YOUR ROLLOVER OPTIONS

You are receiving this notice because all or a portion of a payment you are receiving from the Northern California Tile Industry Defined Benefit Plan and/or the Northern California Tile Industry Defined Contribution Plan is eligible to be rolled over to an eligible IRA or an eligible employer plan. If you roll your payment(s) over to an eligible plan or a traditional IRA, you may continue to postpone taxation of those funds until they are paid to you. This notice is intended to help you decide whether to do such a rollover. If you have additional questions about this Notice, call the Plan administration office at (415) 986-6276 or consult your own tax adviser.

Rules that apply to most payments from the Plan(s) are described in the “General Information About Rollovers” section. Special rules that only apply in certain circumstances are described in the “Special Rules and Options” section.

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GENERAL INFORMATION ABOUT ROLLOVERS

How can a rollover affect my taxes?

You will be taxed on a payment from the Plan(s) if you do not roll it over. If you are under age 59½ and do not

do a rollover, you will also have to pay a 10% additional income tax on early distributions (unless an exception

applies). However, if you do a rollover to a traditional IRA or employer plan, you will not have to pay tax until

you receive payments later and the 10% additional income tax will not apply if those payments are made after

you are age 59½ (or if an exception applies). Different rules apply to rollovers to Roth IRAs (see page 5).

Where may I roll over the payment?

You may roll over the payment to either an IRA (an individual retirement account or individual retirement

annuity) or an employer plan (a tax-qualified plan, including a 401(k) plan, profit-sharing plan, defined benefit

plan, stock bonus plan, and money purchase plan, a section 403(a) annuity plan, a section 403(b) plan, or a
governmental section 457(b) plan), that will accept the rollover. After you complete the rollover, the rules of
the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to
payment from the IRA or employer plan (for example, no spousal consent rules apply to IRAs and IRAs may
not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or
employer plan.

How do I do a rollover?

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

If you do a direct rollover, the Plan(s) will make the payment directly to your IRA or an employer plan. You

should contact the IRA sponsor or the administrator of the employer plan for information on how to do a direct

rollover.

If you do not do a direct rollover, you may still do a rollover by making a deposit into an IRA or eligible
employer plan that will accept it. You will have 60 days after you receive the payment to make the deposit. If

you do not do a direct rollover, the Plan(s) are required to withhold 20% of the payment for federal income

taxes. This amount will be sent to the IRS as federal income tax withholding and credited against any income

tax you owe for the year.

Because of this mandatory 20% withholding, if you intend to roll over the entire payment in a 60-day rollover,
you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the
payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early
distributions if you are under age 59½ (unless an exception applies).

How much may I roll over?

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

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the
  lives or joint life expectancy of you and your beneficiary).

- Required minimum distributions after age 70½ (or after death).
• Hardship distributions.

• Corrective distributions of contributions that exceed tax law limitations

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

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

If you are under age 59½, you will have to pay the 10% additional income tax on early distributions for any payment from the Plan(s) (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. This tax is in addition to the regular income tax on the payment not rolled over.

The 10% additional income tax does not apply to the following payments from the Plan(s):

• Payments made after you separate from service if you will be at least age 55 in the year of the separation

• Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)

• Payments made due to disability

• Payments after your death

• Corrective distributions of contributions that exceed tax law limitations

• Payments made directly to the government to satisfy a federal tax levy

• Payments made under a qualified domestic relations order (QDRO)

• Payments up to the amount of your deductible medical expenses

• Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001 for more than 179 days

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

If you receive a payment from an IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions from the IRA, unless an exception applies. In general, the exceptions to the 10% additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from an IRA, including:

• There is no exception for payments after separation from service that are made after age 55. Benefits paid to you from the Plan(s) between ages 55 and 59½ after separation from service are not subject to the 10% additional income tax, while benefits paid to you from your IRA are. If you are under age 59½, before you roll your benefits into an IRA, you should consider whether you will want to take funds out of your IRA before you reach age 59½.
• The exception for qualified domestic relations orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse).

• The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service.

• There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to $10,000 used in a qualified first-time home purchase, and (3) payments after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

Will I owe State income taxes?

This notice does not describe State or local income tax rules (including withholding rules). However, please be aware that a 2½% additional tax will apply to California residents on early distributions prior to age 59½, unless an exception applies (see above).

SPECIAL RULES AND OPTIONS

If you miss the 60-day rollover deadline

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

If you were born on or before January 1, 1936

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

If you roll over your payment to a Roth IRA

If you roll over the payment to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. However, the 10% additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within 5 years, counting from January 1 of the year of the rollover). For payments from the Plan(s) during 2010 that are rolled over to a Roth IRA, the taxable amount can be spread over a 2-year period starting in 2011.

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

You cannot roll over a payment from the Plan(s) to a designated Roth account in an employer plan.

If you are a surviving spouse or beneficiary

Payments after the death of the participant. If you receive a distribution after the participant’s death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, the 10% additional income tax on early distributions does not apply, and the special rule described under the section "If you were born on or before January 1, 1936" applies only if the participant was born on or before January 1, 1936.

If you are a surviving spouse. If you receive a payment from the Plan(s) as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA.

An IRA you treat as your own is treated like any other IRA of yours, so that payments made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 70½.

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the participant had not started taking required minimum distributions from the Plan(s), you will not have to start receiving required minimum distributions from the inherited IRA until the year the participant would have been age 70½.

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

To receive the most beneficial tax treatment, you must complete the rollover by the end of the year following the year of the plan participant’s death. An inherited IRA has restrictions which do not apply to traditional IRAs: you cannot treat it as your own IRA, make additional contributions to it, or roll it over to a traditional IRA. The rules governing inherited IRAs are complex; please consult your tax adviser.

Payments under a qualified domestic relations order. If you are the spouse or former spouse of the participant who receives a payment from the Plan(s) under a qualified domestic relations order (QDRO), you generally have the same options the participant would have (for example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it). Payments under the QDRO will not be subject to the 10% additional income tax on early distributions.
If you are a nonresident alien

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Plan(s) are generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-5. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

Other special rules

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

If your payments for the year are less than $200, the Plan(s) are not required to allow you to do a direct rollover and is not required to withhold for federal income taxes. However, you may do a 60-day rollover.

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information, see IRS Publication 3, Armed Forces’ Tax Guide.

FOR MORE INFORMATION

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