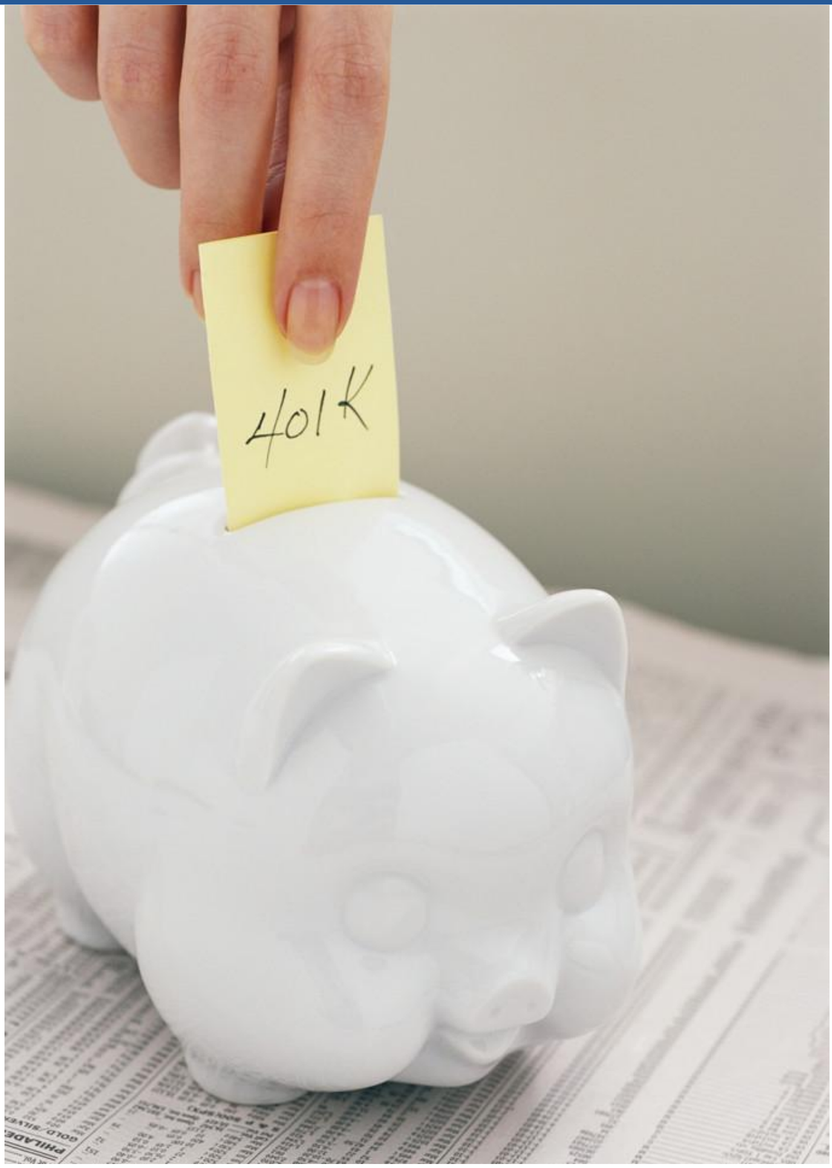
401(k) NAF Benefit Enhancement Program



SUMMARY PLAN DESCRIPTION
February 2012

For Regular Marine Corps
Nonappropriated Funds Employees

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INTRODUCTION

The Marine Corps Nonappropriated Fund (MC NAF) 401(k) plan is offered to eligible Marine Corps NAF employees. This is a qualified defined contribution plan. Participation is voluntary.

The Plan was adopted by the Marine Corps effective 1 June 1993.

The Plan is known as a "cash or deferred arrangement or 401(k) plan," which refers to the applicable governing section of the U.S. Internal Revenue Tax Code. The Plan was established to help Employees save for retirement and other needs on a tax favored basis. The 401(k) Plan is separate and distinct from the Marine Corps retirement plan (defined benefit plan), and is designed to be part of a three-tiered retirement program, which also includes Social Security benefits.

You choose how your contributions are to be invested. Your contributions to the Plan are held in trust in an account in your name referred to as a Plan Account. The value of your Plan Account will be available to you when you retire, or your earlier separation from employment.

There is a formal Plan Document that contains all of the terms and conditions of the Plan. This Summary Plan Description (SPD) summarizes the major provisions of the Plan. The SPD does not provide any benefits or rights that are not contained in the formal Plan document, which is the ultimate cognizant reference for administration of the Plan.

The Plan is one of the benefits MCCS provides to its employees. Neither the Plan nor this booklet give you rights to continued employment or otherwise affect your employment status.

All regular employees are urged to plan for their future by joining the 401(k) Plan in addition to the group retirement plan when they are eligible.

When you invest in the MCCS 401(k) plan, pretax contributions are deducted from your paycheck before current income taxes are taken out. As a result, your reported taxable income will be lower, reducing the amount withheld from your paycheck.

One of the most powerful benefits of investing through the MCCS 401(k) Plan is tax deferral. You pay no federal income taxes on your pretax contributions, or on any investment earnings until you withdraw them (when they will be taxed at your applicable income tax rate).

Past performance of investment options is not indicative of future returns. It is recommended that Plan participants review investment options and prospectuses closely and determine their risk tolerance before making investment decisions.

Account information can be obtained by accessing the Fidelity Retirement Services toll-free automated voice response unit **800-890-4015**, or Fidelity's website at **www.401k.com**. This website has several interactive retirement planning tools for beginning to long-term investors. Each employee is encouraged to visit this site to learn important information about saving for retirement. Customer service representatives are available until 8:00 p.m. in all CONUS time zones. Participation in the 401(k) plan is not a guarantee of continued employment.

- In Japan contact Fidelity at 00-539-111-877-833-9900
- Para solicitar esta información en Español, sirvase communicación con Fidelity llamando 1-800-587-5282

FUTURE OF THE PLAN

Headquarters, U.S. Marine Corps (MR) administers the Marine Corps NAF 401(k) plan and intends to continue this plan indefinitely, but retains the right to make plan changes and terminations. Participants will be notified of any changes in advance when practicable.

ENROLLMENT

Who can join the plan?

You can join the Plan if you are:

- A **regular** full-time or **regular** part-time NAF employee who is regularly scheduled for twenty (20) or more hours per week:
- At least 18 years of age;
- A U.S. citizen
- Effective 7/21/2009, Non- U.S. citizen employees that meet the following criteria are also eligible to participate in the plan regardless if they are in a CONUS or OCONUS location:
    - Employed on the U.S. Payroll, have a Social Security Number or Individual Tax Identification Number (TIN) and are subject to U.S. Income Tax; and
    - Not subject to a Status of Forces Agreement Provision that precludes eligibility

Who cannot join the plan?

You cannot join the Plan if you are:

- A flexible employee
- Under the age of 18
- An employee that does not meet any of the above eligibility criteria

When can I join?

You may join the Plan on date of hire provided you are eligible to participate in the plan, or during the bi-weekly pay period in which you meet the eligibility requirements. If you fail to join when you first become eligible, you may join during any future bi-weekly pay period, provided you still meet the eligibility requirements. **Retroactive enrollments are prohibited**.

Former participants in the Plan who are rehired may re-join the Plan on the date of rehire. Employees who are rehired but who did not meet the eligibility requirements may join the plan during any future bi-weekly pay period provided they meet the eligibility requirements.

Participants transferring from one MCCS location to another may enroll at the gaining MCCS location on the date of transfer provided they are still eligible. Employees transferring from another NAF Service component may begin participation on the date of hire, provided they are still eligible.

If you convert from a flexible status position to a regular part time or regular full time position, you are eligible to participate in the plan on the effective date of your employment status change.

How do I enroll?

Once you are hired (or have an employment category change) as a regular employee, and meet all the criteria to be enrolled in benefits, your information will be keyed into the personnel/payroll system. That information is sent electronically to Fidelity Retirement Services.

At that time, Fidelity will send you an enrollment kit providing you all the information you will need to enroll. You will contact Fidelity directly at their toll free number or via the Internet to enroll. (See information on pg. 1)

If you enroll online, Fidelity will send you a deferral confirmation email. If no email address has been provided, Fidelity will send you a notification in the mail outlining your deferral election. Please review this confirmation and save for future reference.

If you are a new employee to MCCS, and do not wish to wait for the enrollment kit to be mailed to you by Fidelity Investments, you can complete a "Quick Enrollment" form and beneficiary designation form at your local HR Office. You can only use a Quick Enrollment form within the same pay period of your hire date. Please see your local HR office to enroll. **Please note, however, if you do not complete your beneficiary designation you must contact Fidelity Investments to designate your beneficiary. You can elect a Beneficiary online at www.401k.com, or contact your local HR office for a Beneficiary Designation Form.**

- OR -

Once you become eligible, enrollment is easy by contacting Fidelity. You must indicate the percentage of earnings you wish to contribute and your choice of investment options. **Failure to elect an investment option will result in all deferrals invested in the Fidelity Freedom Fund that corresponds with your "anticipated" date of retirement (based on your date of birth).**

It is your responsibility to ensure deductions are being taken from your pay if you enroll in the 401(k) plan. **Retro deductions are not allowed**. Please contact your local HR office with any discrepancies.

ELECTING/CHANGING BENEFICIARY (IES)

When you have enrolled, you will also need to name a beneficiary (ies). The beneficiaries designated for your Pension Plan or Life Insurance plan do not apply to the 401(k) plan. Designations of Beneficiaries are done directly with Fidelity.

If you do not have access to the Internet, please call the Fidelity Retirement Benefits Line at 1-800-890-4015 from the U.S., or 00-539-111-877-833-9900 from Japan to request a beneficiary form.

If you are married, you are required to name your spouse as your sole beneficiary. *If you designate someone other than your spouse, written spousal consent must be obtained and notarized.* This plan policy is in compliance with IRS regulations.

Important: Please note that if you do not elect a beneficiary, the beneficiary will default to your plan document guidelines & federal regulations, which state your account balance would go to your spouse and if a spouse does not exist, then your estate.

HOW MUCH CAN I SAVE?

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), made sweeping changes in all defined contribution plans. Effective 1 January 2008, you may contribute, on a pre-tax basis, between 1 and 100* percent of covered earnings into the Plan. For purposes of this Plan, covered earnings include all compensation except tips, and cost of living differentials and severance pay. All contributions are withheld from your salary by payroll deduction. If you elect to have 100% contributed towards 401(k), and are enrolled in other benefits, please ensure to calculate how much money you will need to pay the other benefits in which you are enrolled. You can use the 401(k) calculator at www.401k.com. It is the employee's responsibility to ensure that they will have enough earnings to cover the premiums for all benefits enrolled in, in addition to their contributions towards 401(k) without going into arrears.

Federal law limits the amount of contributions you make into a 401(k) Plan each year. You will be able to defer a maximum of $17,000 into your Plan for 2012. The Economic Growth and Tax Relief Reconciliation Act of 2001 provisions also allow for "age 50 catch up" contributions*, whereby employees aged 50 and up can defer an additional $5,500 into the Plan on a pre-tax basis (for 2012), provided they have already contributed the current year maximum deferral.

Deferral maximums may change annually as defined by the IRS. See your local Personnel Office for the most up-to-date maximum deferral information. All employees that attain age 50 in the plan year will be eligible for the catch up contribution opportunity. If you attain age 50 in a calendar year, or if you are already at least age 50 you will be automatically placed into the payroll system that allows the additional catch up contribution. No paperwork is necessary. Lump sum catch up contributions cannot be sent to Fidelity. All contributions must be pre-tax by payroll deductions.

Some states may not conform to the provisions of EGTRRA. To ensure that you are subject to state tax implications as a result of your state's non-conformance to EGTRRA, contact your tax advisor.

If your contributions reach the IRS annual maximum amount, deductions will automatically stop and start again at the beginning of the next year. The maximum amount permitted changes each year. It is imperative that you monitor your annual deferral to ensure you don't exceed the maximum allowable amount. If your deferral stops as a result of reaching the IRS maximum, ***you will also lose your future employer contribution match for the remainder of the year.*** NAF 401(k) plans are not currently required to perform discrimination testing due to classification as a governmental plan.

The IRS allowable maximum deferral considers the aggregate of all applicable tax plans you may be enrolled in, therefore, it is imperative that you monitor your annual deferral from all plans.

There are tools available on the MCCS webpage for you to use to determine how much you can defer per year that allows you to get close to the scheduled IRS maximum. Visit http://www.usmc-mccs.org/employ/benefits and use the "401(k) Deferral Calculator." There are two calculators available: one for employees age 50+, and one for employees age 18 to 49.

Fidelity Investments also has a "Deferral Calculator" online to assist you in calculating your annual contributions to the 401(k) plan. Please log on to www.401k.com.

In compliance with IRS guidelines, additional money from payroll cannot be deducted at the end of the year in order for you to reach your maximum limit.

EMPLOYER MATCH

Your employer matches your contributions up to 4 percent of your covered gross earnings. The formula for employer match is shown below. In addition to the 4% employer match, your employer will contribute a one percent "incentive" contribution to your 401(k) account if you are actively participating in both the retirement (defined benefit) and 401(k) plans.

EMPLOYEE DEFERRAL	EMPLOYER MATCH
If actively enrolled in 401(k) & Retirement Plans:	1% incentive employer contribution ***plus***:
1 percent of gross pay	1 percent of gross pay
2 percent of gross pay	2 percent of gross pay
3 percent of gross pay	3 percent of gross pay
4 percent of gross pay	3.5 percent of gross pay
5+ percent of gross pay	4 percent of gross pay

The maximum possible employer contribution is 5 percent, if you are actively participating in both the 401(k) and retirement plans.

VESTING

You are 100 percent vested in the current value of your 401(k) contributions from the day you begin contributing to the Plan. This means that you always own these assets.

The vesting period for the employer match is one year from date of active enrollment.

This means that you will own the employer match on your account after you have been actively enrolled in the Plan for one year.

If you terminate employment before your vesting period is satisfied, the employer match will remain with the Plan. If you are re-employed prior to five (5) one year breaks in service, your employer match may be reinstated to your account regardless of employment status (e.g., flexible or regular).

If you terminate employment and withdraw your funds from the plan and are subsequently re-hired, your vesting service from your prior participation will not be considered unless all of your non-taxed funds are rolled back into the plan. You will have one year from the date of re-hire to affect the roll over.

CHANGING YOUR CONTRIBUTIONS

You may change the amount you contribute to the plan anytime. To stop or change your contributions, contact Fidelity via the Internet, at www.401k.com or the automated Voice Response Unit (VRU) at 800-890-4015. From Japan call 00-539-111-877-833-9900. If you select to stop contributing, you may start contributions again at the start of any future pay period, provided you are still eligible.

Para solicitar esta información en Español, sirvase communicación con Fidelity llamando 1-800-587-5282.

Your changes will be effective within the pay period that you have made your changes. Fidelity will send you a confirmation. Please keep for future reference.

Automatic Annual Increase Program:

You can elect to automatically increase your retirement savings plan contributions each year through the Annual Increase Program by contacting Fidelity directly.   There is no fee involved to use this program and you can cancel at any time without penalties. You determine the date your deferral increase will go into effect.

REDEMPTION FEES

Short-Term Redemption Fee Guidelines

Certain Fidelity mutual funds impose a short-term redemption fee when shares of the fund are sold prior to the expiration of a specified holding period. This fee is paid to the fund and is calculated on a percentage basis based on the value of the shares being redeemed. The holding period and fee percentage differ depending on the fund. This information is outlined in the mutual fund's prospectus.

Mutual fund companies charge redemption fees on certain short-term transactions.

A "redemption fee" is a fee that is assessed to (subtracted from) the proceeds of a sale of shares of a fund, such as when you transfer money from one fund to another. It is generally applied as a percentage of the transaction (for example two percent) and is imposed if the shares of the fund have not been held for a minimum period of time, as defined by fund(s).

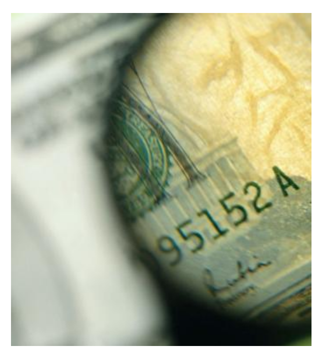
Fidelity Retirement Services administers redemption fees using the following method:

- Redemption fees will apply to fund-to-fund transfers only.
- Fees will be applied to shares that are held less than the specified time period required by the fund company.
- Fees will be calculated based on the market value at the time of sale using the "first-in, first-out" (FIFO) method to age the shares transferred. In other words, the oldest shares acquired by a participant through a participant directed transfer into a fund would be the first ones sold in any participant directed transfer out of a fund.
- At this time, the majority of fund companies have indicated that holding periods will be counted in calendar days.
- Redemption Fee Processing. In order to process a short-term redemption fee, shares of mutual funds that carry such a fee must be tracked, or aged, beginning at the time of purchase. Then, at the time of sale, shares must be reviewed to determine if they are subject to a redemption fee.

You are encouraged to refer to individual plan prospectuses for the mutual funds in your plan's line up for fund specific information. Questions pertaining to redemption fees should be addressed to Customer Service at Fidelity.

SUMMARY OF PLAN FEES

There are fees associated with the administration of your 401(k) account.
The current fee schedule is:



- $0.00 quarterly account administrative fee
- $15 annual fee per loan acct ($3.75 per quarter = $15)
- $35 loan processing fee
- $25 Minimum Required Distribution (MRD) per withdrawal
- $20 In-Service withdrawals
- $15 - $25 UPS—3 business days for delivery of check (Express Delivery). No fee for checks sent via regular USPS mail.

The fees are subject to change. Any changes to the fees will be posted on the MCCS Benefits webpage at http://www.usmc-mccs.org/employ/benefits. All MCCS Personnel offices will also be notified of the changes, and encouraged to disseminate the information to their participating employees. Every attempt will be made to announce fee changes in advance.

Participants are subject to fees in place at the time of the action as fees are subject to change.

QUALIFIED DOMESTIC RELATIONS ORDERS (QDROs)

The Marine Corps NAF 401(k) Plan provides that participants' interest under that Plan is subject to assignment under a Qualified Domestic Relations Order (QDRO). If you are subject to a QDRO, please notify your Personnel Office as soon as possible.

WHAT IS A QUALIFIED DOMESTIC RELATIONS ORDER?

A "qualified domestic relations order" (QDRO) is a domestic relations order that creates or recognizes the existence of an alternate payee's (former spouse's) right to receive, or assigns to an alternate payee the right to receive, all or a portion of the benefits payable with respect to a participant under a retirement plan (and/or 401(k) plan), and that includes certain information and meets certain other requirements. A QDRO can be part of a divorce decree property settlement agreement, or it can be a separate order. Prior to finalizing a draft QDRO should be submitted to Headquarters (MRG) for review to ensure it meets all the criteria of the Plan(s).

INVESTMENT OPTIONS

You may choose to invest your contributions in any number of the investment funds offered. It is important that you diversify your plan account, based on your risk tolerance. The percentage you invest may be different, but they must be in increments of 1 percent, and add up to a total of 100 percent.

The current investment options available are:

- Fidelity Capital Appreciation Fund
- Spartan® U.S. Equity Index Fund Institutional Class
- LSV Value Equity Fund
- Morgan Stanley Institutional Fund Trust Mid Cap Growth 1 Class P Shares [1]
- Neuberger Berman Genesis Fund Trust Class
- Schroder U.S. Opportunities Fund Investor Class
- Northern Small Cap Value Fund
- Fidelity International Discovery Fund [2]
- PIMCO Total Return Fund Administrative Class
- Managed Income Portfolio II Class [3]
- Fidelity Small Cap Discovery Fund
- Vanguard Total Bond Indx Signal
- Vanguard Total International Stock Indx Signal
- Fidelity Freedom Funds
  - Fidelity Freedom Income Fund
  - Fidelity Freedom Fund 2000
  - Fidelity Freedom Fund 2005
  - Fidelity Freedom Fund 2010
  - Fidelity Freedom Fund 2015
  - Fidelity Freedom Fund 2020
  - Fidelity Freedom Fund 2025
  - Fidelity Freedom Fund 2030
  - Fidelity Freedom Fund 2035
  - Fidelity Freedom Fund 2040
  - Fidelity Freedom Fund 2045
  - Fidelity Freedom Fund 2050
- Fidelity Small Cap Discovery Fund[4]

[1] This fund charges a short-term trading fee of 2.00% for assets held 7 days or less.
[2] This fund charges a short-term trading fee of 1% on shares held less than 30 days.
[3] This fund charges a short-term trading fee of 2% on shares held less than 7 days.

For up-to-date performance information, go to www.401k.com

There is, of course, some risk inherent in any investment. Your tolerance for investment risk will play a large part in determining which investments are best for you. The investment funds offered range from the more conservative to the more aggressive type funds. Aggressive funds offer the opportunity of a greater return but are historically more risky. <u>You should carefully review the information provided regarding each fund when making your election</u>. Your Personnel Office will not be able to give investment advice. They can supply you with information you will need to make this decision. Please ensure that you review all fund prospectuses closely prior to making investment decisions. There are also investment tools available on the Fidelity website.

CONSERVATIVE				**AGGRESSIVE**	
Categories to the left have potentially more inflation risk and less investment risk		Categories to the right have potentially less inflation risk and more investment risk			
Bonds		**Stocks**			
Managed Income	**Bonds**	**Domestic Equities**			**International/ Global Equities**
		Large Value	**Large Blend**	**Large Growth**	
Managed Income Portfolio II Class 1	PIMCO Total Return Fund Administrative Class	LSV Value Equity Fund	Spartan®500 Index Fund Inst Class	Fidelity Capital Appreciation Fund	Fidelity International Discovery Fund
		Small Value	**Small Blend**	**Mid Growth**	
	Vanguard Total Bond Index Signal	Northern Small Cap Value Fund	Neuberger Berman Genesis Fund Trust Class	Morgan Stanley Institutional Mid Cap Growth I	Vanguard Total Int'l Stock Index Signal
				Small Growth	
			Fidelity Small Cap Discovery Fund	Schroder U.S. Opportunities Fund Investor Class	

There are funds available for "passive investors;" participants who do not wish to take a vigorous "hands on" approach to their 401(k) funds. These are the *Fidelity Freedom Funds*. There are 12 Freedom funds to choose from (see next page). Fidelity Freedom Funds offer a single-fund approach to investing in your workplace savings plan. With Freedom Funds, your decision couldn't be simpler. All you need to know is your current age, and the fund will do the rest. In other words, your age helps decide the fund that may be right for you.

If you do elect to contribute to a Freedom Fund, you should ONLY SELECT ONE FUND. The Freedom funds are a family of funds, so you are immediately diversified.

Selecting more than one Freedom Fund or any of the other 11 funds will defeat the purpose of the Freedom Fund, as you may find that you are investing into the same companies and/or stocks in the various funds, and ultimately changing your investment mix. The ratios in each fund are also "age appropriate" in that they are designed to accommodate how long you project until retirement.

The lifecycle investment options are represented on a separate spectrum because each investment option (except the income fund, if applicable) will gradually adjust its asset allocation to be more conservative as the Investment option approaches and moves beyond its target retirement dates. Generally, those investment

Current Age	Freedom Fund	Target Retirement Year
74+	Income Fund	2000-2014
69-73	2000®	
64-68	2005®	
59-63	2010®	
54-58	2015®	2015-2029
49-53	2020®	
44-48	2025®	
39-43	2030®	2030+
34-38	2035®	
29-33	2040®	
24-28	2045®	
Up to 23	2050®	

options with later target retirement dates have greater equity exposure and more risk than those with earlier target retirement dates.

Review your asset mix at least annually to ensure it still meets your investment needs. Fidelity will provide plan participants with an "Annual Report Card" on their account each spring.

Default Funds

Failure to make an investment election will result in defaulting to a Fidelity Freedom Fund appropriate to your age. The Fidelity Freedom Funds are designed to provide an age-based investment mix.

INVESTMENT PROFILES

For more specific fund profiles please refer to the Fidelity enrollment guide or visit Fidelity at www.401k.com or contact a Fidelity representative at 800-890-4015.

DIVERSIFICATION

Diversification is the practice of spreading assets around several investment vehicles, to help reduce the risk of a decline in the overall portfolio in the event of a decline in any one investment or investment type.

The first step to set up a personal investment portfolio for your 401(k) and your retirement is to determine your tolerance for risk, and to find a strategy for asset allocation. Determining the risk level you are comfortable with, and how you are going to allocate your investments across the different asset classes: i.e., domestic stocks (S&P 500, small cap, etc.), bonds (investment grade, high yield, etc.), international equities and cash/cash equivalents, can be a difficult and confusing process.

The most important thing you can do is to understand your investments and what they are going to do for you. Investing is risky. This is why diversification is so important! It is important to have several different types of investments in your portfolio to help reduce the risk of loss due to a downturn in one particular market. Financial experts have found that more than 90% of investment returns could depend on asset allocation. Very little depends on timing the market. *The key is finding a risk level and asset allocation that you are comfortable with and sticking with it.* Periodically reviewing your risk tolerance and making changes as needed is also recommended.

The following four steps may help in the investment selection process:

1. Determine your ability to accept risk by understanding your investment "horizon," (the length of time you have to invest before you retire), your investment goals, and your risk tolerance. Convenient tools to use can be found on the Fidelity website.
2. Structure a diversified asset allocation/strategy across major asset classes based on your individual risk level.
3. Implement the asset allocation by choosing investment vehicles for each asset class.
4. Periodically review your individual life situation and market conditions to determine if refinements are necessary. Did you recently marry? Do you have dependents? These are some questions you need to look at to ensure your investment elections are mapped to your particular retirement goals.

Typically, stocks are more volatile than bonds. Historically, smaller capitalization companies are more risky than large capitalization, and international equities are more risky than domestic equity.

A menu of investment options has been assembled to help you strategically diversify your retirement portfolio. Remember to pick an asset allocation with a risk level that fits your needs, and that is comfortable. Whatever your investment style, diversify your portfolio and STICK WITH IT. Periodically review your asset allocation to ensure that it still meets your investment comfort level. This asset review should occur at least once a year. You may not need to make a change every year, but it is a good idea to monitor your portfolio. It's your retirement!

For more complete information about the mutual funds described herein, please consult the prospectus, which can be obtained from the Fidelity. Please read the prospectus carefully before investing.

PAST PERFORMANCE IS NOT AN INDICATION OF FUTURE RETURNS

401(k) "TICKER" SYMBOLS

You can locate on-line investment information using the following ticker symbols:

Fund Name	**Ticker Symbol**	**Fund Name**	**Ticker Symbol**
Managed Income Portfolio II Class 1	N/A	Fidelity Freedom Funds Income Fund	FFFAX
PIMCO Total Return – Admin	PTRAX	Fidelity Freedom Funds 2050	FFFHX
Spartan® 500 Index Fund- Institutional Class	FXSIX	Fidelity Freedom Funds 2045	FFFGX
Fidelity Capital Appreciation Fund	FDCAX	Fidelity Freedom Funds 2040	FFFFX
LSV Value Equity	LSVEX	Fidelity Freedom Funds 2035	FFTHX
Morgan Stanley Institutional Mid Cap Growth I	MACGX	Fidelity Freedom Funds 2030	FFFEX
Schroder US Opportunity INV	SCUIX	Fidelity Freedom Funds 2025	FFTWX
Neuberger Berman Genesis – Trust	NBGEX	Fidelity Freedom Funds 2020	FFFDX
Fidelity International Discovery	FIGRX	Fidelity Freedom Funds 2015	FFVFX
Fidelity Small Cap Discovery Fund	FSCRX	Fidelity Freedom Funds 2010	FFFCX
Northern Small Cap Value Fund	NOSGX	Fidelity Freedom Funds 2005	FFFVX
Vanguard Total Bond Indx Signal	VBTSX	Fidelity Freedom Funds 2000	FFFBX
Vanguard Total Int'l Stock Indx Signal	VTSGX		

You can also call the Voice Response Unit (VRU), or access the website to inquire about the most recent rates of return for each fund. The VRU toll-free number is 1-800-890-4015. Japan dial 00-539-111-877-833-9900. You will enter your user ID, and the PIN (personal identification number) that you have assigned for yourself. If you are a new participant, you will have to contact Fidelity to set up a PIN. If you already have an existing account with Fidelity, you can access your MCCS 401(k) account with your existing PIN.

CHANGING YOUR INVESTMENT OPTIONS

If your investment goals change, you will have the opportunity to change your investment options and the amounts you have indicated for those options daily. You may:

- Change only your future contributions,
- Change your existing account balances to any of the other investment options, or
- Change both of the above.

To change your investment options, you may do so through the Voice Response Unit (VRU) 1-800-890-4015, or the Internet at www.401k.com. Changes made after 4 p.m. Eastern Time will be effective the next business day.

Changes you make via the VRU or the website will receive a written confirmation of the change directly from Fidelity.

Please refer to the section on "redemption fees" to ensure you are aware of possible fees that may be imposed if you transfer funds too frequently, as identified by the mutual fund companies.

Fidelity Retirement Plan Manager:

If you lack the time, inclination, or confidence to make many of the day-to-day investment decisions for your retirement plan savings, you may want to consider enrolling in the Fidelity Retirement Plan Manager Service. This service provides ongoing professional management of your retirement plan assets to help you manage risk and benefit from a variety of market opportunities. This service may be right for you if you are comfortable paying an advisory fee for ongoing management of your account.

myPlan:

myPlan is a guidance program to help you plan the future you've always wanted. myPlan is an interactive web experience which can help you identify your savings goal. Once you have identified your goal, myPlan will help you determine if you need to adjust the amount you are saving to reach that goal. For example, could you be taking better advantage of the company match? With myPlan your next step could be simple, clear, and quick. Just go to www.401k.com, and click on myPlan.

FIDELITY E-LEARNING OPPORTUNITIES

If you'd like to learn more about Fidelity Investments and what they have to offer, please use the Fidelity e-Learning® workshops to learn how to manage your workplace savings plan based on your personal situation, goals, and lifestyle.

Fidelity e-Learning workshops let you learn at your own pace. Workshops are highly interactive, with online worksheets, calculators and tools that help you learn by doing.

Go to http://e-learning.fidelity.com to access these great learning tools.

With online workshops you can learn about:

- The benefits of participating in your plan
- Investment strategies that may be right for you
- Managing your workplace savings plan
- Planning for long-term goals.

You can also access the Fidelity "Brainshark" to learn about how to get started in your workplace savings plan. The key topics include:

- How much you may need in retirement
- The Benefits of using your retirement savings plan
- Your plan details and investment options
- How to create a budget
- How to identify key ways to save for retirement
- And what are the next steps necessary to start investing

The "Brainshark" workshop is located at:
https://www.brainshark.com/fidelityemg/generic_elearning_getting?&r3f1

INDIVIDUAL ACCOUNT STATEMENTS

As a participant in the 401(k) Plan, you will receive **quarterly** account statements giving you a detailed record of your account. This statement will indicate the balance in your account(s), including contributions, changes or transfers you requested, hardship withdrawals, loan balances and fund investment performance.

These statements, and all other 401(k) correspondence, will be sent directly to your address of record if you have not registered an email address with Fidelity Investments for correspondence. If you have registered an email address with Fidelity, you will receive an email notification when this statement is available. You can also access this information electronically at www.401k.com. For mailing purposes, it is important that you notify your Personnel Office whenever you have a change of address. Statements are also available 24 hours a day, 7 days a week on the Fidelity website. It is important that you review your quarterly statement and notify your Personnel office with any discrepancies. Such discrepancies include, but are not limited to hire date, vesting dates, & participation dates.

You can obtain account information more frequently by accessing the VRU or the Fidelity website.

VOICE RESPONSE UNIT (VRU)/ ACCOUNT ACCESS

The VRU allows confidential and direct access to your account. Day or night from any touchtone phone, you can dial 1-800-890-4015; Japan dial 00-539-111-877-833-9900 to obtain the personal information about your participation, account balances in the Plan, change investment elections, apply for a loan, increase/decrease your bi-weekly deferrals, change your beneficiary, or change your PIN.

Before calling the VRU, you should already have these important numbers: your user ID, and your PIN that were provided at the time you registered with Fidelity.

Personal Identification Number (PIN)

Each new participant selects his or her own PIN in order to access the VRU and to establish a user account for the website. Keep your social security number and your PIN confidential, just as you would any personal information. If an unauthorized person learns your PIN, you should immediately contact Fidelity to cancel your existing PIN and obtain a new one. You can also reset your PIN online at www.401k.com.

Please note, your local HR office nor Headquarters can reset your PIN. You must contact Fidelity Investments directly at 800-890-4015, or from Japan at 00-539-111-877-833-9900 to reset your PIN.

To obtain a PIN, please follow these instructions:

Before you can enroll in the plan or access your account, you must first set up a PIN. You can do so by either calling the automated Voice Response Unit (VRU) at 1-800-890-4015 or logging onto Fidelity NetBenefits at www.401k.com. Once you have set up your PIN through either method, it will be the only PIN that you need to access your account on the phone or by computer. If you already have a PIN with a previous Fidelity 401(k) account, you can use that same PIN to access your Marine Corps Community Services (MCCS) 401(k) Plan account.

Via Fidelity NetBenefits:

To set up your PIN, access www.401k.com and select the "MyAccount" logo. Select "Create Your PIN" from the login menu and follow the simple instructions. You will be asked to enter the following information:

1. Your Social Security number ___-__-___
2. Your birth date (enter two digits each for the month, day and year. For example, May 1, 1965 = 05 01 65
3. Your five digit zip code
4. Your mother's maiden name
5. A six to 12 digit number (your PIN). Be sure to choose a number that's easy to remember (This cannot be your Social Security number or your date of birth)

Via Phone:

To set up your PIN, call 1-800-890-4015 and, after the brief welcome message, press "1" to access the VRU and follow the system's instructions. You will be asked to enter the following information:

1. Your Social Security number ___-__-___
2. Your Birth Date (enter 2 digits each for the month, day and year. For example, May 1, 1965 = 05 01 65
3. Your 5 digit zip code
4. Your mother's maiden name (use the corresponding numbers on your phone's keypad)
5. A six to 12 digit number (your PIN). Be sure to choose a number that's easy to remember (This cannot be your Social Security number or your date of birth)

Once you establish your PIN, then you will be provided with prompts that outline the steps that you will need to take to enroll in the plan or to request changes to your account. If at any time you need to speak with a representative, simply press "0". If you are on the internet, you will have to call 800-890-4015.

WITHDRAWALS WHILE EMPLOYED

Your 401(k) Plan is qualified as a retirement plan. Because the Plan enjoys this tax-favored status, the Internal Revenue Service (IRS) requires that severe restrictions be placed on early withdrawals. While employed, and if you are not age 70 ½ or older, you can only receive hardship withdrawals from your account.

If you terminate employment and are rehired before a distribution election is completed you will not be eligible for the distribution or roll over, regardless of your employment category. (i.e. flex or regular)

Hardship Withdrawals

In order to withdraw your 401(k) contributions while employed, you must prove that a financial hardship exists and the amount of your request must not exceed the amount of your financial hardship**. You must also have an outstanding 401(k) loan in order to apply for a hardship withdrawal.** If you do not have an outstanding loan, Fidelity will require that you take out a loan rather than a hardship distribution. **You must certify with official**

documentation that you have an immediate and heavy financial obligation that cannot be met by a loan or any other available distributions from the Plan.

The Plan Administrator retains the right to determine if documentation meets the requirements to identify appropriate hardships.

The Plan only allows hardship withdrawals for one of the following reasons:

- Post-secondary tuition expenses and related educational fees for the next 12 months for yourself, your spouse, or dependents.
- Purchase of a primary residence
- Un-reimbursable medical expenses
- To prevent eviction from your primary residence or foreclosure on the mortgage of your primary residence.
- Payment of Funeral Expenses for Participants' deceased parent, spouse, child or dependents.
- Payment for repair of damage to principal residence due to casualty loss.

401k hardship withdrawals are subject to income tax. For example if you request $10,000 as hardship withdrawal, you will be taxed on the $10,000.

401k hardship withdrawals are also subject to a 10% early withdrawal penalty if you are not at least 59½ years of age, as well as income taxes due. For example if you are under age 59½, and request $10,000 as hardship withdrawal, you will owe $1,000 as an early withdrawal penalty, as well as be taxed on the $9000.

Funds for a hardship withdrawal will be pulled from your account in the following order:

1. Rollover contributions (if any)
2. Employee deferrals
3. Employer match (if you are vested)

An application for financial hardship withdrawal is available by contacting Fidelity directly. Make sure to plan ahead to avoid any unnecessary delays. Once Fidelity has approved a hardship withdrawal application, the requested funds will be sent directly to the plan participant by regular or overnight mail (expense for overnight mail to be incurred by the plan participant). Plan provisions do not allow funds to be sent directly to any financial institutions, such as banks or mortgage companies.

Employees that are approved for a hardship withdrawal will be required to discontinue deferrals into the Plan for six (6) months after the date of the hardship distribution. *It is your responsibility to reinstate your deferrals after the six-month suspension period*. Make sure to mark your calendar and begin saving again as soon as you can!

Age 70 ½ Distributions

Participants must begin "minimum required distributions" (MRDs) by the first day of April in the year after the year in which the later of the following occurs: (1) the participant attains age 70 ½ or (2) the participant retires.

Active participants that become 70 ½ are not subject to MRD provisions until they retire. Age 70 ½ distributions are taxed as ordinary income for the tax year in which they are taken and will be taxed at your applicable individual federal income tax rate. MRDs may also be subject to state and local taxes. Please consult a tax advisor to learn more. All MRD Distributions will be subject to $25 fee per withdrawal.

Failure to elect MRD may result in significant IRS imposed penalties.

LOANS

After participating in the Plan for at least one year, you may borrow up to 50% of your account balance. The minimum loan is $500. The maximum loan is the lesser of $50,000 or 50% of your vested account balance. The rate of interest on the loan is prime rate plus 2 percent.

Loans may be repaid in as little as one month, or as long as 60 months (5 years). Repayment is made through automatic payroll deductions. Once a repayment schedule is selected, it cannot be accelerated except for a lump sum prepayment. You can only have one outstanding loan at a time. You will not be eligible to apply for a second loan until seven business days after the first loan has been repaid in full. Failure to make loan payments while in a non-pay status may result in the unpaid balance of your loan being considered a "deemed distribution." A deemed distribution is a taxable event. To avoid this, it is imperative that loan payments are made promptly.

Internal Revenue Code Section 72(p) limits the amount of money a participant may take out of his or her plan account during any rolling twelve-month period. This limit has been set at $50,000. If you take out a large loan, pay it off and request a second large loan within 12 months, you may not be approved for the full amount of the second loan if it exceeds the $50,000 limit imposed by the IRS.

Loan applications must be made through the VRU or the Internet.

If an active participant is in default of their 401(k) loan payments (through extended leave of absence status), and fails to make required payments via personal check or money order, a 1099R will be issued. That participant will not be eligible for another loan, because technically, their loan was never repaid. If you do not receive a coupon book within 1 month of going into a leave without pay status, please contact Fidelity to request a coupon book.

The issuance of a 1099R does not eliminate the repayment obligation. When a 1099R is issued, an employee can begin repayments again. The employee may elect to repay the loan at that time; however, repayment cannot be mandated. Failure to repay will result in no opportunity to take out additional loans.

If an employee elects to resume repayment of their term rates, they will not have to pay taxes on the unpaid portion, as it has already been taxed. When the employee terminates employment and takes a distribution, the portion of the loan that was in default is now exempt from additional taxes. The distribution will be calculated in two parts, the taxable portion, and the non-taxable portion.

NOTE: Each loan request will be subject to a $35 processing fee that will be automatically deducted from the loan check. If you elect not to take the loan after it has been issued, you are still responsible to pay the loan fee. For each year your loan is in force, you will be subject to an annual $15 loan fee.

If your employment status changes to "Flex" and you have an outstanding loan, you are still responsible to repay your loan. Insufficient earnings do not relieve you of your responsibility to repay your loan. You will receive a Loan coupon book from Fidelity Investments to continue making your loan payments. You will no longer be eligible to have your loan payments deducted from your bi-weekly pay as a flexible status employee. If you do not receive a coupon book within 1 month of your status change, please contact Fidelity or your local HR office.

NOTE: PARTICIPANTS WHO HAVE CHANGED TO AN INELIGIBLE STATUS (E.G., FLEXIBLE), ARE NOT ELIGIBLE FOR NEW DEFERRALS, BUT THEIR ACCOUNTS ARE STILL CONSIDERED ACTIVE FOR THE DURATION OF THEIR EMPLOYMENT. AS SUCH, THESE EMPLOYEES ARE ELIGIBLE TO APPLY FOR LOANS, PROVIDED ALL LOAN REQUIREMENTS HAVE BEEN MET.

The information on the following pages is a series of frequently asked questions (FAQs) relating to 401(k) loans. You are eligible to request a loan from your 401(k) account after a minimum of one year of contributory participation (i.e., you must be vested in the Plan to request a loan). While loans may seem like an easy fix to your finances, you should be aware of the long term implications when you remove a portion of your money from your 401(k) account.

If you borrow money from your account, the money you've borrowed is OUT of your account. It is not being invested. You may be paying it back a little at a time, and repaying it with interest, but the money you've borrowed is not being invested with the rest of your balance – causing you to miss potentially high earnings during a strong market.

You should try other options before you elect to take a loan from your 401(k) account. Retirement is inevitable. If you elect to take money out of your retirement fund, you could be creating a less comfortable retirement for yourself. In essence, you are borrowing from your future.

The NAF Benefit Enhancement Loan Program

This section explains the features of the NAF Benefit Enhancement 401(k) Loan Program, how it works, and what your responsibilities are when you borrow from your 401(k) account.

Loans- General Information

To ensure the loan process goes smoothly:

Only apply for a loan if you have at least a $1,000 account balance, which includes your own contributions, investment income, and any rollover contributions in your account.

Only apply for a loan if you have participated in the Plan for a minimum of 1 year.

Use the VRU at 800-890-4015; Japan employees dial 00-539-111-877-833-9900 for information pertaining to the maximum loan for which you are eligible and to request your loan. Or, you can apply for a loan on the website, www.401k.com. You will need to have an online account established in order to process any account transactions. Contact Fidelity at the number above or via website at www.401k.com to set up your user account.

You will be mailed a check for the loan amount to your home of record. Be sure your address is up to date in the payroll system to prevent any mailing delays. By endorsing and cashing the check, you are agreeing to the conditions of the loan. You can also choose to have the loan directly deposited into your bank account if your banking information is on file with Fidelity. To set up your bank account information with Fidelity, you can call 800-890-4015 or log onto www.401k.com and click on "Electronic Payments" in the drop down.

If, after reading this booklet, you have additional questions about the loan program, contact your local personnel office.

Loan information is available toll free 24 hours a day, 7 days a week through the VRU, and via the website. You will need both your user ID and PIN to initiate the loan process. The following section contains information about your eligibility for a 401(k) loan, and the effects a loan may have on your account. Loan payments must be paid via payroll deduction.

I. Eligibility for a 401(k) loan

If the below loan eligibility requirements have been met, you can borrow from your 401(k) account even if you have suspended contributions to the Plan.

- you are a current participant, are actively employed, and
- you have been enrolled in the Plan for at least one year, and
- you have at least $1,000 in employee contributions as a vested value of your Plan account, and
- if you don't have an outstanding loan, including a previous unpaid loan in default

II. How a loan affects your 401(k) account

When you borrow from your 401(k) account, the balance in your investment fund is decreased by the amount of your loan. If your investment allocations are in more than one fund, your loan is deducted pro rata from each of the funds in which you have balances.

Loan payments, including the principal and interest, are automatically deducted from your bi-weekly pay (after taxes are withheld) each pay period until the loan is repaid in full. As you repay the loan, your loan payments are credited to your account following the same manner in which you currently invest your contributions.

The interest rate of your loan is prime rate plus 2 percent. The interest will not change during the duration of your loan. The interest paid is credited directly to your account.

How does a 401(k) loan affect your final account balance? Historically, the investment funds have had different rates of return. Because of the difference between the interest you pay on your loan and the rate of return in the investment funds over the life of the loan, the earnings in your account when your loan is repaid are likely to be different from what your investment income would have been if you had not taken the loan. For that reason, the interest paid is credited to your account to offset a portion of the investment income that may have been lost (due to a decrease of available funds to invest), during the duration of your loan.

Therefore, even though you pay back your loan with interest, you may have less money in your account at retirement compared to the amount you would have had, if you had not borrowed it. Borrowing from your account, while convenient, can have hidden long-term effects; therefore consider borrowing from other sources before tapping into your retirement funds.

III. Rules for borrowing

Q. How do I apply for a Loan?

A. You can apply for a loan through the VRU or the Fidelity website. Once you have applied for the loan, the process is paperless. You will receive the loan terms and the loan check at the same time. Endorsing the loan check constitutes agreement to the terms of the loan

Q. How much can I borrow?

A. You may borrow up to 50 percent of your vested account balance. You can determine the amount you have available to borrow by contacting Fidelity via the VRU or the website.

The minimum loan amount you can borrow is $500. Therefore, you must have at least $1,000 as a vested account balance. The maximum loan amount you can borrow is $50,000. You can never borrow more than 50 percent of your account balance, or more than $50,000.

The amount available for a loan may be less than 50% if you have an outstanding loan within 12 months of your new request, as required by IRS.

Q. How long do I have to repay my loan?
A. Loans may be repaid in as little as 1 month, or as long as 60 months (5 years).

Q. How many loans can I have from my 401(k) account at one time?
A. You can only have one loan outstanding at a time. You will not be able to apply for a second loan until after the first loan has been repaid.

Q. Can I get a loan if I am in a non-pay status?
A. Yes. Plan provisions do not require you to be in a pay status. If you do apply for a loan while you are in a non-pay status, you are required to make payments. Depending on the duration of your non-pay status you may receive a convenient payment coupon book from Fidelity. Failure to make payments as required by the loan agreement will result in your loan balance being declared a taxable distribution. Notification will be sent to the IRS (a 1099 is issued).

Q. Will my loan request ever be denied?
A. There are a few reasons why a loan request may be denied:

- one year enrollment period not satisfied
- vested account balance is less than $1,000
- repayments are greater than 60 months
- loan request is greater than $50,000
- you have a prior loan outstanding

Q. Do I need a special reason to take a loan?
A. No, there are no specific qualifying reasons to take a loan. You may request a loan for any reason you like.

IV. Applying for a Loan

Q. What is the Loan Agreement?
A. The Loan Agreement/Promissory Note shows the terms of your loan. The loan terms include the amount of the loan, the interest rate, and the total amount of interest you will pay of your loan, the loan repayment period, the number of payments, and the amount of each payment. The Loan Agreement is also the promissory note. Your signature on the loan check obligates you to repay the loan according to the terms of the 401(k) plan.

The Loan Amortization schedule shows the amount of each loan payment to be deducted from your pay. Your signature authorizes your personnel office to make these deductions.

Q. What if I do not accept the terms of the loan?
A. Before you contact the VRU or the Fidelity website to request a loan, be sure you are certain of the loan terms you want (i.e., amount and duration of repayment period).   If you do not accept the terms, you must return the un-cashed loan check, and a bank check or money order (personal checks are not accepted) in the amount of $35 to cover the loan-processing fee. Once you have returned the necessary documents, you may request the loan a second time through the VRU.

Each time you request a loan; you will be charged a loan fee, regardless of whether or not you agree to the terms of the loan. To avoid confusion and excessive loan fees, please try to access the loan portion of the VRU or the website only once per loan.

Q. What is a "paperless loan?"
A. A paperless loan is one in which there are no forms or amortization agreements to sign. Your endorsement on the back of the loan check is your agreement to abide by the terms of the loan.

V. Paying Back a Loan

Payments must be made through payroll deductions. Checks are only accepted when you are in a non-pay status. If you are in a non-pay status (such as Leave without Pay), you must still make loan payments directly to Fidelity by requesting a coupon booklet. Failure to make required payments as scheduled per your loan agreement may cause your loan to be declared in default, and considered a taxable event.

When your loan check is issued, your personnel office will be notified that payments will be deducted from your bi-weekly paycheck. When each loan payment is received, it is credited to your account following the same investment election you made on your current contributions.

Check your bi-weekly payroll earnings and leave statement each pay period and contact your personnel office if:

- your loan payment allotment does not start within 30 days after you receive your loan, or
- your loan payments are not the correct amount, or
- your payments are not being deducted each pay period.

Your quarterly account statement will include loan balance information. You should review your statement thoroughly to ensure your loan payments are being credited properly. If loan payments are not being deducted each pay period, retroactive payments must be made.

Failure to make loan payments could result in the loan being considered in default and therefore taxable. Your personnel office will start bi-weekly deductions for your loan payments once the loan check has been issued. If for some administrative oversight, loan payments do not start as scheduled, **<u>you are responsible to notify your HR office</u>**. **You will be obligated to make all missed payments.**

Q: Do I need to contact my Human Resource office to apply for a loan?
A. No. All general purpose loans are pre-approved by Fidelity. You can apply for a loan online at www.401k.com, or by calling Fidelity at 800-890-4015.

Q. Can I suspend my loan payments?
A. No, you cannot suspend loan payments. Your endorsement on the loan check authorizes your personnel office to activate payroll deductions.

Q. Can I prepay my loan?
A. Yes, but you must pay the full amount of the balance due; no partial payments are accepted. Contact Fidelity about your loan balance. This amount will include all unpaid principal and accrued interest. Your payment must be made by cashier's check or money order. Personal checks are not acceptable. A partial payment will not be accepted. A cashier's check or money order must be sent directly to Fidelity for processing.

Q. How can I avoid loan repayment problems?
A. When you receive your loan check, review the terms of your loan and be sure the frequency of payments (for example, 26 per year) is correct. Check your bi-weekly payroll earnings and leave statement to be sure loan payments are stated in the correct amount and check your statements periodically thereafter to be sure no errors are being made. Check your quarterly account statement to be sure your payments are being credited

correctly. If your employment status changes, follow up with your personnel office. If you go into a leave without pay status, make sure you receive a payment book from Fidelity. If necessary, contact Fidelity at their toll free number. Repayments are the participant's obligation.

Q. What happens if I transfer to another MCCS activity?
A. When you change activities, you must inform your new personnel office that you have a 401(k) loan. Your new personnel office will then continue to take out an allotment for your loan payments. Check your earnings and leave statements and your quarterly account statements to make sure your payments are started promptly and are correct. It is ultimately your responsibility to ensure loan payments recommence.

Q. What happens if I transfer to an appropriated fund (APF) position?
A. Provided a retirement portability election is made to retain NAF Retirement coverage, you must inform your new (APF) personnel office that you have a 401(k) loan. Your new personnel office will then continue to take out an allotment for your loan payments and send it directly to our MCCS Headquarters office. MCCS Headquarters will submit the payments directly to Fidelity. Check your earnings and leave statements and your quarterly account statements to make sure your payments are started promptly and are correct. Repayments are ultimately the participant's obligation.

Q. What happens to my loan payments if I go into a non-pay status?
A. Because loan payments are made through payroll deductions, a period without pay will result in missed payments. Fidelity will send you a loan coupon payment book. If you do not make loan payment in 30 days, your loan will become a taxable distribution for the unpaid balance. This activity is reported to the IRS and you will have a tax consequence and penalty as If you made a withdrawal from the Plan. For plan purposes, your loan will still be considered outstanding.

If you remain in non-pay status for longer than the maximum of one year, and do not make loan payments directly to Fidelity, your loan will become a taxable distribution for the unpaid balance. This activity is reported to the IRS and you will have a tax consequence and penalty as if you made a withdrawal from the Plan. For plan purposes, your loan will still be considered outstanding.

Q. If I file for bankruptcy, do I still need to pay my loan?
A. Yes. A loan from your 401(k) falls under Federal regulations, and bankruptcy normally falls under State regulation. Therefore, Federal regulation overrules the State regulation.

Q. What should I do if my agency makes a mistake in my loan payments?
A. Sometimes payments are not started promptly, or an error is made in the amount of the payment after the loan is issued. As soon as you identify an error or missed payment on your bi-weekly payroll earnings and leave statement, or on your quarterly account statement, contact your personnel office to make the correction. Remember, repayments are your obligation, so prompt notification of any error will be easier to correct. Missed payments will result in a lump sum payroll deduction, or could be considered in default and taxable.

Q. What happens if I terminate my employment?
A. You will receive a Loan coupon book from Fidelity Investments to continue making your loan payments. Failure to repay your loan will be considered a taxable event and a 1099R will be issued for the current tax year.

Q. What happens if I retire and then am rehired as a flexible employee?
A. You will receive a Loan coupon book from Fidelity Investments to continue making your loan payments. You will no longer be eligible to have your loan payments deducted from your bi-weekly pay as a flexible status employee. Failure to make payments directly to Fidelity will be considered a taxable event and a 1099R will be issued for the current tax year.

Q. What happens if I am a reservist and get called into Active Military Status, and I have an outstanding loan?
A. The Uniform Services Employment and Reemployment Act of 1994 (USERRA), stipulates that the plan may allow suspension of participant loan repayments on outstanding loans during the qualified military service. Upon reemployment, the loan repayments must again commence in the same manner as the original loan but the repayment period can be extended for a period equivalent to the period of active military status. Loan repayments must include the interest accrued during the active military service. Proof of Active Military Status must be provided.

Q. What happens to my loan if I die?
A. The outstanding loan balance including any unpaid interest is reported as a taxable distribution to your beneficiary or estate. The beneficiary is given the opportunity to repay to avoid this situation. The distribution is not subject to an early withdrawal tax penalty.
Q. Is there a maximum bi-weekly amount for me to repay my loan?
A. No

Q. Is there a minimum bi-weekly repayment amount?
A. Yes, the minimum loan repayment is $25.

Q. Is there a fee to take out a loan?
A. Yes, all loans are subject to a onetime $35 loan-processing fee and annual loan fee of $15 ($3.75 per quarter)

VI. Taxable Loan Distributions

Q. What is a taxable distribution?
A. When a loan is not repaid in full by the established deadline, the amount of unpaid principal and accrued interest must be reported to the Internal Revenue Service (IRS) as taxable income (that is, a taxable loan distribution) in the year the distribution is declared. This means that you will be liable for income taxes on the amount reported to the IRS and, depending on your age and employment status, you may also be liable for a 10 percent early withdrawal penalty. The appropriate tax form will be issued not later than January 31 of the following year the distribution is reported to the IRS. Note: when a taxable distribution is declared you will not receive any additional money. The taxable distribution accounts for the portion of your loan that you failed to repay. It is your responsibility to ensure your loan does not go into default status.

Q. What are the circumstances under which a taxable distribution is declared?
A. A taxable distribution of the unpaid principal and accrued interest is declared if:

- You are in a non-pay status for 30 days and have not made payments for arrears to your personnel office, or
- You are a flexible employee, who has not had enough earnings, and you have not continued making payments to your local HR office
- You die before your loan is repaid.

Q. How does a taxable distribution affect my 401(k) account?
A. If a taxable distribution is declared while you are still employed, your loan balance is still considered outstanding and your account balance will still reflect the outstanding loan. If you terminate, the loan is deemed repaid.

Q. Does a taxable distribution affect my eligibility for another loan?
A. Yes, even though your loan default was reported to the IRS as a taxable distribution (via 1099R), your loan balance is still considered outstanding. You will not be eligible for another loan.

Issuance of a 1099R does not prohibit you from restarting loan payments. You can decide to repay your loan at any time. It is NOT mandatory that you restart loan payments, however you must remember that you will not be able to request another loan if your prior loan is outstanding.

If you elect to restart your loan payments, those payments will be considered "after tax" deposits to your 401(k) account, because they were already reported to the IRS. If you should terminate employment and request a lump sum distribution of your account, that portion of your account will not be subject to taxes again.

Your employer-sponsored 401(k) Plan is provided to assist you in preparing for your retirement. There is no way to turn back the clock, and retirement creeps steadily closer every day. Make sure you are familiar with what tools are available to you to help you save $$ for that time!

DISTRIBUTION OF YOUR PLAN ACCOUNT

You or your beneficiary will receive the full value of your account (less applicable withholding taxes and penalties) if your employment ends because you:

- terminate employment
- retire
- become permanently disabled, or
- die

Your account will be valued at the time of termination. An automatic taxable lump sum distribution will be made for employees with an account balance of $1,000 or less, unless you arrange for a direct rollover into another qualified retirement plan, IRA, or IRA conduit account. You must contact Fidelity Investments within 60 days to make this election. If you elect to receive your account balance directly, your distribution will be subject to a mandatory 20 percent Federal Income Tax withholding. You may also be subject to an additional 10 percent penalty, if you have not reached age 59 ½. The payment is taxed in the year you receive it, unless you roll it over to an IRA or another qualified plan that accepts rollover within 60 days of receiving the distribution.

You also have the option to receive your account paid out in installments. You can elect to receive monthly, quarterly, or annual installment payments. Contact Fidelity to set up the installment options. Once an option has been selected, it cannot be changed.

You will receive information about the tax implications of your withdrawal at that time. You or your spouse/beneficiary may find it helpful to talk to a tax advisor or accountant before you request a distribution.

If you are not vested upon termination, you are not entitled to the employer match, only your contributions made while in the plan.

A Distribution Application (Termination) form will be sent to you directly from Fidelity after your termination. Participants who have less than $1,000 in their accounts, and who fail to complete a distribution election within 60 days of termination will receive an automatic lump sum distribution, subject to all applicable taxes and penalties. If you do not wish to receive a lump sum distribution, it is imperative that you arrange for a direct rollover to another qualified plan, such as another 401(k) or an IRA. Please ensure that your permanent address of record is correct in the payroll system to avoid any postal delivery delays.

NOTE: TERMINATED PARTICIPANTS WITH ACCOUNT BALANCES GREATER THAN $1,000 MAY ELECT TO LEAVE THEIR ACCOUNT WITH THE PLAN AFTER TERMINATION.

Pension Protection Act of 2006: The newly-enacted Pension Protection Act of 2006 may eliminate the 10% early distribution tax that normally applies to 401(k) retirement distributions received before age 59 ½. The new law provides this relief to reservists called to Active Duty for at least 180 days or for an indefinite period. Eligible reservists activated after September 11, 2001, and before December 31, 2007, qualify for relief from this tax. Please contact your local HR office for further information on this benefit.

ROLLOVERS

Directly depositing contributions into a qualifying account rather than electing a taxable lump sum distribution is referred to as a rollover. Some plans may refer to this type of distribution as a transfer.

There are two types of rollovers:

Into the Plan:

If you participated in a qualifying defined contribution plan with a former employer, you may request that the value of that plan or "conduit" IRA or Thrift Savings Plan (excluding the after tax contributions) be transferred directly to this Plan, even if you are not currently eligible to make contributions to the Plan (i.e., flexible status). Please contact your local HR office or Fidelity Investments for a "Roll-In" form. You can also find a Roll-In Form in the back of the Enrollment Guide provided to you either during orientation, or directly from Fidelity Investments. Remember to contact the financial institution currently holding your money to find out what their requirements are for rolling over/transferring the funds, as each financial institution has different rules, restrictions and forms to be completed.

Out of the Plan:

Direct Rollover: Upon termination of your employment, you may elect to roll over all or a part of your distribution directly into an IRA, conduit IRA, Roth IRA, or other qualified retirement plan. The amount of such Direct Rollover must be at least $500, or if less, the entire eligible rollover distribution. You cannot roll over a total distribution of less than $200.

Please note that a Roth IRA is not tax free. Any amount rolled over to a Roth IRA is includible in gross income as a distribution since qualified distributions from a Roth IRA are not taxed.

If you choose a direct rollover, you are not taxed on your distribution until you later take it out of the IRA or the employer plan. Your rollover distribution request will be mailed to you for transmittal to the trustee or bank of your IRA or other qualified plan.

DEATH CLAIMS

If you are married and die before your Plan benefits have been paid to you, the value of your Plan account will be paid to your spouse or named beneficiary. Your surviving spouse or beneficiary other than a spouse may elect a lump sum distribution or a direct rollover (if your account balance is $200 or greater).

If your spouse or beneficiary elects to receive a lump sum distribution, he or she will have to pay applicable federal tax withholdings. Your spouse is exempt, however, from being assessed the 10% penalty if under age 59 ½. If you are married and failed to designate a beneficiary, the surviving spouse is the automatic beneficiary under Section 4.2 of the plan because he/she did not consent to an alternate beneficiary.

If you do not have a designated beneficiary, any claim for your account balance could be delayed.

ADMINISTRATIVE FEES

At this time Plan participants will not be required to pay a quarterly administrative fee. This is subject to change. Every effort will be made to notify participants in advance should this change.

There are additional fees associated with your 401(k) account. A summary of fees is provided on pg.6. These fees are subject to change. When possible, advance notification will be provided.

Please refer to page 6, for information on possible redemption fees.

For additional information on disclosures visit www.401k.com.

GLOSSARY OF TERMS

1099R: a form issued by the IRS showing additional income. If you defaulted on a loan, the remaining balance of your unpaid portion is treated as taxable income. You must declare the income on the 1099R form on your taxes for the appropriate year.

Alternate Payee: a spouse, former spouse, child, or other dependent of a plan participant.

Amortization: method of accounting for charges as "applicable" rather than paid. A 401(k) loan has an "amortization" schedule, showing each payment you will make, including principle and interest.

Bear Market: a declining market.

Beneficiary: the individual or individuals you cited to receive all or a portion of your 401(k) account balance upon your death. Per IRS regulations, if you are married your spouse must be the sole 100% primary beneficiary.

Bond: an IOU or promissory note of a corporation (or government entity). The issuing company of a bond agrees to pay the bondholders a specified amount of interest, for a specified amount of time. A bond is considered a more conservative investment option.

Bull Market: an advancing (increasing) market.

Conduit IRA: A conduit IRA is a separate IRA account established to receive a distribution from a qualified plan having certain characteristics worth preserving. There are no special requirements to establish a conduit IRA. A conduit IRA can be used to "hold" funds from a previous employer-sponsored plan, until such time as you can roll it into a future employer-sponsored plan.

Daily Valuation: a system for tracking trust investments' activity at the participant level on a daily (overnight) basis.

Deemed Distribution: if you default on your 401(k) loan, the unpaid balance is considered a "deemed distribution." Since you did not repay it, the unpaid balance is now subject to federal taxes, as it is considered a withdrawal.

Default: failure to make 401(k) loan repayments per the agreed upon amortization schedule. When you endorse the loan check, you are signing an agreement to repay the loan per the schedule you requested. When you default on a loan, you will be issued an IRS 1099R, and you will be responsible for paying federal taxes on the unpaid balance.

Default Fund: A fund that is typically used when participants fail to make an investment choice on their own.

Deferral: the amount you elect to contribute to your 401(k) account on a pre-tax, bi-weekly basis. Currently you can defer from 1% to 100% of your earnings. Deferrals are sent to Fidelity after each pay period.

Diversification: spreading investments among different types of securities, and various companies in different fields. The theory behind diversification is that even if one sector of the market is performing poorly, another sector may be performing well, so your investments will balance out.

Dividend: an individual share in something distributed (as in shares from a stock).

Equity Fund: a mutual fund that invests primarily in stocks.

Excessive Trading: trading more frequently than allowed by the mutual fund company.

IRA: individual retirement account with tax advantages.

Minimum Required Distribution: No later than April 1 of the year following the year in which you reach age 70 1/2, the IRS generally requires you to withdraw a minimum amount of money from your tax-deferred retirement accounts for that year. Thereafter, you are required to calculate and withdraw the minimum required amount by December 31 of each year.

Mutual Fund: a fund operated by an investment company that raises money from shareholders and invests in a group of assets, in accordance with a specified set of objectives.

Qualified Domestic Relations Order (QDRO): a domestic relation order that creates a right for an alternate payee to receive some or all of a participant's benefits in a qualified plan.

Redemption fee: fee imposed by mutual fund company for excessive trading.

Return: also called yield. The interest or dividends paid by a fund as a percentage of current price. Ex: a stock with a current market value of $40 a share paying dividends at the rate of $3.20 is said to return 8% to the investor (dividend/rate). MCCS 401(k) returns information is posted on the Internet and Intranets monthly.

Roth IRA: (Individual Retirement Account) – You make contributions on an after-tax basis, and any earnings grow free of federal taxes, which means you don't get a tax deduction now, but you won't need to pay taxes on the earnings later.

BENEFIT PROVIDER CONTACT INFORMATION

Fidelity Investments	United States	Japan	Español
www.401k.com	1-800-890-4015	00-539-111-877-833-9900	1-800-587-5282