Performance Incentive 457(f) Plan

PLAN DISTRIBUTIONS

These instructions have been prepared to assist with the administration of your co-op's Performance Incentive 457(f) Plan.

As with any other plan, prospective participants should be encouraged to consult an attorney or personal tax advisor before taking any other action with respect to their participation in a nonqualified deferred compensation plan.

The information set forth in this sample plan document does not constitute legal advice. Prospective participants should consult an attorney or personal tax advisor to develop a tax strategy before electing their form of payment or taking any other action with respect to their participation in a nonqualified deferred compensation plan.

Retain the original, signed copies of each participant's payment election form(s) in the co-op's records, as the U.S. Department of Labor may request copies.

If you have any questions, please contact the Homestead Advisers Deferred Compensation team at deferredcomp@homesteadadvisers.com.

Performance Incentive 457(f) Plan for Employees

PLAN DISTRIBUTIONS:

Timing and Form of Distributions

Benefits under the Performance Incentive 457(f) Plan are payable to participants under the following circumstances:

- When the participant has satisfied the performance criteria within the specified time frame and has reached the vesting date
- Upon the participant's death, to the designated beneficiary

Distributions may be paid out in one of two ways:

- A single-sum cash payment
- An in-kind transfer

Initiating a Distribution

Once the participant has satisfied the performance goals within the specified time frame and reaches the vesting date specified on the Addendum to the Performance Incentive 457(f) Plan Document, the benefit must be paid and taxed no later than 2½ months following the last date of the calendar year in which the substantial risk of forfeiture lapses. To initiate a distribution from assets that have been set aside at Homestead Funds, the co-op's "authorized representative" will:

- To initiate a distribution from assets that have been set aside at Homestead Funds, the co-op's "authorized representative" will contact Homestead Funds at invest@homesteadfunds.com and request a redemption form, then complete and submit this form to Homestead.

- The distribution amount will be sent to the co-op. The co-op will then issue a check for the distribution to the participant (or beneficiary) or the co-op will contact Homestead Funds at invest@homesteadfunds.com for instructions to transfer ownership of the account assets from the co-op to the participant if the in-kind transfer option is chosen. Please note: An in-kind transfer is a taxable transaction. The participant should contact his or her tax advisor before taking action.

Tax Treatment of Distributions

In order to comply with federal regulations, the distribution must be taxed in the year the participant achieves his or her performance criteria and be paid no later than 2½ months after the last date of the calendar year. The distribution is taxable as income to the participant in the year the substantial risk of forfeiture lapses, whether or not the benefit is paid to the participant.

At the time of distribution, the value of the compensation and any earnings are considered taxable income, and tax withholding applies. The payment to the participant is treated like a payroll check (i.e., apply any income tax withholding requested by the participant). The amount of the distribution is still reported on Form W-2.

For Federal Insurance Contributions Act (FICA) and Federal Unemployment Taxes Act (FUTA) tax purposes, nonqualified deferred compensation payments are taxed as income at the earlier of when the amounts are paid or when they vest. Because benefits under the plan are subject to vesting, FICA/FUTA taxation applies at that time to the value of the entire benefit.

(continued)

Plan participants should consider working with their tax advisor prior to receiving a distribution. Participants may not roll over distributions to an Individual Retirement Account (IRA), 401(k) plan or other tax-deferred account.

Important Points to Consider

- *Risk of Benefit Forfeiture by Participant:* Benefits under this plan are subject to a substantial risk of forfeiture and shall be forfeited in their entirety if the participant's employment is terminated prior to reaching the employment goal or if the participant fails to achieve the performance goals set forth in the plan.
- *Unfunded Plans:* As a nonqualified deferred compensation plan, the Performance Incentive 457(f) Plan must be unfunded, remain an asset of the co-op until paid and be subject to the demands of general creditors in the event of insolvency of the business in order to avoid the imposition of the Employee Retirement Income Security Act of 1974 (ERISA) requirements. Plan participants are considered unsecured general creditors of the co-op.

  The co-op contractually promises to pay the plan benefit to participants at a later date, such as when the participant has satisfied the performance criteria specified in the plan, or to the plan participant's beneficiaries upon death. Prospective plan participants should seek guidance from their personal financial or tax advisor before electing to participate.

Contacts

If you have any questions, please contact the Deferred Compensation Program team at deferredcomp@homesteadadvisers.com.