles Schwab Trust Bank, holds and invests the assets of the trust fund. You may contact the custodian at the following address and phone number:

Charles Schwab Trust Bank

211 Main Street, 14th Floor
San Francisco, CA 94105
1.877.319.2782

Plan Year

The plan year is the 12-month period used for maintaining the financial records for the BBSI Retirement Savings Plan. The plan year begins each January 1 and ends each December 31.

Future of the Plan

BBSI reserves the right to amend, modify or terminate the plan, in whole or in part, at any time at its option. A participating employer reserves the right to modify its participation in the BBSI Retirement Savings Plan, subject to certain limitations on the elections available to the participating employer. A participating employer also reserves the right to terminate its participation in the BBSI Retirement Savings Plan at any time and transfer the accounts of its employees to another plan.

Benefits under the plan are not insured by the Pension Benefit Guaranty Corporation (PBGC), a government agency which insures pension plans. The plan is not insured by the PBGC because it is a defined contribution plan and, unlike a defined benefit pension plan, does not have fixed benefits determined pursuant to a formula. Any benefits payable by the plan are based on amounts contributed and investment results which cannot be determined in advance. Your benefits depend solely on the amounts in your plan accounts and are not guaranteed under federal law.

No Guarantee of Employment

This plan does not constitute an employment contract between you and your Employer. It does not guarantee you the right to be continued in your Employer's employment, nor does it limit your Employer's right to discharge any employee.

Upon termination of employment, no employee will have the right to or interest in any of the plan's assets except for the benefit to which he or she is entitled under the plan.

Reinstatement of Your Forfeited Account

As explained earlier, if you leave employment with your Employer prior to becoming fully vested in your plan accounts and you receive or are deemed to have received a full distribution of your vested benefits, you will forfeit the nonvested portion of the balance in such accounts. However, if you are rehired by your Employer, you will be able to reinstate your previously forfeited amount if:

- You did not incur five consecutive one-year breaks-in-service; AND
- You repay to the plan, in cash, the dollar value of all distributions that you received when you left your Employer. You must repay the plan within five years after you return to employment.

If you want to reinstate your previous plan account, contact the plan administrator. It is your responsibility to initiate a reinstatement of your previous plan account.

Top-heavy Rules

Under a set of rules set out in the BBSI Retirement Savings Plan, as required by the Internal Revenue Code, your Employer's portion of the BBSI Retirement Savings Plan may be top-heavy. Simply stated, a top-heavy plan is one where more than 60% of the benefits are allocated to "Key Employees." Key Employees are generally owners, officers or shareholders of your Employer. In a multiple-employer plan such as the BBSI Retirement Savings Plan, top-heavy status is determined separately for each participating employer's portion of the BBSI Retirement Savings Plan.

The plan administrator is responsible each year for determining whether your Employer's portion of the BBSI Retirement Savings Plan is top-heavy. In any year that your Employer's portion of the BBSI Retirement Savings Plan is top-heavy, you may be entitled to certain minimum benefits and special rules will apply.

Notification of Address

You should notify the plan administrator of any change in your address. This will help ensure proper receipt of any plan-related mailings.

Nontransferability of Benefits

Your benefits under the plan may not be alienated; that is, sold, used as collateral for a loan (other than a loan from your account in the plan), given away or otherwise transferred prior to being paid to you. Also, your creditors (other than the IRS) may not attach, garnish or otherwise interfere with your benefits under the plan.

However, the plan may be required by law to recognize obligations that you incur as a result of court-ordered child support, alimony, or marital property rights. The plan must honor a *qualified domestic relations order* (QDRO), which is defined as a decree or order issued by a court that obligates you to pay child support or alimony, or otherwise allocates a portion of your benefits under the plan to your spouse, former spouse, or child (the "alternate payee"). If such an order is received by the plan administrator, all or a portion of your benefits may be used to satisfy the

obligation. The plan administrator will determine the validity of any domestic relations order received, and will advise the affected participant upon the receipt of such an order.

A domestic relations order will not fail to be a qualified domestic relations order solely because the order is issued after, or revises, another domestic relations order or qualified domestic relations order or solely because of the time at which the order is issued, including issuance after the participant's death.

The costs associated with the administration of a domestic relations order purporting to be a QDRO will be charged to the individual plan accounts of the affected plan participant and/or the alternate payee(s).

The amount of the fee the plan charges to review and process a QDRO depends on whether the QDRO includes the plan's Model QDRO language. If the Model QDRO language is used, a fee of \$750 will be charged to review and process the QDRO. If the Model QDRO language is not used, a fee of \$1,500 will be charged to review and process the QDRO.

A Model QDRO may be requested by logging onto **MillimanBenefits.com** or by calling the Telephone Hotline at 1.800.996.6579. The Model QDRO provides standardized language that a participant or alternate payee should provide to their attorney as an example of language acceptable to the plan that will result in a qualified determination.

You, your beneficiaries and any alternate payee may obtain a copy of the plan's QDRO procedures, without charge, by contacting the plan administrator.

ERISA 404(c) Plan and Investment Information

The BBSI Retirement Savings Plan is intended to constitute a Section 404(c) plan, within the meaning of the U.S. Department of Labor's regulations under Section 404(c) of ERISA. Under Section 404(c), plan fiduciaries may be relieved of liability for losses which are the direct result of affirmative investment instructions of plan participants or "deemed" investment instructions for default investment in the plan's "qualified default investment alternative" (QDIA).

Under Section 404(c), participants must be provided, or have the opportunity to obtain, sufficient information to make an informed decision with regard to the plan's investment options.

Information that must be provided to you includes a description of each investment alternative including:

- A general description of the investment objectives, risk and return characteristics;
- Identification of any designated investment managers;
- A description of any transaction fee and expenses which affect your account balance; and
- The name, address, and phone number of the plan fiduciary responsible for providing information.

As the default investments chosen are intended to qualify as a QDIA, the following additional information must be provided to you:

- A general description of the circumstances under which your benefits may be invested in a QDIA;

- A description of your right to change your investments to any other investments available to you as frequently as the plan allows; and
- An explanation of where investment information can be obtained concerning the other investment alternatives under the plan.

Information that must be provided on request includes:

- Copies of prospectuses, financial statements and reports, and other materials related to the investment alternatives to the extent the information is provided to the plan.
- For each investment option, a description of operating expenses, the type of assets in the portfolio, information on past and current performance, and other financial information. All of this information is available in each fund's prospectus.
- The value of shares in each investment fund and information regarding the past and current performance, net of expenses.
- Your account balance.

Additional Information Upon Request

Upon request, the plan administrator will provide each participant with certain information (as described below) concerning the investments under the Plan. Unless the information is available through **MillimanBenefits.com** or the Telephone Hotline and the participant does not desire to obtain that information in writing, a participant's request for such information must be in writing delivered to the plan administrator, and the plan administrator will respond in writing. The information that a participant may request and the limits on such information are as follows:

- **Annual Operating Expenses.** A description of the annual operating expenses of each investment fund (for example, investment management fees and administrative fees) which reduce the rate of return to participants, and the aggregate amount of those expenses expressed as a percentage of the average net assets of the investment fund;
- **Reports.** Copies of any prospectuses, financial statements and reports, and any other materials relating to the investment fund available under the Plan, to the extent that information is provided to the Plan;
- **List of Assets.** A list of the assets that comprise the portfolio of each investment fund and that constitute Plan assets (within the meaning of Title 29 of the Code of Federal Regulations Section 2510.3-101), the value of each such asset (or the proportion of the investment fund which it comprises), and, with respect to each such asset which is a fixed rate investment contract issued by a bank, savings and loan association or insurance company, the name of the issuer of the contract, the term of the contract and the rate of return on the contract;
- **Share Values.** Information concerning the value of shares or units in the investment funds, as well as the past and current investment performance of the investment funds, determined, net of expenses, on a reasonable and consistent basis; and
- **Account Value.** Information concerning the value of shares or units in the investment funds held in the participant's account.

The plan administrator will strive to provide any requested information as soon as practicable following a participant's request. Within the bounds of feasibility, efforts will be made to furnish the requested information in sufficient time to enable the participant to make informed investment, voting and other decisions. Written requests should be directed to:

**Gary Edward Kramer, Jr.
Anthony Jonathon Harris
Benjamin Ward**

c/o Barrett Business Services, Inc.
8100 NE Parkway Drive, Suite 200
Vancouver, WA 98662
(360) 828-0700

When you enroll in the plan, you can view summary information regarding each of the currently available investment funds by logging on to **MillimanBenefits.com**. Updated summaries are available at any time through **MillimanBenefits.com** or the Telephone Hotline.

You may also receive a current prospectus (or similar information) for any investment fund by requesting it via the fund toll-free number included with each fund summary.

You are responsible for making all investment changes for your accounts, even after your employment terminates. You should carefully review all information provided to you by the plan (and any other information from any other sources that you consider important), and make sure that your investment choices are appropriate for your individual needs.

In general, the plan's trustees are responsible for voting any mutual fund shares, shares of stock and other investments held on your behalf in the plan. However, the trustee may periodically ask you how shares allocated to your accounts should be voted. Although the trustee will actually cast the vote, the trustee will provide you with information so that you may determine how the shares allocated to your account should be voted.

Your Rights Under ERISA

As a participant in the BBSI Retirement Savings Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act (ERISA) of 1974. ERISA provides that all plan participants are entitled to:

1. Receive Information About Your Plan and Benefits

Examine, without charge, at the plan administrator's office and at other specified locations, such as worksites and union halls (if applicable), all documents governing the plan, including insurance contracts and collective bargaining agreements (if applicable), and a copy of the latest annual report (Form 5500 Series) filed by the BBSI Retirement Savings Plan with the U.S. Department of Labor ("DOL") and available at the Public Disclosure Room of the Employee Benefits Security Administration.

Obtain, upon written request to the plan administrator, copies of documents governing the operation of the plan, including insurance contracts and collective bargaining agreements (if applicable), and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The plan administrator may make a reasonable charge for the copies.

Receive a summary of the plan's annual financial report. The plan administrator is required by law to furnish each participant with a copy of this summary annual report.

At least once each calendar quarter, be furnished with a periodic benefit statement based on the latest available information that includes the following:

- your total benefits accrued and your vested percentage of such benefits (or the earliest date on which benefits will become vested);
- the value of each investment to which assets in your account have been allocated;
- an explanation of any limitation or restriction on any right to direct investments;
- an explanation of the importance for long-term retirement security, of a well-balanced and diversified investment portfolio, including a statement of the risk that holding more than 20% of a portfolio in any security of one entity may not be adequately diversified; and
- a notice directing the participant or beneficiary to the DOL's website for information on individual investing and diversification.

The periodic benefit statement requirement may be satisfied by written or electronic means, which may include providing you with continuous access to the information on the **MillimanBenefits.com** website. If the BBSI Retirement Savings Plan furnishes the periodic benefit statement to you in this manner, you will be furnished notification (delivered by written or electronic means) that explains the availability of the required information and how such information can be accessed. You will also have the right to request and obtain, free of charge, a paper version of the information.

A beneficiary who is not otherwise entitled to a periodic benefit statement may request a benefit statement. This statement must be requested in writing and is not required to be given more than once every twelve (12) months. The plan must provide the statement free of charge.

2. Prudent Actions by Plan Fiduciaries

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the retirement plan. The people who operate your plan, called “fiduciaries” of the plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer, your union (if applicable), or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining your vested benefit or exercising your rights under ERISA.

3. Enforce Your Rights

If your claim for a vested benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the plan administrator. If you have a claim for benefits, which is denied or ignored, in whole or in part, you may file suit in a state or federal court. However, in order to do so, you must first fully exhaust the plan's claim procedures and you must file suit no later than 180 days after the plan administrator makes a final determination to deny your claim. In addition, if you disagree with the plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in federal court. If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek

assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

4. Assistance with Your Questions

If you have any questions about your plan, you should contact the plan administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the plan administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue NW, Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Claims Procedures

Your BBSI Retirement Savings Plan benefits will be paid to you (or your beneficiary) without the need of a formal claims process.

See the sections titled “Account Access” and “Payments From The Plan” in this brochure for details about payment requests from the BBSI Retirement Savings Plan.

If Your Claim is Denied

Your request for your BBSI Retirement Savings Plan benefits will be considered a claim for benefits. A claim for benefits might be denied in whole or in part if:

- (a) the plan administrator does not believe a participant or beneficiary is entitled to a benefit; or
- (b) the plan administrator disagrees with the amount of benefit to which the participant or beneficiary believes he/she is entitled.

If this happens to you, the plan administrator should notify you in writing of the reasons for the denial within 90 days of the date you make your claim or within 45 days of the date you make your claim, if the claim involves disability benefits. *See the “NOTE” below for information about how the 90-day and 45-day deadlines may be extended under special circumstances.*

The notice of denial should:

- explain the specific reason why your claim for benefits is being denied, and specify the BBSI Retirement Savings Plan provisions upon which the denial is based.
- if the denial is the result of you filing an incomplete claim, provide a description of any additional information needed to perfect your claim and an explanation of why it is necessary.

- explain the claim review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination.

In addition, if the claim involves disability benefits, the notice of denial should also:

- be written in a culturally and linguistically appropriate manner.
- contain a discussion of the decision and explain the basis for disagreeing with or not following:
 - the views you presented to the BBSI Retirement Savings Plan of health care professionals treating you and vocational professionals who evaluated you;
 - the views of medical or vocational experts whose advice was obtained on behalf of the BBSI Retirement Savings Plan in connection with an adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; or
 - a disability determination made by the Social Security Administration and presented by you to the BBSI Retirement Savings Plan.
- if the denial is based on medical necessity or experimental and/or investigational treatment or similar exclusion or limit, explain the scientific or clinical judgment for the determination, applying the terms of the BBSI Retirement Savings Plan to your medical circumstances, or state that such explanation will be provided free of charge, upon request.
- explain either the specific internal rules, guidelines, protocols, standards or other similar criteria the BBSI Retirement Savings Plan relied upon to make a determination, or state that such rules, guidelines, protocols, standards or other similar criteria do not exist.
- state that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits.

If you don't receive notice of denial from the plan administrator within 90 days, or within 45 days of the date you make your claim if the claim involves disability benefits, you will be deemed to have exhausted all administrative remedies and may file suit in federal or state court. However, in order to do so, you must file the suit no later than 180 days after the date you are deemed to have exhausted all administrative remedies. The administrative remedies under the BBSI Retirement Savings Plan's Claims Procedures must be fully exhausted before a participant can file suit against the BBSI Retirement Savings Plan.

Review of Denial

If your claim has been denied, you may request a review of the denial. You have 60 days after receipt of the written notice of denial, or 180 days after receipt of the written notice of denial if the claim involves disability benefits, to request a review. This request must be in writing and may be made to the plan administrator. If you wish, you (or your representative) may submit issues, comments, documents, records, and other information relating to your claim for benefits. You may also request, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your claim for review must be given a full and fair review that takes into account all comments, documents, records, and other information you submit relating to the claim without regard to

whether such information was submitted or considered in the initial benefit determination. For a claim involving disability benefits, the review procedure provides for a review by a different decision-maker who is neither the party who made the initial adverse determination or a subordinate of such party, and that decision-maker cannot give procedural deference to the original decision.

If the claim involves disability benefits and the initial denial of your claim was based on a medical judgment, including determinations with regard to whether a particular treatment, drug, or other item is experimental, investigational, or not medically necessary or appropriate, the plan administrator will consult with a health care professional who was neither involved in or a subordinate of the person who made the original benefit determination. This health care professional will have appropriate training and experience in the field of medicine involved in the medical judgment. Additionally, medical or vocational experts whose advice was obtained on behalf of the BBSI Retirement Savings Plan in connection with the initial determination will be identified.

If the BBSI Retirement Savings Plan considers, relies upon or creates any new or additional evidence during the review of the denial of a claim for disability benefits, the BBSI Retirement Savings Plan will provide such new or additional evidence to you, free of charge, as soon as possible and sufficiently in advance of the time within which a determination on review is required to allow you time to respond.

Before the BBSI Retirement Savings Plan issues a denial of a claim for disability benefits on review that is based on a new or additional rationale, you must be provided a copy of the rationale at no cost. The rationale must be provided as soon as possible and sufficiently in advance of the time within which a final determination on appeal is required to allow you time to respond.

A review of the denial of your claim for benefits should be made in writing by the plan administrator within 60 days, or within 45 days if the claim involves disability benefits, after your request is received. *See the "NOTE" below for information about how the 60-day and 45-day deadlines may be extended under special circumstances.*

The decision should:

- be written in a manner you can easily understand.
- specify the BBSI Retirement Savings Plan provisions upon which the decision is based.
- tell you the results of the review and include the specific reason for denial, if applicable.
- contain a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.
- contain a statement describing any voluntary appeals procedures offered by the BBSI Retirement Savings Plan, and a statement of your right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination.

In addition, if the claim involves disability benefits, the written decision should also:

- be written in a culturally and linguistically appropriate manner.
- contain a discussion of the decision and explain the basis for disagreeing with or not following:

- the views you presented to the BBSI Retirement Savings Plan of health care professionals treating you and vocational professionals who evaluated you;
- the views of medical or vocational experts whose advice was obtained on behalf of the BBSI Retirement Savings Plan in connection with an adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; or
- a disability determination made by the Social Security Administration and presented by you to the BBSI Retirement Savings Plan.
- if the denial is based on medical necessity or experimental and/or investigational treatment or similar exclusion or limit, explain the scientific or clinical judgment for the determination, applying the terms of the BBSI Retirement Savings Plan to your medical circumstances, or state that such explanation will be provided free of charge, upon request.
- explain either the specific internal rules, guidelines, protocols, standards or other similar criteria the BBSI Retirement Savings Plan relied upon to make a determination, or state that such rules, guidelines, protocols, standards or other similar criteria do not exist.

If you do not receive a decision on your request for review within 60 days, or within 45 days if the claim involves disability benefits, and either you have not received notice of an extension, or the extension has expired, you can bring a civil action for the benefits under Section 502(a) of ERISA without waiting for a formal decision, provided you bring such civil action no later than 180 days after the 60-day or 45-day period ends. The administrative remedies under the BBSI Retirement Savings Plan's Claims Procedures must be fully exhausted before a participant can bring a civil action against the BBSI Retirement Savings Plan.

In the case of a claim for disability benefits, if the BBSI Retirement Savings Plan fails to strictly adhere to all the requirements of the BBSI Retirement Savings Plan's Claims Procedures with respect to a disability claim, you are deemed to have exhausted the administrative remedies available under the BBSI Retirement Savings Plan, and will be entitled to pursue any available remedies under Section 502(a) of ERISA on the basis that the BBSI Retirement Savings Plan has failed to provide a reasonable claims procedure that would yield a decision on the merits of the claim, except where the violation was: (a) de minimis; (b) non-prejudicial; (c) due to good cause or matters beyond the BBSI Retirement Savings Plan's control; (d) in the context of an ongoing good-faith exchange of information; and (e) not part of a pattern or practice of non-compliance. You may request a written explanation of the violation from the BBSI Retirement Savings Plan, and the BBSI Retirement Savings Plan must provide such explanation within ten (10) days, including a specific description of its basis, if any, for asserting that the violation should not cause the administrative remedies to be deemed exhausted. If a court rejects your request for immediate review on the basis that the BBSI Retirement Savings Plan met the standards for the exception, the claim will be considered as re-filed on appeal upon the BBSI Retirement Savings Plan's receipt of the decision of the court. Within a reasonable time after the receipt of the decision, the BBSI Retirement Savings Plan will provide you with notice of the resubmission.

NOTE: The 90-day, 60-day and 45-day deadlines may be extended under special circumstances. You will be told of the extension in writing before the end of the 90-day, 60-day and 45-day periods, as applicable. The extension notice will state why the extension is needed and the date you may expect a decision. The 90-day deadline may be extended for up to an additional 90 days. The 60-day deadline may be extended for up to an additional 60 days. With respect to an initial claim for disability benefits, the 45-day deadline may be extended for up to two 30-day periods. With respect to a request for the review of the denial of a claim for disability benefits, if an

extension of the 45-day period is required because you fail to submit necessary information, the notice of extension must describe the required information and must give you 45 days to respond.

Appendix A

TAX NOTICE REGARDING YOUR ROLLOVER OPTIONS

This Tax Notice Applies to Distributions from Section 401(a) Plans, Section 403(a) Annuity Plans, Section 403(b) Tax Sheltered Annuities and Section 457 Governmental Plans

You are receiving this notice because all or a portion of a payment you are entitled to receive from an employer plan is eligible to be rolled over. Rollover options will vary depending on whether or not the payment is from a designated Roth account. This notice is intended to help you decide whether to do such a rollover.

This notice describes the rollover rules that apply to both payments from the plan that are NOT from a designated Roth account (a type of account with special tax rules in some employer plans), as well as payments from the plan that ARE from a designated Roth account. If you will receive payment from both types of accounts, the plan administrator or the payor will tell you the amount that is being paid from each account.

Rules that apply to most payments from a plan are described in the "General Information About Rollovers" section. Special rules that only apply in certain circumstances are described in the "Special Rules and Options" section.

GENERAL INFORMATION ABOUT ROLLOVERS

How can a rollover of payments NOT from a designated Roth account affect my taxes?

You will be taxed on a payment from the plan if you do not roll it over. If you are under age 59½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (generally, distributions made before age 59½) unless an exception applies. However, if you do a rollover, you will not have to pay tax until you receive payments later and the 10% additional income tax will not apply if those payments are made after you are age 59½ (or if an exception applies).

How can a rollover of payments from a designated Roth account affect my taxes?

After-tax contributions included in a payment from a designated Roth account are not taxed, but earnings might be taxed. The tax treatment of earnings included in the payment depends on whether the payment is a qualified distribution. If a payment is only part of your designated Roth account, the payment will include an allocable portion of the earnings in your designated Roth account.

If the payment from the plan is not a qualified distribution and you do not do a rollover to a Roth IRA or a designated Roth account in an employer plan, you will be taxed on the earnings in the payment. If you are under age 59½, a 10% additional income tax on early distributions (generally, distributions made before age 59½) will also apply to the earnings (unless an exception applies). However, if you do a rollover, you will not have to pay taxes currently on the earnings and you will not have to pay taxes later on payments that are qualified distributions.

If the payment from the plan is a qualified distribution, you will not be taxed on any part of the payment even if you do not do a rollover. If you do a rollover, you will not be taxed on the amount you roll over and any earnings on the amount you roll over will not be taxed if paid later in a qualified distribution.

A qualified distribution from a designated Roth account in the plan is a payment made after you are age 59½ (or after your death or disability) and after you have had a designated Roth account in the plan for at least 5 years. In applying the 5-year rule, you count from January 1 of the year your first contribution was made to the designated Roth account. However, if you did a direct rollover to a designated Roth account in the plan from a designated Roth account in another employer plan, your participation will count from January 1 of the year your first contribution was made to the designated Roth account in the plan or, if earlier, to the designated Roth account in the other employer plan.

What types of retirement accounts and plans may accept my rollover that is NOT from a designated Roth account?

You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, no spousal consent rules apply to IRAs and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

What types of retirement accounts and plans may accept my rollover from a designated Roth account?

You may roll over the payment to either a Roth IRA (a Roth individual retirement account or Roth individual retirement annuity) or a designated Roth account in an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457 plan) that will accept the rollover. The rules of the Roth IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the Roth IRA or employer plan (for example, no spousal consent rules apply to Roth IRAs and Roth IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the Roth IRA or the designated Roth account in the employer plan. In general, these tax rules are similar to those described elsewhere in this notice, but differences include:

- If you do a rollover to a Roth IRA, all of your Roth IRAs will be considered for purposes of determining whether you have satisfied the 5-year rule (counting from January 1 of the year for which your first contribution was made to any of your Roth IRAs).
- If you do a rollover to a Roth IRA, you will not be required to take a distribution from the Roth IRA during your lifetime and you must keep track of the aggregate amount of the after-tax contributions in all of your Roth IRAs (in order to determine your taxable income for later Roth IRA payments that are not qualified distributions).
- Eligible rollover distributions from a Roth IRA can only be rolled over to another Roth IRA.

How do I do a rollover of payments NOT from a designated Roth account?

There are two ways to do a rollover. You can do either a direct rollover or a 60-day rollover.

If you do a direct rollover, the plan will make the payment directly to your IRA or to another employer plan. You should contact the IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.

If you do not do a direct rollover, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. Generally, you will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, the plan is required to withhold 20% of the payment for federal income taxes (up to the amount of cash and property received other than employer stock). This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).

How do I do a rollover of payments from a designated Roth account?

There are two ways to do a rollover. You can either do a direct rollover or a 60-day rollover.

If you do a direct rollover, the plan will make the payment directly to your Roth IRA or to a designated Roth account in another employer plan. You should contact the Roth IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.

If you do not do a direct rollover, you may still do a rollover by making a deposit (generally within 60 days) into a Roth IRA, whether the payment is a qualified or nonqualified distribution. In addition, you can do a rollover by making a deposit within 60 days into a designated Roth account in an employer plan if the payment is a nonqualified distribution and the rollover does not exceed the amount of the earnings in the payment. You cannot do a 60-day rollover to an employer plan of any part of a qualified distribution. If you receive a distribution that is a nonqualified distribution and you do not roll over an amount at least equal to the earnings allocable to the distribution, you will be taxed on the amount of those earnings not rolled over, including the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).

If you do a direct rollover of only a portion of the amount paid from the plan and a portion is paid to you at the same time, the portion directly rolled over consists first of earnings.

If you do not do a direct rollover and the payment is not a qualified distribution, the plan is required to withhold 20% of the earnings for federal income taxes (up to the amount of cash and property received other than employer stock). This means that, in order to roll over the entire payment in a 60-day rollover to a Roth IRA, you must use other funds to make up for the 20% withheld.

How much may I roll over?

If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Any payment from the plan is eligible for rollover, except:

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary);
- Required minimum distributions after age 72½ (or after death);
- Hardship distributions;
- ESOP dividends;
- Corrective distributions of contributions that exceed tax law limitations;
- Loans treated as deemed distributions (for example, loans in default due to missed payments before your employment ends);
- Cost of life insurance paid by the plan;
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution; and
- Amounts treated as distributed because of a prohibited allocation of S corporation stock under an ESOP (also, there will generally be adverse tax consequences if S corporation stock is held by an IRA).

The plan administrator or the payor can tell you what portion of a payment is eligible for rollover.

If I don't do a rollover, will I have to pay the 10% additional income tax on early distributions?

If you are under age 59½, you will have to pay the 10% additional income tax on

any early payment from the plan that is NOT from a designated Roth account (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. If a payment is from a designated Roth account but is not a qualified distribution and you are under age 59½, you will have to pay the 10% additional income tax on early distributions with respect to the earnings allocated to the payment that you do not roll over (including amounts withheld for income tax), unless one of the exceptions listed below applies. This 10% tax applies to the part of the distribution that you must include in income and is in addition to the regular income tax on the payment not rolled over.

The 10% additional income tax does not apply to the following payments from the plan:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation;
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary);
- Payments from a governmental plan made after you separate from service if you are a qualified public safety employee and you will be at least age 50 in the year of the separation;
- Payments made due to disability;
- Payments after your death;
- Payments of ESOP dividends;
- Corrective distributions of contributions that exceed tax law limitations;
- Cost of life insurance paid by the plan;
- Payments made directly to the government to satisfy a federal tax levy;
- Payments made under a qualified domestic relations order (QDRO);
- Payments up to the amount of your deductible medical expenses (without regard to whether you itemize deductions for the taxable year);
- Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001 for more than 179 days;
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution;
- Payments for certain distributions relating to certain federally declared disasters; and
- Phased retirement payments made to federal employees.

If I do a rollover to an IRA, will the 10% additional income tax apply to early distributions from the IRA?

If you receive a payment from a traditional IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions on the part of the distribution that you must include in income, unless an exception applies. If you receive a payment from a Roth IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions on the earnings paid from the Roth IRA, unless an exception applies or the payment is a qualified distribution. In general, the exceptions to the 10% additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from IRAs, including:

- The exception for payments made after you separate from service if you will be at least age 55 in the year of the separation (or age 50 for qualified public safety employees) does not apply.
- The exception for qualified domestic relations orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse).
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service.
- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to \$10,000 used in a qualified first-time home purchase, and (3) payments for health insurance premiums after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

Will I owe State income taxes?

This notice does not describe any State or local income tax rules (including withholding rules).

SPECIAL RULES AND OPTIONS

Consequences of Failing to Defer Receipt of Distribution

Generally, you may not be forced to take a distribution from a plan until you reach the later of age 62 or the plan's normal retirement age (although certain exceptions may apply in the case of small balances). Until that time, you may choose to defer receipt of a distribution. Unless rolled over (refer to the "General Information About Rollovers" section above), distributions of previously untaxed amounts will be subject to federal income tax and, potentially, the additional 10% income tax described above. Such distributions may also be subject to state and local income tax and federal and state withholding requirements.

Failing to defer receipt of a plan distribution may cause you to have too little money on which to retire. Be sure that taking a distribution now, with potentially significant tax liability and the potential loss of future tax deferred growth of your plan benefit, will not harm your retirement security and force you to postpone your retirement. Refer to your plan's summary plan description ("SPD") for more information about the effect of deferring distributions, which, depending on the type of plan, could include: (i) the financial effect of deferring distributions, (ii) investment options available under the plan if distributions are deferred, and (iii) any fees that may apply if distributions are deferred.

Also you should be aware that some of the investment options available under the plan may not be generally available on similar terms outside of the plan, and fees and expenses outside the plan may be different from fees and expenses that apply to account balances under the plan. Depending on the plan, additional fees and expenses may apply to account balances of participants who are no longer employed by the plan sponsor. Refer to your plan's SPD for an explanation of how to obtain more information on the plan, including the plan's investment options and applicable fees and expenses.

If your payment NOT from a designated Roth account includes after-tax contributions

After-tax contributions included in a payment are not taxed. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is included in the payment, so you cannot take a payment of only after-tax contributions. However, if you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a payment. In addition, special rules apply when you do a rollover, as described below.

You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later payments from the IRAs). If you do a direct rollover of only a portion of the amount paid from the plan and at the same time the rest is paid to you, the portion directly rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of \$12,000, of which \$2,000 is after-tax contributions. In this case, if you directly roll over \$10,000 to an IRA that is not a Roth IRA, no amount is taxable because the \$2,000 amount not directly rolled over is treated as being after-tax contributions. If you do a direct rollover of the entire amount paid from the plan to two or more destinations at the same time, you can choose which destination receives the after-tax contributions.

If you do a 60-day rollover to an IRA of only a portion of a payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a distribution of \$12,000, of which \$2,000 is after-tax contributions, and no part of the distribution is directly rolled over. In this case, if you roll over \$10,000 to an IRA that is not a Roth IRA in a 60-day rollover, no amount is taxable because the \$2,000 amount not rolled over is treated as being after-tax contributions.

You may roll over to an employer plan all of a payment that includes after-tax contributions, but only through a direct rollover (and only if the receiving plan separately accounts for after-tax contributions and is not a governmental section 457(b) plan). You can do a 60-day rollover to an employer plan of part of a payment that includes after-tax contributions, but only up to the amount of the payment that would be taxable if not rolled over.

If you miss the 60-day rollover deadline

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. Under certain circumstances you may claim eligibility for a waiver of the 60-day rollover deadline by making a written self-certification. Otherwise, to apply for a waiver from the IRS, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs).

If your payment NOT from a designated Roth account includes employer stock that you do not roll over

If you do not do a rollover, you can apply a special rule to payments of employer stock (or other employer securities) that are either attributable to after-tax contributions or paid in a lump sum after separation from service (or after age 59½, disability, or the participant's death). Under the special rule, the net unrealized appreciation on the stock will not be taxed when distributed from the plan and will be taxed at capital gain rates when you sell the stock. Net unrealized appreciation is generally the increase in the value of employer stock after it was acquired by the plan. If you do a rollover for a payment that includes employer stock (for example, by selling the stock and rolling over the proceeds within 60 days of the payment), the special rule relating to the distributed employer stock will not apply to any subsequent payments from the IRA or employer plan. The plan administrator can tell you the amount of any net unrealized appreciation.

If your payment from a designated Roth account includes employer stock that you do not roll over

If you receive a payment that is not a qualified distribution and you do not roll it over, you can apply a special rule to payments of employer stock (or other employer securities) that are paid in a lump sum after separation from service (or after age 59½, disability, or the participant's death). Under the special rule, the net unrealized appreciation on the stock included in the earnings in the payment will not be taxed when distributed to you from the plan and will be taxed at capital gain rates when you sell the stock. If you do a rollover to a Roth IRA for a nonqualified distribution that includes employer stock (for example, by selling the stock and rolling over the proceeds within 60 days of the distribution), you will not have any taxable income and the special rule relating to the distributed employer stock will not apply to any subsequent payments from the Roth IRA or employer plan. Net unrealized appreciation is generally the increase in the value of the employer stock after it was acquired by the plan. The plan administrator can tell you the amount of any net unrealized appreciation.

If you receive a payment that is a qualified distribution that includes employer stock and you do not roll it over, your basis in the stock (used to determine gain or loss when you later sell the stock) will equal the fair market value of the stock at the time of the payment from the plan.

If you have an outstanding loan NOT from a designated Roth account that is being offset

If you have an outstanding loan from the plan, your plan benefit may be offset by the outstanding amount of the loan, typically when your employment ends. The offset amount is treated as a distribution to you at the time of the offset.

Generally, you may roll over all or any portion of the offset amount. Any offset amount that is not rolled over will be taxed (including the 10% additional income tax on early distributions, unless an exception applies). You may roll over offset amounts to an IRA or an employer plan (if the terms of the employer plan permit the plan to receive plan loan offset rollovers) by the applicable loan offset rollover deadline.

How long you have to complete the rollover depends on what kind of plan loan offset you have. If you have a qualified plan loan offset, you will have until your tax return due date (including your extensions) for the tax year during which the offset occurs to complete your rollover. A qualified plan loan offset occurs when a plan loan in good standing is offset because your employer plan terminates or because you sever from employment. If your plan loan offset occurs for any other reason, then you have 60 days from the date the offset occurs to complete your

rollover.

If you have an outstanding loan from a designated Roth account that is being offset

If you have an outstanding loan from the plan, your plan benefit may be offset by the outstanding amount of the loan, typically when your employment ends. The offset amount is treated as a distribution to you at the time of the offset. Generally, you may roll over all or any portion of the offset amount. If the distribution attributable to the offset is not a qualified distribution and you do not roll over the offset amount, you will be taxed on any earnings included in the distribution (including the 10% additional income tax on early distributions, unless an exception applies). You may roll over the earnings included in the loan offset to a Roth IRA or designated Roth account in an employer plan (if the terms of the employer plan permit the plan to receive plan loan offset rollovers). You may also roll over the full amount of the offset to a Roth IRA.

How long you have to complete the rollover depends on what kind of plan loan offset you have. If you have a qualified plan loan offset, you will have until your tax return due date (including extensions) for the tax year during which the offset occurs to complete your rollover. A qualified loan offset occurs when a plan loan in good standing is offset because your employer plan terminates or because you sever from employment. If your plan loan offset occurs for any other reason, then you have 60 days from the date the offset occurs to complete your rollover.

If you were born on or before January 1, 1936

If you were born on or before January 1, 1936 and receive a lump sum distribution of a payment NOT from a designated Roth account that you do not roll over, special rules for calculating the amount of the tax on the payment might apply to you. If you were born on or before January 1, 1936, and receive a lump sum distribution of a payment from a designated Roth account that is not a qualified distribution and that you do not roll over, special rules for calculating the amount of the tax on the earnings in the payment might apply to you. For more information, see IRS Publication 575, Pension and Annuity Income.

If your payment is from a governmental section 457(b) plan

If the plan is a governmental section 457(b) plan, the same rules described elsewhere in this notice generally apply, allowing you to roll over the payment to an IRA or an employer plan that accepts rollovers. One difference is that, if you do not do a rollover, you will not have to pay the 10% additional income tax on early distributions from the plan even if you are under age 59½ (unless the payment is from a separate account holding rollover contributions that were made to the plan from a tax-qualified plan, a section 403(b) plan, or an IRA). However, if you do a rollover to an IRA or to an employer plan that is not a governmental section 457(b) plan, a later distribution made before age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies). Other differences include that you cannot do a rollover if the payment is due to an "unforeseeable emergency" and the special rules under "If your payment NOT from a designated Roth account includes employer stock that you do not roll over," "If your payment from a designated Roth account includes employer stock that you do not roll over" and "If you were born on or before January 1, 1936" do not apply.

If you are an eligible retired public safety officer and your payment is used to pay for health coverage or qualified long-term care insurance

If the plan is a governmental plan, you retired as a public safety officer, and your retirement was by reason of disability or was after normal retirement age, you can exclude from your taxable income plan payments NOT from a designated Roth account, as well as nonqualified distributions from a designated Roth account, paid directly as premiums to an accident or health plan (or a qualified long-term care insurance contract) that your employer maintains for you, your spouse, or your dependents, up to a maximum of \$3,000 annually. For this purpose, a public safety officer is a law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew.

If you roll over your payment NOT from a designated Roth account to a Roth IRA

If you roll over the payment to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be

taxed. However, the 10% additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within 5 years, counting from January 1 of the year of the rollover).

If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59½ (or after your death or disability, or as a qualified first-time homebuyer distribution of up to \$10,000) and after you have had a Roth IRA for at least 5 years. In applying this 5-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publications 590-A, Contributions to Individual Retirement Arrangements (IRAs) and 590-B, Distributions from Individual Retirement Arrangements (IRAs).

In general, you cannot roll over a payment from the plan that is NOT from a designated Roth account to a designated Roth account in another employer's plan. However, if the plan allows "in-plan Roth rollovers," you may be able to roll over certain payments NOT from a designated Roth account to a designated Roth account in the plan. Refer to the next section immediately below for the special rules that apply if the plan allows "in-plan Roth rollovers."

If the plan allows "in-plan Roth rollovers": Consequences if you roll over your payment NOT from a designated Roth account to a designated Roth account in the same plan

The rules explained in this section apply if the plan allows "in-plan Roth rollovers" for distributions made after September 27, 2010. An "in-plan Roth rollover" is a distribution from an individual's plan account, other than a designated Roth account, that is rolled over to the individual's designated Roth account in the same plan.

If you roll over a payment from the plan to a designated Roth account in the plan, the amount of the payment rolled over (reduced by any after-tax amounts directly rolled over) will be taxed. However, the 10% additional tax on early distributions will not apply (unless you take the amount rolled over out of the designated Roth account within the 5-year period that begins on January 1 of the year of the rollover).

If you roll over the payment to a designated Roth account in the plan, later payments from the designated Roth account that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a designated Roth account is a payment made both after you attain age 59½ (or after your death or disability) and after you have had a designated Roth account in the plan for a period of at least 5 years. In applying this 5-year rule, you count from January 1 of the year your first contribution was made to the designated Roth account. However, if you made a direct rollover to a designated Roth account in the plan from a designated Roth account in a plan of another employer, the 5-year period begins on January 1 of the year you made the first contribution to the designated Roth account in the plan or, if earlier, to the designated Roth account in the plan of the other employer. Payments from the designated Roth account that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional tax on early distributions (unless an exception applies).

If you are not a plan participant

Payments after death of the participant. If you receive a distribution after the participant's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, whether the payment from a designated Roth account is a qualified distribution generally depends on when the participant first made a contribution to the designated Roth account in the plan. Also, the 10% additional income tax on early distributions and the special rules for public safety officers do not apply, and the special rule described under the section "If you were born on or before January 1, 1936" applies only if the participant was born on or before January 1, 1936.

If you are a surviving spouse. If you receive a payment from the plan as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to a traditional or Roth IRA, you may treat

the traditional or Roth IRA as your own or as an inherited traditional or Roth IRA.

A traditional IRA you treat as your own is treated like any other traditional IRA of yours, so that payments made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your traditional IRA do not have to start until after you are age 72.

If you treat the traditional IRA as an inherited traditional IRA, payments from the traditional IRA will not be subject to the 10% additional income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited traditional IRA. If the participant had not started taking required minimum distributions from the plan, you will not have to start receiving required minimum distributions from the inherited traditional IRA until the year the participant would have been age 72.

A Roth IRA you treat as your own is treated like any other Roth IRA of yours, so that you will not have to receive any required minimum distributions during your lifetime and earnings paid to you in a nonqualified distribution before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies).

If you treat the Roth IRA as an inherited Roth IRA, payments from the Roth IRA will not be subject to the 10% additional income tax on early distributions. An inherited Roth IRA is subject to required minimum distributions. If the participant had started taking required minimum distributions from the plan, you will have to receive required minimum distributions from the inherited Roth IRA. If the participant had not started taking required minimum distributions, you will not have to start receiving required minimum distributions from the inherited Roth IRA until the year the participant would have been age 72.

If you are a surviving beneficiary other than a spouse. If you receive a plan payment because of the participant's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to do a direct rollover to an inherited traditional or Roth IRA. Payments from the inherited traditional or Roth IRA will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited traditional or Roth IRA.

Payments under a qualified domestic relations order. If you are the spouse or former spouse of the participant who receives a plan payment under a qualified domestic relations order (QDRO), you generally have the same options and the same tax treatment that the participant would have (for example, you may roll over the payment as described in this notice). However, payments under the QDRO will not be subject to the 10% additional income tax on early distributions.

If you are a nonresident alien

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the plan is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

Other special rules

If a payment is one in a series of payments for less than 10 years, your choice whether to make a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments).

If your payments NOT from a designated Roth account for the year are less than \$200, the plan is not required to allow you to do a direct rollover of such payments and is not required to withhold for federal income taxes. Likewise, if your payments from a designated Roth account for the year are less than \$200, the plan is not required to allow you to do a direct rollover of such payments and is not required to withhold federal income taxes. However, you may do a 60-day rollover.

A mandatory cashout is a payment from a plan to a participant made before age 62 (or normal retirement age, if later) and without consent, where the participant's benefit does not exceed \$5,000 (determined, if elected by the plan administrator, by not including any amounts held under the plan as a result of a prior rollover

made to the plan). In some plans, unless you elect otherwise, a mandatory cashout of more than \$1,000 (determined separately for payments NOT from a designated Roth account and payments from a designated Roth account) may be directly rolled over to a traditional or Roth IRA as appropriate that is chosen by the plan administrator or the payor.

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information on special rollover rights related to the U.S. Armed Forces, see IRS Publication 3, Armed Forces' Tax Guide. You also may have special rollover rights if you were affected by a federally declared disaster (or similar event), or if you received a distribution on account of a disaster. For more information on special rollover rights related to disaster relief, see the IRS website at www.irs.gov.

FOR MORE INFORMATION

You may wish to consult with the plan administrator or payor, or a professional tax advisor, before taking a payment from the plan. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, Pension and Annuity Income; IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs); IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs); and IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans). These publications are available from a local IRS office, on the web at www.irs.gov, or by calling 1-800-TAX-FORM.