


Top Hat Plan for Taxable Employers

SAMPLE PAYMENT ELECTION FORM

The sample payment election form has been prepared to assist with your administration of your co-op's Top Hat Plan. Participants should use this form to elect the time and form of distributions when they enroll in the plan. If no election is made, the benefit shall be paid as a single-sum, cash payment upon the participant's separation from service or other qualifying event.


 This election form is *not* a notification to begin distributions. Rather, it must be completed (to the best of the participant's ability) when the participant begins participating in the plan to choose the time and form of *future* payment distribution(s).


IMPORTANT: Since Top Hat Plans are subject to regulations under Internal Revenue Code (IRC) section 409A, participants should be advised that any subsequent changes to their initial time or form of payment election are allowed only if:

- 1) The participant is still employed by the co-op and the subsequent election is made in writing and takes effect 12 months or later from the date the election is submitted.
- 2) The first payment requested in a subsequent election must be delayed at least five years from the date of the originally scheduled payment.
- 3) For payments to be made at a specific time or pursuant to a fixed schedule, the change is made at least 12 months before the participant is scheduled to receive the first payment.

IMPORTANT: Making **any** change to the time or form of payment will delay payment for **at least five years** from the date on which the payment otherwise would have been made under the initial election.

The information set forth in this election form 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 copy of the payment election form 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.

IMPORTANT: Homestead Advisers offers nonqualified deferred compensation plans as an additional service to members for their employees and directors and provides certain administrative support services; however, Homestead Advisers does not sponsor or act as the plan administrator of these plans, assume liability for their operation, or provide legal or tax advice in conjunction with the plans. Co-ops and participants are responsible for any tax or legal consequences associated with their adoption, operation or participation in nonqualified deferred compensation plans.

SAMPLE: Top Hat Plan Payment Election Form

The Top Hat Plan allows you to elect the time and form of payments of your benefits under the plan. Distributions will be paid to you in the future according to your payment elections and plan provisions. You should consult an attorney or personal tax advisor to develop a tax strategy before electing your form of payment.

You must complete this payment election form as part of your initial enrollment in the plan. In the event no election is made, the benefit shall be paid to you as a single-sum, cash payment within 60 days following your separation from service with the co-op or other qualifying event. [NOTE TO PLAN ADMINISTRATOR: Please confirm default distribution period with your plan document.]

Select the time of payment (*please choose one option*):

- Payment is to begin in the month of _____ in **the year I retire** or terminate employment.
or
- Payment is to begin in the month of _____ in **the year after I retire** or terminate employment.
or
- Payment is to begin in the month of _____ in the year _____.

[NOTE TO PLAN ADMINISTRATOR: Please confirm that the following forms of payment are consistent with your plan document.]

Select the form of payment (*please choose one option*):

- 1. Single-sum, cash payment
or
- 2. A series of installments:*
 - Annual installments (specify the number of installments) _____
 - Quarterly installments (specify the number of installments) _____
 - Monthly installments (specify the number of installments) _____*or*
- 3. Single-sum, cash payment plus a series of installments:*
 - A. Indicate amount of single cash payment \$_____
 - and*
 - Annual installments (specify the number of installments) _____
 - Quarterly installments (specify the number of installments) _____
 - Monthly installments (specify the number of installments) _____*or*
- 4. Transfer in-kind: Transfer of ownership of the plan Homestead Funds account established for my benefit from the co-op to me. This transfer will be taxed as a single-sum, cash distribution.

**Installments will be calculated as the reciprocal fraction of the number of remaining installments times the remaining Homestead Funds account balance until all amounts are paid.*

(continued)

IMPORTANT: Since the Top Hat Plans are subject to regulations under Internal Revenue Code (IRC) section 409A, participants should be advised that any subsequent changes to their initial time or form of payment election are allowed only if:

- 1) The participant is still employed by the co-op and the subsequent election is made in writing and takes effect 12 months or later from the date the election is submitted.
- 2) The first payment requested in a subsequent election must be delayed at least five years from the date of the originally scheduled payment.
- 3) For payments to be made at a specific time or pursuant to a fixed schedule, the change is made at least 12 months before the participant is scheduled to receive the first payment.

IMPORTANT: Making *any* change to the time or form of payment will delay payment for *at least five years* from the date on which the payment otherwise would have been made under the initial election.

I have read this form and I have chosen to have my benefit paid to me in the manner elected on this form. I understand that for all methods of payment, my election is irrevocable and no change to the elections may be made once payments have begun.

Participant's Name (Please Print)

Date

Participant's Signature

Participant's Social Security Number