

RESOLUTION NO. 87-87

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RIDGECREST ADOPTING AN EMPLOYEE'S DEFERRED COMPENSATION PLAN AND AUTHORIZING THE EXECUTION OF AGREEMENTS RELATING TO SAID PLAN, AS DESIGNATED BY VARIABLE ANNUITY LIFE INSURANCE COMPANY (VALIC).

WHEREAS, the City of Ridgecrest has employees rendering valuable services; and

WHEREAS, the establishment of a deferred compensation plan for such employees will serve the interest of the City of Ridgecrest by enabling it to provide reasonable retirement security for its employees, by providing increased flexibility in its personnel management system, and by assisting in the attraction and retention of competent personnel; and

WHEREAS, the City Council of the City of Ridgecrest has determined that the establishment of a deferred compensation plan to be administered VALIC will serve the above objectives; and

WHEREAS, the City Council of the City of Ridgecrest desires that the investment of funds held under its deferred compensation plan be administered by VALIC as Trustee.

NOW THEREFORE BE IT RESOLVED that the City Council of the City of Ridgecrest adopts the deferred compensation plan, attached hereto as Exhibit "A", and appoints VALIC to serve as Administrator thereunder; and

BE IT FURTHER RESOLVED that the City Council of the City of Ridgecrest hereby approves the Agreement, attached hereto as Exhibit "B", and appoints VALIC as Trustee thereunder, and directs VALIC, as Trustee, to invest all funds held under the deferred compensation plan as soon as it is practical; and

BE IT FURTHER RESOLVED that the City Administrator shall be the coordinator for this program and shall receive necessary reports, notices, etc. from VALIC as Administrator, and shall cast, on behalf of the City of Ridgecrest, any required votes under the program. Administrative duties to carry out the plan may be assigned to the appropriate departments.

BE IT FURTHER RESOLVED that Resolution No. 81-11 is hereby repealed upon final transfer of funds.

APPROVED AND ADOPTED this 2nd day of September, 1987, by the following vote:

AYES Mayor Mower, Councilmembers Wiknich, Bergens, Condos, and Corlett.

NOES: None.

ABSTAIN: None.

ABSENT: None.

Michael R. Mower

Michael R. Mower, Mayor

ATTEST:

Joyce M. Taft

Joyce M. Taft, City Clerk

DEFERRED COMPENSATION PLAN

I. INTRODUCTION

The City of Ridgecrest (the "Employer") hereby establishes the Deferred Compensation Plan, hereinafter referred to as the "Plan."

The Plan is intended to be an eligible State deferred compensation plan under section 457 of the Internal Revenue Code of 1954, as amended. The primary purpose of this Plan is to attract and retain qualified personnel by permitting them to provide for benefits in the event of their retirement, death or disability.

Nothing contained in this Plan shall be deemed to constitute an employment agreement between any Participant and the Employer and nothing contained herein shall be deemed to give any Participant any right to be retained in the employ of the Employer.

II. DEFINITIONS

- 2.01 **Agreement:** A Deferred Compensation Agreement entered into between an Employee and the Employer and any amendments or modifications thereof. Such Agreement shall fix the amount of Deferred Compensation, establish the time when the payment of benefits shall commence, specify the type of Annuity Contract that will measure the benefits payable to the Employee, designate the Employee's Beneficiary or Beneficiaries and incorporate the terms, conditions and provisions of this Plan by reference.
- 2.02 **Annuity Contract:** A group fixed, variable or combination fixed and variable annuity contract issued by The Variable Annuity Life Insurance Company (VALIC) and approved for sale in this State, which provides for periodic payments at regular intervals, whether for a period certain or during one or more lives.
- 2.03 **Beneficiary:** Beneficiary or beneficiaries designated by the Participant in his Agreement with the Employer. If more than one designated beneficiary survives the Participant, payments shall be made equally to the surviving beneficiaries, unless otherwise provided in the Agreement. Nothing herein shall prevent the Participant from designating primary and secondary beneficiaries.

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- 2.04 **Deferred Compensation:** The amount of Normal Compensation otherwise payable to the Participant which the Participant and the Employer mutually agree to defer and which does not exceed the Maximum Limitation.
- 2.05 **Employee:** Any person, whether appointed, elected or under contract, providing services for the Employer for which compensation is paid.
- 2.06 **Employer:** The
- 2.07 **Includible Compensation:** The amount of compensation payable to a Participant from the Employer which is includible in the Participant's gross income.
- 2.08 **Maximum Limitation:** The maximum amount that may be deferred under this Plan for the taxable year of a Participant. Such amount shall be either the Normal Limitation or Catch-Up Limitation, whichever is applicable.

- (a) **NORMAL LIMITATION:** The maximum amount deferred shall not exceed the lesser of \$7,500 or 33 1/3% of Includible Compensation (ordinarily this shall be the equivalent of the lesser of \$7,500 or 25% of Normal Compensation.) In computing the Normal Limitation, any amount excluded by a Participant and contributed by the Employer during the taxable year under section 403(b) of the Internal Revenue Code shall be treated as an amount deferred under this Plan.
- (b) **CATCH-UP LIMITATION:** For each of the last three (3) taxable years of a Participant ending before the Participant's attainment of Normal Retirement Age, the maximum amount deferred for each such year shall be the lesser of
- (1) \$15,000 or
 - (2) the sum of the Normal Limitation, plus that portion of the Normal Limitation not used in each of the prior taxable years of the Participant commencing after 1978 in which the Participant was eligible to participate in this Plan or the plan of another employer in the same state.

A Participant may utilize the Catch-Up Limitation only if he has not previously utilized it with respect to a different Normal Retirement Age under this or any other plan.

- 2.09 **Normal Compensation:** The amount of compensation which would be payable to a Participant by the Employer if no Agreement were in effect to defer compensation under this Plan.
- 2.10 **Normal Retirement Age:** Age 65, unless the Participant has elected an alternative Normal Retirement Age by written instrument delivered to the Employer prior to Separation from Service. A Participant's Normal Retirement Age determines a) the latest time when benefits may commence under this Plan (unless the Participant continues

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employment after Normal Retirement Age), and b) the period during which a Participant may utilize the Catch-Up Limitation of section 2.08(b) hereunder.

Once a Participant has to any extent utilized the Catch-Up Limitation of section 2.08(b), his Normal Retirement Age may not be changed.

A Participant's alternative Normal Retirement Age may not be earlier than the earliest date that the Participant will become eligible to retire and receive unreduced retirement benefits under the Employer's basic retirement plan covering that Participant and may not be later than the date the Participant attains age 70½. If a Participant continues employment after attaining age 70½, not having previously elected an alternative Normal Retirement Age, the Participant's alternative Normal Retirement Age shall not be later than the mandatory retirement age, if any, established by the Employer or the age at which the Participant actually separates from service if the Employer has no mandatory retirement age. If the Participant will not be eligible to receive benefits under a basic retirement plan maintained by the Employer, the Participant's Normal Retirement Age may not be earlier than attainment of age 55 and may not be later than attainment of age 70.

- 2.11 Participant: Any Employee who has enrolled in the Plan pursuant to the requirements of Article IV.
- 2.12 Plan Year: The calendar year.
- 2.13 Retirement: The first date upon which each of the following shall have occurred: Separation from Service and attainment of Normal Retirement Age.
- 2.14 Separation from Service: Severance of the Participant's employment with the Employer. A Participant shall be deemed to have severed his employment with the Employer for purposes of this Plan when, in accordance with the established practices of the Employer, the employment relationship is considered to have actually terminated. In the case of an independent contractor, the relationship with the Employer is considered to have actually terminated upon the expiration of the contract(s) under which services are performed for Employer if the expiration constitutes a good faith and complete termination of the contractual relationship, the Employer does not anticipate a renewal of the contractual relationship and the Employer does not contemplate that the independent contractor will become an Employee of the Employer.

III. ADMINISTRATION

- 3.01 This Plan shall be administered by a Committee of one or more persons appointed by the Employer. The Committee shall act as the agent of the Employer in all matters concerning the administration of this Plan. It shall have full power to adopt, amend and revoke such rules and

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regulations consistent with and as may be necessary to implement this Plan, to enter contracts on behalf of the Employer under this Plan, and to make discretionary decisions affecting the rights or benefits of Participants under section 6.08 of this Plan.

- 3.02 Any Employee who is charged with administrative responsibilities hereunder may participate in the Plan under the same terms and conditions as apply to other Employees. However, he shall not have the power to participate in discretionary action taken with respect to his participation under section 6.08 of this Plan.
- 3.03 The Employer may contract with The Variable Annuity Life Insurance Company to provide services under this Plan for the convenience of the Employer including, but not limited to, the enrollment of Employees as Participants, the maintenance of individual accounts and other records, the making of periodic reports to Participants and the disbursement of benefits to Participants.

IV. PARTICIPATION IN THE PLAN

- 4.01 An Employee becomes a Participant when he has executed and entered into an Agreement with the Employer.
- 4.02 An Employee may become a Participant as of the first day of any calendar month by entering an Agreement with respect to compensation not yet earned. A new Employee may become a Participant on the first day of employment by entering into an Agreement on or before the first day of employment with respect to compensation not yet earned.
- 4.03 The Agreement shall defer compensation not yet earned, and each Agreement must be made on or before the beginning of the month in which it is to become effective or on or before the first day of employment, with respect to a new employee.
- 4.04 At the time of entering into or amending an Agreement hereunder, a Participant must agree to defer a minimum amount per month as specified by the Committee.
- 4.05 A Participant may not amend or modify an executed Agreement to change the amount of Deferred Compensation except with respect to compensation to be earned in the subsequent calendar month and provided that notice is given 30 days prior to the beginning of the month for which such change is to be effective.
- 4.06 A Participant may revoke his Agreement and thereafter be restored to his Normal Compensation in the subsequent calendar month, by giving notice to the Employer 30 days prior to the beginning of the month for which such revocation is to be effective. A Participant may change the Beneficiary designated in his Agreement at any time by giving notice to the Employer.

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- 4.07 A Participant who returns to active service with the Employer after a Separation from Service, who has made a withdrawal under section 6.08, or who has revoked his Agreement under section 4.06, may again become an active Participant by executing a new Agreement with the Employer prior to the beginning of the calendar month as to which it is to be effective.
- 4.08 Compensation may continue to be deferred under this Plan with respect to a Participant who is on an approved leave of absence from the Employer with compensation, and all of the rules of this Article shall apply with respect to making, amending or revoking any Agreement for such a Participant. If a Participant is absent from work without compensation for a period of not more than six months, whether by reason of illness, strike, lockout, shutdown or otherwise, his Agreement will remain in effect and compensation will again be deferred thereunder when he returns to work.

V. INVESTMENT OF DEFERRED COMPENSATION

- 5.01 For the purposes of measuring and satisfying its obligation to provide benefits under this Plan, the Employer may invest the amount of compensation deferred by each Participant in Annuity Contracts as specified in Participants' Agreements. Any such Annuity Contracts shall be the sole property of the Employer, and shall not be held in trust for Participants or as collateral security for the fulfillment of the Employer's obligation under the Plan. Any such Annuity Contracts shall be subject to the claims of all creditors of the Employer, and no Participant or Beneficiary shall have any vested interest or secured or preferred position with respect to such Annuity Contracts or have any claim against the Employer except as a general creditor. Nothing in this section shall require the Employer to invest Deferred Compensation in any particular form of investment, nor will it limit his selection of investment media.
- 5.02 The Employer shall cause an individual account to be maintained with respect to each Participant reflecting the value of the type of Annuity Contract specified in the Participant's Agreement. Each Participant shall receive periodic reports, not less frequently than annually, showing the then-current value of his individual account.
- 5.03 The benefits paid to a Participant or Beneficiary pursuant to Articles VI and VII of the Plan shall be equal to the value of payments receivable by the Employer under the type of Annuity Contract specified in the Participant's Agreement. In no event shall the Employer's liability to pay benefits exceed the value of payments under the Annuity Contract, and the Employer shall not be liable for losses arising from depreciation or shrinkage in the value of any Annuity Contracts acquired under this Plan.

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- 5.04 No Participant or Beneficiary shall have any right to commute, sell, assign, pledge, transfer or otherwise convey or encumber the right to receive any payments hereunder, which payments and rights are expressly declared to be nonassignable and nontransferable; nor shall any unpaid benefits be subject to attachment, garnishment or execution, or be transferable by operation of law in event of bankruptcy or insolvency, except to the extent otherwise required by law.

VI. BENEFITS

ANNUITY OPTIONS

- 6.01 Benefits shall be paid to the Participant in the manner selected by the Participant prior to the time such amounts first become payable. The Participant may select any one of the following methods of payment:

- (a) Life Annuity;
- (b) Life Annuity with 60, 120, or 180 monthly payments guaranteed;
- (c) Unit Refund Life Annuity;
- (d) Joint and Last Survivor Annuity (spouse only);
- (e) Lump Sum;
- (f) Any other method of payment agreed upon between Participant and Employer.

If no Annuity Option has been selected, benefits shall be payable beginning on the first day of the month next following the date specified in the Participant's Agreement as a life annuity with one hundred twenty (120) monthly payments guaranteed; however, the present value of the payments to be made to a Participant under any of the Annuity Options above shall not be less than 50% of the present value of the total payments to be made to the Participant and his Beneficiaries, based on the life expectancy of the Participant on the date payments commence.

COMMENCEMENT OF BENEFITS

- 6.02 Benefits shall commence not later than the latest of the following dates:

- (a) sixty (60) days after the close of the Plan Year in which the Participant attains (or would have attained) Normal Retirement Age;
- (b) sixty (60) days after the close of the Plan Year in which Separation from Service with the Employer occurs;

RETIREMENT

- 6.03 Beginning on the first day of the month next following the Participant's Retirement the Participant shall be entitled to receive from the Employer a fixed or fluctuating payment according to the Annuity Option selected by the Participant prior to the time benefits become payable.

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SEPARATION FROM SERVICE

- 6.04 If the Participant's Agreement provides that the payment of benefits shall commence following Separation from Service, or some later specified date, and the Participant Separates from Service before attaining Normal Retirement Age, the total of the amounts deferred under the Plan shall be payable to the Participant on the date and under the Annuity Option selected by the Participant.

Notwithstanding the provisions above to the contrary, if the Participant separates from service with Employer in order to accept employment with another employer located within this State which maintains an eligible State deferred compensation plan under section 457 of the Internal Revenue Code, the amounts deferred under this Plan shall not be payable upon Separation from Service but shall be transferred automatically to such other plan, provided such plan provides for the acceptance of such amounts.

DEATH BENEFITS

- 6.05 Should the Participant die after he has begun to receive Retirement Benefits, the Employer, within thirty (30) days of receipt of satisfactory proof of death, shall continue payments to the Beneficiary under the Annuity Option selected by the Beneficiary; however, the remainder of the amount deferred will be paid to such Beneficiary over a period not exceeding fifteen (15) years or, if the Beneficiary is the Participant's surviving spouse, over a period not exceeding the life or life expectancy of the surviving spouse.

If no Beneficiary is designated in the Agreement, or if the designated Beneficiary does not survive the Participant for a period of fifteen (15) days, then the Employer shall cause to be paid to the estate of the Participant an amount equal to any lump sum death benefit payable under the type of Annuity Contract specified in the Participant's Agreement. If the designated Beneficiary survives the Participant for a period of fifteen (15) days but does not survive the period after the Participant's death during which such payment(s) are to be made, then the Employer shall cause to be paid to the estate of any such Beneficiary an amount equal to any lump sum death benefit payable under the type of Annuity Contract specified in the Participant's Agreement.

PRE-RETIREMENT DEATH BENEFITS

- 6.06 Should the Participant die before he has begun to receive Retirement Benefits, the Employer, within thirty (30) days of receipt of satisfactory proof of death, shall cause to be paid to the Beneficiary an amount equal to the death benefit payable under the type of Annuity Contract selected by the Participant unless the Beneficiary irrevocably elects to defer the distribution of amounts until a date not later than sixty (60) days after the date the Participant would have attained

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Normal Retirement Age. The death benefit shall be paid to such Beneficiary under the Annuity Option selected by the Beneficiary, over a period not exceeding fifteen (15) years or, if the Beneficiary is the Participant's surviving spouse, over a period not exceeding the life or life expectancy of the surviving spouse.

If no Beneficiary has been designated, or if the designated Beneficiary does not survive the Participant for a period of fifteen (15) days, then the Employer shall cause such death benefit to be paid to the estate of the Participant.

DISABILITY BENEFITS

- 6.07 In the event a Participant becomes disabled before the selected commencement date of benefits, the Participant may elect to commence benefits under one of the Annuity Options on the first day of the month following the determination of disability. An election to receive disability benefits must be made within a reasonable time after the determination of disability. The Plan shall consider a Participant disabled on the date the Committee determines the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or be of long-continued and indefinite duration. The disability of any Participant shall be determined by the Committee in accordance with uniform principles consistently applied, upon the basis of such evidence as the Committee deems necessary and desirable.

UNFORESEEABLE EMERGENCY WITHDRAWALS

- 6.08 In the event of an unforeseeable emergency prior to or after the commencement of Retirement Benefits, a Participant may apply to the Employer to receive that part of the value of his individual account which is reasonably needed to satisfy the emergency needs. If such application for withdrawal is approved by the Employer, the Employer shall pay the Participant such value as the Employer deems necessary to meet the emergency needs. An unforeseeable emergency involves only circumstances of sudden and unexpected illness or accident of the Participant or a dependent, loss of property due to casualty, or other similar extraordinary or unforeseeable circumstance arising as a result of events beyond the control of the Participant which would cause severe financial hardship to the Participant if early withdrawal were not permitted. Payment may not be made to the extent that such hardship is or may be relieved by other financial resources available to the Participant, including insurance reimbursement, cessation of deferrals under the Plan or liquidation of other assets, to the extent the liquidation of such assets would not itself cause severe financial hardship. Unforeseeable emergencies do not include the need to send a child to college or the desire to purchase a home.

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VII. RELATIONSHIP TO OTHER PLANS

This Plan serves in addition to any other retirement, pension or benefit plan or system presently in existence or hereinafter established, and participation hereunder shall not affect benefits receivable under any such plan or system; however, the reduction of Normal Compensation effected by deferring amounts under this plan may affect eligibility, or contribution or benefit levels under other plans, depending on applicable law.

VIII. ACCEPTANCE OF TRANSFERS

This Plan shall accept amounts deferred by an individual under another eligible State deferred compensation plan maintained by an employer located in this State.

IX. AMENDMENT OR TERMINATION OF PLAN

The Employer may at any time amend or terminate this Plan, provided, however, that such amendment or termination shall not affect the rights of Participants or their Beneficiaries with respect to any compensation deferred before the date of the amendment or termination of this Plan except as the same may apply to maintaining the privileged tax status of the Plan. Participants shall thereafter receive their Normal Compensation and benefits shall be paid as provided in Article VI.

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IX. APPLICABLE LAW

This plan Shall be construed under the laws of the State of California.

IN WITNESS WHEREOF, the Employer has caused this Plan to be signed by its
duly authorized officers, on this ____ day of _____, 19__.

EFFECTIVE the ____ day of _____, 19__.

By _____

TITLE _____

ATTEST:

By _____

Exhibit "B"

DEFERRED COMPENSATION AGREEMENT

This Agreement is made by and between City of Ridgecrest ("Employer") and _____ ("Participant").

The parties agree to and acknowledge the following:

A. The Participant confirms that he has received a copy of the Employer's Deferred Compensation Plan and has reviewed and understands all of the terms, provisions and conditions of the Plan, all of which are hereby incorporated into this Agreement.

B. Commencing _____, 19__, the Participant agrees to defer the right to receive compensation to the extent of \$ _____ (per _____) in return for the benefits specified in the Plan and this Agreement authorizes the Employer to so reduce his compensation.

C. The Employer agrees to pay benefits to the Participant in the amounts and manner described in Paragraph D below. The Participant shall be entitled to receive such benefits from the Employer on the first day of the month next following (check one):

- _____ Retirement.
- _____ Separation from Service.
- _____ Other Date after Separation from Service
(Specify) _____

Notwithstanding the above, the Participant may elect prior to Separation from Service to change the benefit commencement date specified above. However, such election shall not result in a benefit commencement date earlier than Separation from Service.

D. The benefits paid to the Participant shall be in such amounts and manner as if the Participant had himself made purchase payments under a group annuity contract (___% fixed; ___% variable; specify desired percentages) issued by The Variable Annuity Life Insurance Company equal to the amounts specified in Paragraph B above. The Participant shall designate the manner of payout prior to the time any benefit under this Plan becomes payable. The Participant may select at such time any Annuity Option available under this Plan.

E. The Participant designates the following Beneficiary (or Beneficiaries) in accordance with Article VI of the Plan (specify full name, relationship, and address):

Primary: _____

Contingent: _____

Dated this the ___ day of _____, 19__.

Employer: City of Ridgecrest	Participant Name: _____
By: _____	Address: _____
Title: _____	Soc. Sec.#: _____

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DEFERRED COMPENSATION CHECKLIST

___ Completed and Executed **Master Applications** for GUP, GFA, & UITG585

___ Completed and Executed **Plan Document**

___ Does employer want to do withholding on distributions?
If yes, complete **Notice of Withholding by Employer**
(If no, complete the next section.)

___ Will VALIC be responsible for withholding of Federal and State
income taxes? If yes, complete the following:

___ Complete and Execute **Administrative Services Agreement**
(Must fill in percentage for Federal...State percentage is
normally calculated at 3%, see last page table.)

___ Complete and Execute **Employer Appointment of Agent**
(Authorization for VALIC to withhold for employer.)

___ Does employer want **distributions** mailed to employer?
If yes, complete section 4.3 (a or b) in the **Amendment to
Administrative Services Agreement**.
(If no, distribution will be mailed to employee.)

Final Note...Deferred Compensation Agreement (last page of Plan Document), is
for employee's use in directing employer to begin payroll reductions. (i.e. the 457
salary amendment form.) Employer may choose to use this (which we will supply
you with in NCR form), or they may have their own.

NOTICE OF WITHHOLDING BY EMPLOYER

DATE:

TO: The Variable Annuity Life Insurance Company (VALIC)

FROM: _____ (Employer)

RE: _____ Deferred Compensation Plan (Plan)

Notice is hereby given by Employer that disbursements under the above-referenced Plan shall be made by VALIC to Employer in accordance with the annuity contract(s) entered into between VALIC and Employer under the Plan in such amounts and at such times as Employer specifies in writing to VALIC. VALIC is hereby released from the responsibility of withholding amounts for federal, state, and local income taxes from disbursements made to Employer under the above-referenced Plan.

By: _____

ADMINISTRATIVE SERVICES AGREEMENT

This Agreement is made and entered into by and between _____ (the "Employer") and The Variable Annuity Life Insurance Company ("VALIC"), a Texas corporation, in the City of _____, _____ County, State of _____, on this _____ day of _____, 19____ to be effective as of the _____ day of _____, 19____.

ARTICLE I — PURPOSE

The Employer maintains a deferred compensation plan (the "Plan") and in the interest of economy and efficiency, the Employer deems it desirable to contract for administrative services pertaining to accounting for deferrals, disbursements of funds, withholding of taxes and the proper reporting to participants and the Internal Revenue Service and to designate VALIC its agent to withhold and deposit income and payroll tax amounts as required by law.

ARTICLE II — DEFINITIONS

As used in this agreement, the following definitions shall apply unless the context indicates otherwise:

- 2.1 Agent — The Variable Annuity Life Insurance Company ("VALIC").
- 2.2 Annuity Contract — The group or individual annuity contract between the Employer and VALIC.
- 2.3 Employer — _____
Employer Name

Employer Address
- 2.4 Participant — An employee or independent contractor of the Employer electing to participate in the Plan.
- 2.5 Plan — The _____ Deferred Compensation Plan
Name of Plan

(check one below):

- a. _____ a deferred compensation plan described under section 457 of the Internal Revenue Code of 1986.
- b. _____ other.

ARTICLE III — RESPONSIBILITIES OF EMPLOYER

3.1 The Employer shall complete and sign all forms necessary for VALIC's appointment as agent with the Internal Revenue Service.

3.2 The Employer shall notify VALIC in writing of all Participant information requested by VALIC, including, but not limited to, age, social security number and beneficiary information.

3.3 The Employer shall direct VALIC to make benefit payments under the Plan in accordance with the annuity option specified by the Employer and shall supply VALIC with the amount of the account to be distributed.

3.4 The Employer shall consider requests for hardship distributions under the Plan and direct VALIC to make approved disbursements in amounts specified by the Employer.

ARTICLE IV — VALIC RESPONSIBILITIES

4.1 VALIC shall furnish a Notice of Receipt of Premium to Employer within 7 days of receiving funds.

4.2 VALIC shall furnish quarterly confirmation statements of accounts showing activity for the period and the total value of each Participant's account(s) to (check one below):

- a. _____ Participants or
- b. _____ the Employer.

4.3 VALIC shall issue the disbursements in accordance with the provisions of the Annuity Contract and the Plan at the direction of and in amounts specified by the Employer. Such disbursements shall be mailed to (check one below):

- a. _____ Participants or
- b. _____ the Employer.

4.4 Disbursements shall be made from the account maintained by VALIC on behalf of the Employer in accordance with the terms of the Annuity Contract and the Plan, provided, however, that if the Employer terminates the Annuity Contract, VALIC shall be obligated to make disbursements only to the extent that funds are still available in the account of the Employer.

4.5 VALIC shall compute and deduct income taxes required by law to be withheld from distributions from the Plan as may be specified below by the Employer. A report of such withheld taxes will be forwarded by VALIC to the Internal Revenue Service within the time prescribed by law.

- a. _____ Federal income taxes
(Specify one only):
 - _____ wage bracket method
 - _____ flat 20% rate for in-service distributions and lump sum termination distributions and wage bracket method for all other distributions.
- b. _____ State income taxes
(Specify one only):
 - _____ wage bracket
 - _____ current percentage rate specified by state law
 - _____ other (specify _____)
- c. _____ Local income taxes
(Specify one only):
 - _____ wage bracket
 - _____ current percentage rate specified by municipal law
 - _____ other (specify _____)

Employer agrees to furnish VALIC a properly completed Withholding Allowance Certificate (Form W-4) for each Participant receiving a disbursement subject to the wage bracket method of withholding. VALIC will not withhold Federal income tax for any employer who claims an exemption from withholding on Form W-4 by indicating no tax liability for the preceding year and none expected for the current year.

4.6 If the Employer is a private taxable or tax-exempt employer and the Plan was in existence on or before December 31, 1983, VALIC shall compute and deduct payroll taxes required by law to be withheld from distributions from the Plan unless the Employer advises that the disbursement is on account of death, retirement, disability, services performed as an independent contractor, or is in excess of the Participant's Social Security wage base at the time of disbursement. Check one below:

- a. _____ This section applies to the Employer.
- b. _____ This section does not apply to the Employer.

4.7 VALIC shall furnish annually to each Participant tax reporting form(s) required by the applicable taxing authority including a statement of gross amounts paid to the Participant and the amount of federal, state and local income and payroll taxes withheld by VALIC, if any.

4.8 VALIC shall furnish to the Employer:

- a. A monthly report containing a statement of disbursements made under this Agreement which includes the amount of federal, state and local income taxes and the employee portion of payroll taxes withheld pursuant to sections 4.5 and 4.6 above, if applicable.
- b. If applicable, annual and semi-annual reports for The Variable Annuity Life Insurance Company Separate Account(s) for distribution to Participants.

4.9 VALIC shall establish and maintain records of notifications from Employer concerning Participants who are to receive disbursements, gross payments under the Agreement, amounts of federal, state and local income and payroll taxes withheld by VALIC on behalf of the Employer and reports of such income and payroll tax deposits filed with the appropriate governmental agencies by VALIC on behalf of the Employer.

ARTICLE V — MISCELLANEOUS

5.1 Term. This Agreement shall become effective immediately upon execution and shall remain in force until terminated by either party as provided below.

5.2 Termination. This Agreement may be terminated by either party upon sixty (60) days' written notice to the other party of the intent to terminate. Upon any such termination, Agent shall deliver to the Employer all records and reports required by this Agreement.

5.3 Hold Harmless. VALIC agrees to hold harmless and indemnify the Employer from claims resulting from negligent exercise by VALIC of any authority or power granted to it under this Agreement.

The Employer agrees to hold harmless and indemnify VALIC from claims resulting from use by VALIC of any incorrect or misleading information provided to it by the Employer under the terms of this Agreement.

5.4 Assignment. This Agreement may not be assigned without the written consent of the other party.

5.5 Amendment. The parties may amend this Agreement only in writing. Any such amendment must be approved by the President or a Vice President of Agent and a person authorized to act on behalf of Employer.

5.6 Notice. Any notice provided for herein shall be in writing and shall be deemed to have been given when received by personal delivery or United States mail addressed to the Employer at the address given in section 2.3 or to VALIC at the address below:

Customer Service
The Variable Annuity Life Insurance Company
2929 Allen Parkway
Houston, TX 77019

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5.7 Governing Law. The laws of the state in which this Agreement was adopted shall govern the rights and obligations of the parties under this Agreement.

5.8 Entire Agreement. This Agreement and any written amendments hereto constitute the entire agreement of the parties. This Agreement shall supersede all previous communications, representations or agreements, either oral or written, between the parties.

5.9 No Cost to Employer. The services rendered by VALIC pursuant to this Agreement shall be performed without additional cost to the Employer other than administrative and sales charges provided for in the Annuity Contract.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed to be effective as of the date hereinabove.

EMPLOYER:

Name

By: _____
Signature

Name and Title

AGENT:

**THE VARIABLE ANNUITY LIFE
INSURANCE COMPANY**

By: _____

Form 2678 (Rev. April 1985)	Department of the Treasury - Internal Revenue Service Employer Appointment of Agent Under Section 3504 of the Internal Revenue Code <i>(For use by employers or payers)</i>	OMB Clearance No. 1545-0748
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1. To

Director

_____ Service Center

Instructions

Employer or Payer: Please complete this form and give it to the agent.

Agent: Please attach a letter requesting authority to do either all that is required of the employer for wages you pay on the employer's behalf or all that is required of the payer for requirements of backup withholding. *(See applicable Revenue Procedures 70-6 or 84-33.)* Forward both the letter of request and Form 2678 to the Director of the Internal Revenue Service Center where you file your returns. *(See reverse side for addresses.)*

Note: Rev. Proc. 70-6 is available in Publication 1271 and Rev. Proc. 84-33 is available in Publication 1272.

2. Employer's or Payer's name

3. Employer's or Payer's address *(Number and street, city, town or post office, State and ZIP code)*

4. Employer identification number

5. Agent's name
The Variable Annuity Life Insurance Company

6. Agent's address *(Number and street, city, town or post office, State and ZIP code)*

7. Agent's employer identification number
74-1625348

P.O. Box 3206
Houston, TX 77253

8. Effective for *(Check the box or boxes that apply)*

Employment taxes *(Rev. Proc. 84-33)*

Backup withholding *(Rev. Proc. 70-6)*

9. If filing under Rev. Proc. 70-6, does this apply to all employees?

Yes No

10. Effective date of appointment by employer or payer

Under section 3504 of the Internal Revenue Code, please authorize this agent to do all that is required under *(Check the one(s) that apply)*

- Chapter 21 *(FICA)*
- Chapter 22 *(Railroad Retirement)*
- Chapter 24—
 - Withholding and/or
 - Backup withholding
- Chapter 25 *(General Provisions) of Subtitle C.*

The agent named above has been appointed either to pay wages for employers and/or report and deposit backup withholding amounts for payers. This appointment is effective on the date shown in Item 10.

It is understood that the agent and the employer or payer are subject to all provisions of law and regulations *(including penalties)* which apply to employers or payers.

Signature of employer or payer

Date

Title of signing official *(Indicate whether the person signing is an owner, partner, member of firm, fiduciary, or a corporate officer.)*

For Internal Revenue Service Use Only

Effective date granted by IRS ▶

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

STATE INCOME TAX WITHHOLDING RATES

Alabama	2.50%	Montana	4.00%
Alaska	N/A	Nebraska	3.00%
Arizona	2.00%	Nevada	N/A
Arkansas	7.00%	New Hampshire	N/A
California	3.00%	New Jersey	2.20%
Colorado	5.00%	New Mexico	1.40%
Connecticut	N/A	New York	5.00%
Delaware	1.90%	North Carolina	3.50%
Florida	N/A	North Dakota	1.50%
Georgia	6.00%	Ohio	2.00%
Hawaii	-	Oklahoma	2.00%
Idaho	7.50%	Oregon	7.50%
Illinois	2.50%	Pennsylvania	2.20%
Indiana	1.90%	Rhode Island	3.80%
Iowa	3.50%	South Carolina	1.70%
Kansas	5.00%	South Dakota	N/A
Kentucky	4.00%	Tennessee	N/A
Louisiana	1.50%	Texas	N/A
Maine	10.00%	Utah	5.20%
Maryland	3.75%	Vermont	6.00%
Massachusetts	5.00%	Virginia	3.50%
Michigan	4.60%	Washington	N/A
Minnesota	7.00%	West Virginia	2.50%
Mississippi	4.00%	Wisconsin	10.00%
Missouri	3.00%	Wyoming	N/A