

STATE INCOME TAX WITHHOLDING FOR DLJSC RETIREMENT PLANS

The following procedures address state income tax withholding for your clients with retirement accounts in which Donaldson, Lufkin & Jenrette Securities Corporation (DLJSC) serves as the Custodian or servicing agent.

Effective immediately, your clients need to use the following new forms, which include state income tax withholding information, for the accounts that DLJSC serves as the Custodian:

| Name of Form | Code |
|---|-----------------------|
| IRA Distribution Request Form | IRA-100DR (Rev. 2/01) |
| QRP Distribution Request Form | QRP-102 (Rev. 2/01) |
| Roth Conversion/Recharacterization Request Form | ROTH-RECH (Rev. 2/01) |

Since every state does not require state income tax withholding, and the process of withholding varies among those states that do, clients should review the Federal and State Income Tax Withholding Instructions (see Exhibit 1). Your clients will find these instructions within the IRA Distribution Request Form. Request forms that are not properly completed will result in delayed processing.

NOTE: The Roth Conversion/Recharacterization Request Form and the QRP Distribution Request Form, which are available from Pershing, include similar federal and state tax withholding instructions.

TAX WITHHOLDING CALCULATIONS ON DISTRIBUTIONS

The following formula can be used to calculate the net or gross amount of a distribution. Refer to Exhibit 1, Federal and State Income Tax Withholding Instructions, when making these calculations.

NOTE: The following are examples only. Actual calculations will vary depending upon the client's state of residence and withholding elections.

Use this formula to calculate the net amount:

$$\text{Net Distribution} = \text{Gross Distribution} - \text{Tax}$$

EXAMPLE 1 – A resident of Massachusetts requests a distribution of \$20,000.00. With 10% federal tax withholding and 5.85% state tax withholding, the account would receive a net payment of \$16,830.00. The following calculation illustrates this example:

| | |
|--------------------------|-------------------|
| Gross Distribution | \$20,000.00 |
| Less: Federal Tax at 10% | -\$2,000.00 |
| Less: State Tax at 5.85% | -\$1,170.00 |
| <hr/> Net Distribution | <hr/> \$16,830.00 |

Use this formula to calculate the gross amount:

$$\text{Gross Distribution} = \frac{\text{Net Amount}}{1 - \text{Total Tax Rate}}$$

EXAMPLE 2 – A resident of North Carolina wishes to receive a net distribution of \$20,000.00. After 10% federal tax withholding and the requested 4% state tax withholding, the account would request a distribution of \$23,255.81. The following calculation illustrates this example:

Federal Tax Rate = 10%; State Tax Rate = 4%; and Total Tax Rate = 14%

| | | |
|--------------------|---|-------------------------------|
| Gross Distribution | = | $\frac{\$20,000.00}{1 - .14}$ |
| Gross Distribution | = | $\frac{\$20,000.00}{0.86}$ |
| Gross Distribution | = | \$23,255.81 |

Exhibit 1

TRADITIONAL IRA, SEP, SIMPLE, AND ROTH IRA FEDERAL AND STATE INCOME TAX WITHHOLDING INSTRUCTIONS

In most cases, federal and state income tax law requires that we withhold tax from your distribution. By completing Section 3.D of your Distribution Request and following the chart below, you may elect in some cases not to have tax withheld, or you can tell us how much to withhold. However, if you do not make an election, we will automatically withhold as follows:

FEDERAL: 10 percent of your gross distribution.

STATE: Based on your residency as outlined below.

| IF YOUR STATE OF RESIDENCE IS: | STATE INCOME TAX WITHHOLDING REQUIREMENTS AND ELECTIONS |
|---|--|
| AK, AR, AZ, FL, HI, IL, MD, MI, NH, NV, NY, SD, TN, TX, WA, WY | <p>STATE INCOME TAX WITHHOLDING IS NOT REQUIRED</p> <p>State income tax withholding is not required for residents of these states. We will not withhold state income tax from your distribution if you reside in these states.</p> |
| AL, CO, CT, DC, GA, ID, IN, KS, KY, MN, MO, MS, MT, NE, NJ, ND, NM, OH, PA, RI, SC, UT, VA, WV, WI | <p>VOLUNTARY STATE INCOME TAX WITHHOLDING</p> <p>We will withhold state income tax only if you instruct us to do so. If you want state income taxes to be withheld, you must indicate the amount or percentage.</p> <p>NOTE: We require tax withholding amounts to be requested in whole dollars for the following states: Colorado, Connecticut, Missouri, and New Jersey. Amounts must be stated in whole dollars.</p> |
| DE, IA, MA, ME, OK | <p>MANDATORY STATE INCOME TAX WITHHOLDING WHEN FEDERAL INCOME TAX IS WITHHELD</p> <p>We will withhold state income tax according to the rates below when federal income tax is withheld from your distribution:</p> <p>DELAWARE, IOWA, MAINE, AND OKLAHOMA5.00% OF GROSS DISTRIBUTION MASSACHUSETTS5.85% OF GROSS DISTRIBUTION</p> <p><u>If you have elected out of federal income tax withholding, but request state income tax withholding, the following rules apply:</u></p> <p>DELAWARE, MAINE, AND MASSACHUSETTSSPECIFY A DOLLAR AMOUNT OR A PERCENTAGE IOWA AND OKLAHOMA5.00% OR MORE OF GROSS DISTRIBUTION</p> |
| CA, LA, NC, OR, VT | <p>MANDATORY STATE INCOME TAX WITHHOLDING WHEN FEDERAL INCOME TAX IS WITHHELD</p> <p>We will withhold state income tax according to the rates below whenever federal income tax is withheld from your distribution, unless you indicate otherwise:</p> <p>CALIFORNIA10.00% OF FEDERAL INCOME TAX WITHHELD LOUISIANA3.00% OF GROSS DISTRIBUTION NORTH CAROLINA4.00% OF GROSS DISTRIBUTION OREGON8.00% OF GROSS DISTRIBUTION VERMONT24.00% OF FEDERAL INCOME TAX WITHHELD</p> <p><u>If you want state income tax withholding at a different rate (or no state income tax withholding), these are your choices:</u></p> <p>To indicate that you do not want state income tax withheld: check the box Do not withhold state income tax in section 3.D.2 of this form; or specify a dollar amount or a percentage to indicate your state income tax withholding election.</p> |

Rates are subject to change without notice. Keep this page for your records.

STATE ABBREVIATIONS

Use the following list to assist you in identifying a state when an abbreviation is given, or vice versa.

| STATE | ABBREVIATION | STATE | ABBREVIATION |
|----------------------|--------------|----------------|--------------|
| ALABAMA | AL | MONTANA | MT |
| ALASKA | AK | NEBRASKA | NE |
| ARIZONA | AZ | NEVADA | NV |
| ARKANSAS | AR | NEW HAMPSHIRE | NH |
| CALIFORNIA | CA | NEW JERSEY | NJ |
| COLORADO | CO | NEW MEXICO | NM |
| CONNECTICUT | CT | NEW YORK | NY |
| DELAWARE | DE | NORTH CAROLINA | NC |
| DISTRICT OF COLUMBIA | DC | NORTH DAKOTA | ND |
| FLORIDA | FL | OHIO | OH |
| GEORGIA | GA | OKLAHOMA | OK |
| HAWAII | HI | OREGON | OR |
| IDAHO | ID | PENNSYLVANIA | PA |
| ILLINOIS | IL | RHODE ISLAND | RI |
| INDIANA | IN | SOUTH CAROLINA | SC |
| IOWA | IA | SOUTH DAKOTA | SD |
| KANSAS | KS | TENNESSEE | TN |
| KENTUCKY | KY | TEXAS | TX |
| LOUISIANA | LA | UTAH | UT |
| MAINE | ME | VERMONT | VT |
| MARYLAND | MD | VIRGINIA | VA |
| MASSACHUSETTS | MA | WASHINGTON | WA |
| MICHIGAN | MI | WEST VIRGINIA | WV |
| MINNESOTA | MN | WISCONSIN | WI |
| MISSISSIPPI | MS | WYOMING | WY |
| MISSOURI | MO | | |

ADDITIONAL INFORMATION

If you have any questions or require additional information regarding distribution and Roth conversion requests involving state income tax withholding, contact Pershing's Retirement Plans Department. Use administrative wires to change standing instructions or address inquiries for existing clients only. Present all other inquiries to your Customer Service Team.

Address:
Pershing
Retirement Plans Department
Box 2060
Jersey City, New Jersey 07399

Fax Number:
(201) 413-5267

Administrative Wire:
IRA # (DIST – Distributions)
IRA # (JRNL – Roth Conversion)

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