



BOARD OF DIRECTORS

Legal Services Corporation  
America's Partner for Equal Justice

## RESOLUTION

### REGARDING AMENDMENT

of the

### CORPORATION'S 403(b) THRIFT PLAN

[Resolution # 2002-005]

**WHEREAS** the Board of Directors ("Board") of the Legal Services Corporation established a 403(b) Thrift Plan called the "403(b) Thrift Plan for Employees of the Legal Services Corporation" ("the Plan") effective December, 1988 to provide retirement benefits for LSC employees;

**WHEREAS** LSC appointed Diversified Investment Advisers ("DIA") to administer the Plan and adopted DIA's restatement of the Plan that became effective on April 1, 2001;

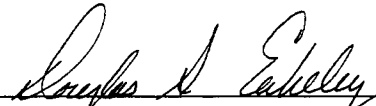
**WHEREAS** various provisions of the Small Business Job Protection Act of 1996, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Taxpayer Relief Act of 1997, the Internal Revenue Service Restructuring and Reform Act of 1997, the Community Renewal Tax Relief Act of 2000 and the Uruguay Round Agreements Act, collectively referred to by the IRS as GUST legislation, require that the Plan that became effective on April 1, 2001 be amended and LSC may make certain elections as set out in the hereto appended *Summary of GUST Amendments*;

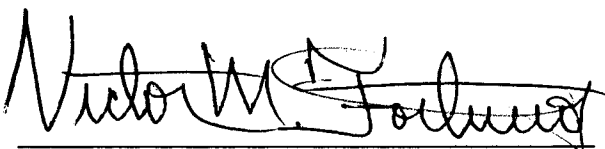
**WHEREAS**, under section 9.1 of the Plan, the Board has the right to amend the Plan;

**NOW, THEREFORE, BE IT RESOLVED THAT:**

1. The officers of LSC are hereby authorized and directed to take such action as may be necessary, appropriate or advisable to amend the Plan and make appropriate elections pursuant to the GUST legislation on behalf of LSC and to implement such amendments.
2. The appropriate officers and agents of LSC are hereby authorized and directed to take such further action as may be necessary, appropriate or advisable to effectuate this resolution.

**Adopted by the Board of Directors  
on April 6, 2002**

  
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Douglas S. Eakeley, Chair  
Board of Directors

  
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Victor M. Fortuno  
Vice President for Legal Affairs,  
General Counsel & Corporate Secretary

**Summary of "GUST" Amendments to the  
403(b) Thrift Plan for Employees of LSC**

*Subject to any necessary technical corrections.*

The Special "GUST" Amendments will amend the Plan to reflect certain changes in applicable law pursuant to the Community Renewal Tax Relief Act of 2000, the Internal Revenue Service Restructuring and Reform Act of 1998, the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, the Uniformed Services Employment and Reemployment Rights Act of 1994, and the Uruguay Round Agreements Act, which are collectively referred to by the IRS as "GUST."

LSC amended the 403(b) plan in 1997 to bring it into compliance with the provisions of some of this legislation however we need to further amend the plan as follows:

- 1) Amends the first sentence of Section 1.1(14) of the Plan for years beginning after December 31, 1994, by adding the words "which has been amended by the Uruguay Round Agreements Act immediately following the words "Code Section 415(c)."

**This amendment makes no material change in the Plan, it simply references the Uruguay Round Agreements Act in the plan definition of "Contribution Limit" to bring the plan language into compliance with this legislation.**

- 2) Amends the final sentence of Section 1.1(14) of the Plan, effective January 1, 2001, by the addition of the text "132(f)(4)," immediately following the words "Code Sections 125,".

**This citation refers to the Qualified Transportation Fringe Benefit. It brings the plan language into compliance with the relevant provisions of the Community Renewal Tax Relief Act of 2000 but will have no material effect on the plan.**

- 3) Amends Section 1.1(29) of the Plan, effective January 1, 2001 by adding the following language at the end thereof:

"Includible Compensation shall also include any amount which is contributed or deferred by the Employer at the election of the Employee and which is not includible in the gross income of the Employee by reason of Code Section 132(f)(4)."

**Pursuant to this legislation salary deferrals for a Qualified Transportation Fringe Benefit Plan must be included in Compensation. It will have no material effect on the LSC Thrift Plan as our transportation benefit is fully paid by the Corporation not by employee deferral contributions.**

4) Section 4.8(b)(2)(i) of the Plan is amended, effective for distributions after December 31, 1998, to read as follows:

- (i) Eligible rollover distribution: An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy of the distributee or the joint lives (or joint life expectancies of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities). In addition, the portion of a distribution from a custodial account described in section 403(b)(7) of the Code made on account of hardship that is ineligible for rollover treatment is the amount of contributions made pursuant to a salary reduction agreement increased by any other amounts held in the custodial account as of the close of the last year beginning before January 1, 1989. However, in the case of an annuity contract described in section 403(B)(1) of the Code, the portion of a hardship distribution that is ineligible for rollover treatment is the amount of contributions made pursuant to a salary reduction agreement in years beginning after December 31, 1988, and does not include amounts held in the contract as of the close of the last year beginning before January 1, 1989, or amounts attributable to non-elective employer contributions."

If another event occurs, such as the employee's separation from service or attainment of age 59 ½, so that distribution of an amount is permitted, without regard to hardship, under section 403(b)(7) or section 403(b)(11) of the Code, no amount distributed after that event is ineligible for rollover treatment on account of being a hardship distribution described in section 403(b)(7) or section 403(b)(11) of the Code. This rule applies regardless of whether the Code section 403(b) annuity characterizes the distribution as a hardship distribution described in section 403(b)(7) or section 403(b)(11) of the Code.

If a portion of a distribution that includes a hardship distribution is not includible in gross income, the portion of the distribution that is not includible in gross income is first allocated to the hardship distribution and then any remaining portion not includible in gross income is allocated to the portion of the distribution that is not a hardship distribution.

**This Gust Amendment provides that as of January 1, 1998, hardship distributions of 403(b) salary reduction contributions are not eligible to be rolled over to any other plan. The only exception to this rule is if the employee has another triggering event such as attainment of age 59 ½, termination of service or disability. If so, the hardship distribution is then eligible to be rolled over into another plan.**

**NOTE: One of the EGTRRA Amendments you approved in the January Board Meeting changes this provision entirely. Now no portion of a hardship distribution can be rolled over.**

- 5) Special Loan Amendment - amends Section 8.5(e) as of July 31, 2000, by adding the following language at the end thereof:

“Notwithstanding anything to the contrary in this Section 8.5, in the event of a bona fide leave of absence (other than for Qualified Military Service), loan repayments will be suspended under the Plan as permitted by final Treasury regulations under Code Section 72 (p). Section 2.10 discusses suspension of loan repayments for Qualified Military Service.”

**Amends the referenced section of the Plan to specify that loan repayments may be suspended in the event of a bona fide leave of absence for any reason other than Qualified Military Service. Also clarifies that suspension of repayments due to Qualified Military Service are discussed in §2.10 of the Plan.**