



# 595375 AeroVironment Profit Sharing and Salary Deferral 401(k) Plan In-Service Withdrawal Form

**STEP 3** Make a Withholding Election (complete if you wish to have more than the mandatory 20% withheld; see the attached INSTRUCTIONS)

Withhold \_\_\_\_\_% or \$ \_\_\_\_\_ from each payment.

**STEP 4** Sign the Form (see the attached INSTRUCTIONS)

I certify under penalty of perjury that I have read and understand the *Participant Certifications* contained in the attached INSTRUCTIONS, and they are all true.

Signature: \_\_\_\_\_ Date \_\_\_\_\_

**STEP 5** Return Form to Your Company

**STEP 6** Company Signature (Company's Use Only)

The Company agrees to the terms stated above.

Company Signature: \_\_\_\_\_ Date \_\_\_\_\_

# 595375 AeroVironment Profit Sharing and Salary Deferral 401(k) Plan

## In-Service Withdrawal Form Instructions

### STEP 1 Elect Your Withdrawal Amount (check one of the two boxes and complete as necessary)

- If you specify a dollar amount that exceeds the amount available from your account balance at the time your withdrawal is processed, your withdrawal will be processed for the maximum amount available to you.

### STEP 2 Choose Your Method of Payment

- Check the box that describes the form of payment you would like to receive.
- If you elect a lump sum (paid to you), mandatory 20% federal income tax withholding will apply to the taxable portion of your withdrawal. If you wish to have more than the mandatory 20% withheld, specify this in STEP 3. If your account address is in a state which requires mandatory state income tax withholding on this distribution, such withholding may also apply.
- You may elect to directly rollover 100% or only part of your in-service withdrawal. If you wish to rollover your assets, we will send a check to your address of record (made payable to the IRA custodian you identify) for you to forward to the IRA custodian.
- It is important for you to confirm that the IRA custodian you choose will accept a direct rollover of your withdrawal.

### STEP 3 Make Your Withholding Election

*Elective Federal Withholding: Complete as necessary. If you elect a lump sum payment, and wish to have more than 20% federal income tax withheld from your payment, check box 2 and indicate the amount you want to withhold.*

- If you do NOT make a withholding election, your lump-sum payment will automatically be subject to federal withholding at a rate of 20%.
- Regardless of your election, you will remain liable for the payment of federal income tax on the withdrawal amount and any penalty tax that may be due if you are under age 59½. You may also be subject to penalties under the federal estimated tax payment rules if your tax payments and withholding amounts are not sufficient.

*Mandatory State Withholding: If your account address is in a state which requires mandatory state income tax withholding on this distribution, such withholding may also apply.*

### STEP 4 Sign the Form

*Participant Certifications: By signing the attached IN-SERVICE WITHDRAWAL FORM, I am certifying under penalty of perjury that the following statements are true:*

- I am eligible to receive an in-service withdrawal under the terms of the Plan.
- I understand that if I am under age 59½, a 10% early withdrawal penalty may apply to any distribution paid to me.
- I understand that my withdrawal will be paid to me as soon as administratively practicable following proper completion and submission of the IN-SERVICE WITHDRAWAL FORM. If I request a withdrawal less than 30 days after receiving the SPECIAL TAX NOTICE, I waive my right to 30 days' notice of the information contained in the SPECIAL TAX NOTICE.

- If I have elected a direct rollover, I have confirmed that the IRA custodian will accept a direct rollover of my withdrawal.

# SPECIAL TAX NOTICE

## Non-Roth

**PLEASE READ THIS NOTICE IF YOU ARE RECEIVING A DISTRIBUTION FROM ANY OF YOUR PLAN ACCOUNTS OTHER THAN A DESIGNATED ROTH ACCOUNT (FOR EXAMPLE, YOUR PRE-TAX DEFERRAL ACCOUNT OR EMPLOYER CONTRIBUTION ACCOUNT).**

For Payments Not From a Designated Roth Account

### ***YOUR ROLLOVER OPTIONS***

You are receiving this notice because all or a portion of a payment you are receiving from a tax-qualified retirement plan maintained by your employer (the "Plan") is eligible to be rolled over to an IRA or another employer plan. This notice is intended to help you decide whether to do such a rollover.

This notice describes the rollover rules that apply to payments from the Plan that are *not* from a designated Roth account (a type of account with special tax rules in some employer plans). If you also receive a payment from a designated Roth account in the Plan, you will be provided a different notice for that payment, and the Plan administrator or the payor will tell you the amount that is being paid from each account.

Rules that apply to most payments from a plan 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.

### **GENERAL INFORMATION ABOUT ROLLOVERS**

#### **How can a rollover affect my taxes?**

You will be taxed on a payment from the Plan 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, 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).

#### **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, [section 403\(b\)](#) plan, or governmental [section 457\(b\)](#) plan) that will accept 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 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 is required to withhold 20% of the payment for federal income taxes (up to the amount of cash and property received other than employer stock). This means that, in order 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 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
- ESOP dividends
- Corrective distributions of contributions that exceed tax law limitations
- Loans treated as deemed distributions (for example, loans in default due to missed payments before your employment ends)
- Cost of life insurance paid by the Plan
- Contributions made under special automatic enrollment rules that are withdrawn pursuant to your request within 90 days of enrollment
- Amounts treated as distributed because of a prohibited allocation of S corporation stock under an ESOP (also, there will generally be adverse tax consequences if you roll over a distribution of S corporation stock to an IRA).

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 (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:

- 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 from a governmental defined benefit pension plan made after you separate from service if you are a public safety employee and you are at least age 50 in the year of the separation
- Payments made due to disability
- Payments after your death
- Payments of ESOP dividends
- Corrective distributions of contributions that exceed tax law limitations
- Cost of life insurance paid by the Plan
- Contributions made under special automatic enrollment rules that are withdrawn pursuant to your request within 90 days of enrollment
- 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.
- 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 any State or local income tax rules (including withholding rules).

## **SPECIAL RULES AND OPTIONS**

### **If your payment includes after-tax contributions**

After-tax contributions included in a payment are not taxed. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is generally included in the payment. If you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a payment.

You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later payments from the IRAs). To the extent required by law, if you do a direct rollover of only a portion of the amount paid from the Plan and a portion is paid to you, each of the payments will include an allocable portion of the after-tax contributions. If you do a 60-day rollover to an IRA of only a portion of the payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a complete distribution of your benefit which totals \$12,000, of which \$2,000 is after-tax contributions. In this case, if you roll over \$10,000 to an IRA in a 60-day rollover, no amount is taxable because the \$2,000 amount not rolled over is treated as being after-tax contributions.

You may roll over to an employer plan all of a payment that includes after-tax contributions, but only through a direct rollover (and only if the receiving plan separately accounts for after-tax contributions and is not a governmental [section 457\(b\)](#) plan). You can do a 60-day rollover to an employer plan of part of a payment that includes after-tax contributions, but only up to the amount of the payment that would be taxable if not rolled over.

### **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 your payment includes employer stock that you do not roll over**

If you do not do a rollover, you can apply a special rule to payments of employer stock (or other employer securities) that are either attributable to after-tax contributions or paid in a lump sum after separation from service (or after age 59½, disability, or the participant's death). Under the special rule, the net unrealized appreciation on the stock will not be taxed when distributed from the Plan and will be taxed at capital gain rates when you sell the stock. Net unrealized appreciation is generally the increase in the value of employer stock after it was acquired by the Plan. If you do a rollover for a payment that includes employer stock (for example, by selling the stock and rolling over the proceeds within 60 days of the payment), the special rule relating to the distributed employer stock will not apply to any subsequent payments from the IRA or employer plan. The Plan administrator can tell you the amount of any net unrealized appreciation.

### **If you have an outstanding loan that is being offset**

If you have an outstanding loan from the Plan, your Plan benefit may be offset by the amount of the loan, typically when your employment ends. The loan offset amount is treated as a distribution to you at the time of the offset and will be taxed (including the 10% additional income tax on early distributions, unless an exception applies) unless you do a 60-day rollover in the amount of the loan offset to an IRA or employer plan.

### **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 are an eligible retired public safety officer and your pension payment is used to pay for health coverage or qualified long-term care insurance**

If the Plan is a governmental plan, you retired as a public safety officer, and your retirement was by reason of disability or was after normal retirement age, you can exclude from your taxable income plan payments paid directly as premiums to an accident or health plan (or a qualified long-term care insurance contract) that your employer maintains for you, your spouse, or your dependents, up to a maximum of \$3,000 annually. For this purpose, a public safety officer is a law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew.

### **If you roll over your payment to a Roth IRA**

You can roll over a payment from the Plan made before January 1, 2010 to a Roth IRA only if your modified adjusted gross income is not more than \$100,000 for the year the payment is made to you and, if married, you file a joint return. These limitations do not apply to payments made to you from the Plan after 2009. If you wish to roll over the payment to a Roth IRA, but you are not eligible to do a rollover to a Roth IRA until after 2009, you can do a rollover to a traditional IRA and then, after 2009, elect to convert the traditional IRA into 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 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 may also be able to roll over certain payments from the Plan to a designated Roth account in your employer's plan if your employer's plan provides for this type of rollover (an In-Plan Roth Rollover Contribution). See the sections of your summary plan description on rollover contributions or consult your Plan administrator for more information.

### **If your Plan allows you to roll over your payment to a designated Roth account in the Plan**

If you roll over your payment to a designated Roth account in the Plan, the amount of the payment rolled over (reduced by any after-tax amounts directly rolled over) will be taxed. However, the 10% additional tax on early distributions will not apply (unless you take the amount rolled over out of the designated Roth account within the 5-year period that begins on January 1 of the year of the rollover). For payments from the Plan in 2010 that are rolled over to a designated Roth account in the Plan (and that are not distributed from that account until after 2011), the taxable amount of the rollover will be taxed half in 2011 and half in 2012, unless you elect to be taxed in 2010.

If you roll over your payment to a designated Roth account in the Plan, later payments from the designated Roth account that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a designated Roth account is a payment made both after you attain age 59½ (or after your death or disability) and after you have had designated Roth account in the Plan for a period of at least 5 years. The 5-year period described in the preceding sentence begins on January 1 of the year your first contribution was made to the designated Roth account. However, if you made a direct rollover to a designated Roth account in the Plan from a designated Roth account in a plan of another employer, the 5-year period begins on January 1 of the year your first contribution was made to the designated Roth account in the Plan or, if earlier, to the designated Roth account in the plan of the other employer. Payments from the designated Roth account that are not qualified distributions will be taxed to the extent allocable to earnings after the rollover, including the 10% additional tax on early distributions (unless an exception applies).

If your payment is available to you only as an In-Plan Roth Rollover Contribution, and is not otherwise distributable from the Plan, the sections on rollovers are not applicable to you until they are distributable from the Plan (e.g., upon attainment of age 59½ death, disability termination of employment).

### **If you are not a plan participant**

*Payments after 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 and the special rules for public safety officers do 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 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, 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 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.

*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 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 is 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-S. 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 (not including payments from a designated Roth account in the Plan), the Plan, may, but is 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.

Unless you elect otherwise, a mandatory cashout of more than \$1,000 (not including payments from a designated Roth account in the Plan) will be directly rolled over to an IRA chosen by the Plan administrator or the payor. A mandatory cashout is a payment from a plan to a participant made before age 62 (or normal retirement age, if later) and without consent, where the participant's benefit does not exceed \$5,000. Unless your Plan otherwise provides, this \$5,000 threshold does not include any amounts held under the plan as a result of a prior rollover made to the plan. However, any In-Plan Roth Rollover Contribution will always be taken into account in determining the \$5,000 threshold. Consult your summary plan description and any materials provided to you in connection with a cashout payment.

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. 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](http://www.irs.gov), or by calling 1-800-TAX-FORM.

**IMPORTANT INFORMATION ABOUT FAILURE TO DEFER RECEIPT OF DISTRIBUTIONS FROM TAX QUALIFIED RETIREMENT PLANS (e. g. 401(k) Plans, Profit Sharing Plans, Money Purchase Plans and Section 403(b) Plans)**

Generally, you cannot be forced to take a distribution from a plan until you reach the later of age 62 or the plan's normal retirement age if your account balance is greater than \$5,000. Please review the sections of your summary plan description addressing distribution of plan benefits for further information on the latest date to which you can defer a distribution under your plan and other information that might affect your decision whether or not to defer receiving your distribution. Distributions of previously untaxed amounts (which includes pre-tax employee deferrals, and earnings other than Roth 401(k) earnings attributable to a "qualified" distribution) generally will be subject to current ordinary income tax (and related tax withholding) and, potentially, an additional 10% tax for withdrawals prior to age 59½, unless you elect to roll over these amounts to an IRA or another eligible employer plan. If your plan provides an In-Plan Roth Rollover Contribution, the 10% penalty may apply if you make a withdrawal from your In-Plan Roth Rollover Contribution account prior to the end of the 5th taxable year in which you made the In-Plan Roth Rollover Contribution. This tax impact could also be affected by the form in which you take your distribution. For example, taking a distribution in the form of installment payments (if your plan allows installments) rather than a lump sum could, depending on the circumstances, further defer your tax liability. In addition to these tax ramifications and potential loss of future tax deferred earnings, failing to defer receipt of a plan distribution may result in insufficient retirement savings.

If you defer receipt of your distribution, you will continue to have available to you for investment of your account balance the investment alternatives that the plan makes available to actively employed plan participants. Please log on to the plan's Web site or call the Voice-Response System for information about the plan's investment alternatives. Your plan may have available to it types or classes of investments that are only available to retirement plans and/or large institutional investors. These types or classes of investments may not be available to retail investors or IRAs. For example, if your plan permits investments in mutual funds, shares you purchase under your plan may be subject to lower (or no) sales charges and lower management fees and other expenses that reduce investment return than shares available for purchase by you or your IRA.

Please contact your plan administrator if you have questions about the forms of distribution available to you. Please contact your tax advisor if you have questions about their tax effects as applicable to your particular situation. Please review the prospectuses and other information provided on the Web site and/or Voice-Response System for more information about the sales charges (if any) and fees and expenses that apply to the investment alternatives under your plan. Information about some of the tax consequences of distributions that are eligible for rollover are contained in the Special Tax Notice that is delivered with distributions that are eligible for rollover, including, among other subjects, when earnings on Roth contributions are not subject to current taxation (that is, when a distribution from a Roth account is a "qualified distribution") and a more detailed discussion of the 10% early withdrawal tax referred to above. If your distribution is not eligible for rollover (for example, an in-service hardship distribution), you may obtain a copy of this notice by contacting the ADP Call Center through the Voice Response System.