Request for Hardship Disbursement

LIFE CARE CENTERS OF AMERICA INC., 401(k) SAVINGS PLAN

Instructions

Complete each section below using blue or black ink. Then, **fax all pages (including evidence of hardship) to Life Care at 1-423-339-8308 or mail all pages to:**

Life Care Centers of America, Inc.
Attention 401(k) Department
PO Box 3480
3001 Keith Street, NW
Cleveland, TN 37320-3480

If approved, Life Care will request your check from Empower. Your request will not be processed without approval by the corporate 401(k) Department. If not approved, you will receive a letter of explanation. To follow the approval process, you may call the corporate 401(k) Department of Life Care Centers of America at 1-423-473-5653. Your check will be issued by Empower within approximately 48 business hours following approval by Life Care.

About You

Questions?
Call 1-877-778-2100
for assistance.

Plan number

0 0 7 8 8 1

Social Security number

___ - __ - ____

First name ______ MI ___ Last name ______

Address ______

City ______ State ___ ZIP code _____ - ____

Date of birth

__ __ ____
month *day* *year*

Gender

☐ M ☐ F

Daytime telephone number

___ - ___ - ____
area code

Notification Preference (how you prefer Empower to contact you for this request). Choose one:

☐ **Email** ______
(preferred email address)

☐ **Text** ___ - ___ - ____
(mobile phone number)

Please note: If neither email or text are selected (or both), we will default to email, if provided.

Certification of Financial Hardship

I hereby certify that (1) the net amount of my withdrawal request does not exceed the amount necessary to relieve my financial need, and (2) all other distributions (other than hardship distributions) available under all employee benefit plans maintained by my employer have been obtained or sought.

If you are requesting a hardship withdrawal to cover expenses that pertain to the individuals listed below, copies of the following additional documents must also be submitted:

- Your spouse. Marriage license. (If you do not have a marriage license and your state recognizes common-law marriage, call the number on page 1 of this form for an explanation of additional requirements.)
- Your dependent: Dependent's birth, or adoption certificate; and your most recent Form 1040 US Income tax return.
- Your primary beneficiary in effect on the date of your hardship under the Life Care Centers of America, Inc. 401(k) Savings Plan: Copy of your beneficiary form.
- Your parent: Your birth certificate.

I have checked the boxes below to indicate the reason(s) for my hardship withdrawal request, and I certify that I have included the required documentation that is listed under the reason(s) I have checked.

Attach proof dated within 45 days of request. Note: Funds can only be disbursed for **Unpaid** bills.

☐ Medical care expenses (as described in Section 213(d) of the Internal Revenue Code) incurred by, or necessary to obtain such medical care for me, my spouse, dependents, (as defined in Section 152 of the Internal Revenue Code), or primary beneficiary under the plan. You must submit:

- A copy of health care provider's itemized bill OR for future medical expenses: A signed letter from a doctor or health care provider stating the need for treatment, an estimate of the costs, and the fact that treatment will not be provided without advance payment.
- Health insurance benefit statement denying coverage for the expenses incurred. Please provide pre-determination Explanation of Benefits (EOB).
- Only dates of service for the past twelve months may be submitted for approval.

☐ Costs directly related to the PURCHASE of the primary residence YOU are purchasing (EXCLUDING mortgage payments). You must submit:

- An executed copy of the purchase agreement or construction contract, including the closing date. The closing date must be a future date no more than 45 days away. Closing costs already satisfied are not eligible reasons for a hardship withdrawal request.
- Please provide one of the below documents to verify the "estimated funds due at closing". The purchase price and the property address listed on the below document MUST match the purchase price and property address listed on the purchase agreement.
  1. The "Initial Fee Worksheet" dated within 45 days containing your name, the property address and the estimated costs due showing out of pocket expenses at time of closing.
  2. A letter from the Lender dated within 45 days verifying the amount of "estimated funds due at closing". The letter must be on financial institution's letterhead referencing the participant's name, property address and signed & titled by a representative from the facility.
  3. A copy of the Uniform Residential Loan Application (dated within 45 days) containing the "estimated funds due at closing". The loan application must contain your name and the property address.

☐ Tuition, related educational fees, room and board expenses for the next 12 months of post-secondary education for me, my spouse, or dependents, (as defined in section 152 of the Internal Revenue Code), or primary beneficiary under the plan. Inability to make student loan repayments is not an eligible hardship withdrawal reason. You must submit:

- A bill or a letter from the educational institution verifying enrollment of the student. This documentation must include:
  - The student's name.
  - The name of the institution.
  - The actual expenses.
  - The period/semester to which the expenses pertain. Request must be approved before the period/semester start date. We are unable to reimburse for prepayment of expenses. Unpaid expenses for prior periods/semesters are not eligible for hardship withdrawal.

Important information and signature required on the following pages

Social Security Number________________________

Certification of Financial Hardship *(continued)*

☐ The need to prevent eviction from my principal residence or to prevent foreclosure on the mortgage on my principal residence. You must submit:

- An executed copy of the formal legal document (court order or notarized letter from landlord) giving notice of eviction under state law. The address on the document must match the address on our records. The documentation must include:
  - Your name as the subject party in the notice.
  - Name of landlord.
  - Contact information (address or phone number) of the landlord or the landlord's attorney.
  - The dollar amount due and the specific months for which payment is owed. This can include court costs and legal fees related to the proceedings.
  - The date payment is due before eviction proceedings are to take place.
- An executed copy of the formal legal document (intent to foreclose or a court order) giving notice of foreclosure under state law. The address on the document must match the address on our records. The document must:
  - Be a court order or must be printed on letterhead of the financial institution or the institution's attorney.
  - Include the dollar amount that is due. This can include delinquent taxes on your primary residence and court costs and legal fees related to the proceedings.
  - The date payment must be received to prevent foreclosure proceedings.

☐ Payments for burial or funeral expenses for my deceased parent, spouse, children, or dependents (as defined in Section 152 of the Internal Revenue Code), or primary beneficiary under the plan. You must submit:

- Proof of relationship.
- A certified copy of the death certificate.
- Unpaid invoices from the funeral home or mortuary naming you as the party responsible for final payment. These invoices must include:
  - The name of the deceased.
  - Your relationship to the deceased.
  - The total amount due.
- Unpaid invoices from other parties to pay additional expenses associated with the funeral.
  - Covered expenses include opening/closing of a grave, a burial plot, a burial vault or grave liner, a marker or monument, a crypt, cemetery perpetual care charges, honoraria for clergy, a funeral breakfast/luncheon/dinner expenses associated with the funeral/memorial service, flowers, guest registers and acknowledgment cards, music, an urn or casket.
  - Expenses that are not covered include invoices that have been paid, burial expenses to the extent that they are covered by Veteran's benefits, travel expenses incurred by family members to attend the funeral, and prearranged/prepaid funerals.

☐ Expenses for the repair of damage to my principal residence generally resulting from a natural disaster, fire, flood damage, vandalism, or car accident. Eligible expenses are those that qualify for a casualty deduction on your federal income tax return allowed by Section 165 of the Internal Revenue Code (described in IRS Publication 547). Ineligible expenses include—but are not limited to: termite damage, drought, damage or destruction caused by progressive deterioration, and expenses that have already been paid. You must submit:

- Evidence of the casualty including a detailed description of the events that resulted in the casualty with date of event and photographic evidence, if available. The location of the casualty must match the address on our records.
- Unpaid invoices and/or contracts from a licensed contractor indicating the cost of the repairs, and evidence that insurance does not cover the cost of the repairs.

☐ Expenses and losses as a result of a federally declared disaster. **Please Note: COVID does not qualify as a declared disaster.** Expenses and losses (including loss of income) incurred by the employee on account of certain disasters declared by the Federal Emergency Management Agency (FEMA), provided that the employee's principal residence or principal place of employment at the time of the disaster was located in an area designated by FEMA for individual assistance with respect to the disaster as allowed by your plan. *Please refer to the Attachment to the *Hardship Withdrawal Request: Expenses and Losses as a Result of a Federally Declared Disaster* for required documentation.

Important information and signature required on the following pages

Amount of Hardship

Amount of hardship needed for the box selected in the Certification of Financial Hardship section: $___________.00

If you do not check the box below, the "gross up" will not occur. You may include in the hardship disbursement amount additional amounts necessary to pay anticipated federal or state income tax and penalties. If you would like your gross payment to include taxes and fees reasonably anticipated to result from this hardship disbursement (this is called a "gross up"), check the following box.

☐ **I would like to increase the amount of my hardship withdrawal request to cover any federal and state income taxes, penalties, and any applicable fees that may reasonably be anticipated as a result of this disbursement including early withdrawal penalty tax payable to participant.**

Note: Your election for Federal and State Income Tax in the following sections will be considered in the "gross up" calculation.

The disbursement amount will be taken from your account according to the hierarchy determined by the Administrator. If the amount requested exceeds your maximum hardship withdrawal amount, you will be paid the maximum amount available.

Election for Withholding of Federal Income Tax

Federal tax laws require us to withhold income taxes from the taxable portion of a qualified retirement plan distribution. Some states also require withholding from the taxable portion of your distribution if federal income tax is withheld.

For Hardship disbursements, the default federal income tax withholding rate is 10%. You can choose to have a different rate by entering a rate between 0% and 100% below. You can't elect out of withholding or choose less than 10% if you do not provide a Social Security Number (SSN) or Taxpayer Identification Number (TIN) or if payments are delivered outside the United States and its possessions.

You can elect to have no federal income taxes withheld by entering 0% on line 2 below. **If you elect out of withholding, you are still responsible for payment of any taxes due, and you may incur penalties if your withholding and/or estimated tax payments are not sufficient.**

1. ☐ I elect **to have** federal income tax withheld at 10% from the taxable portion of my distribution.
2. ☐ Complete this line if you would like a rate of withholding that is different from the default 10% withholding rate or wish to elect out of withholding (enter"-0-" on the line below). See the instructions on page 2 of Form W-4R (*www.irs.gov/pub/irs-pdf/fw4r.pdf*) and the Marginal Rate Tables below for additional information. Enter the rate as a whole number (no decimals): _________________ %.

It is our understanding a hardship disbursement is not eligible to be rolled over. All or part of the taxable portion of your hardship disbursement may be subject to an additional 10% federal income tax penalty on early distributions, unless you qualify for an exception.

If this section is left blank or is not returned, Empower is generally required to default withhold 10% federal income taxes and any mandatory state income taxes, if applicable. If you are not a U.S. person, you must submit the applicable IRS Form W-8 series.

Neither Empower nor any of its employees, agents or representatives can give legal or tax advice, or financial advice on behalf of the Plan. You are urged to consult your own personal legal, tax and/or financial advisor with any questions on adjustments, deductions, or tax credits that may apply to your particular situation before you take any action relating to Plan benefits.

Express Mail

(check box if applicable)

☐ I wish to have my disbursement check sent by express mail. Therefore, please deduct $25.00 from my account prior to the distribution. **Please Note:** Express mail is *not* available for delivery to post office boxes.

Social Security Number______________________

Election For Withholding of State Income Taxes
(For Single Sum Payments and Rollovers of non-Roth money to a Roth IRA)

A. Mandatory State Withholding: If you reside in a state where state income tax withholding is mandatory **AR, CA*, DC (mandatory for total single sum distributions only), DE, IA, KS, MA, MD (mandatory for eligible rollover distributions only, subject to 20% mandatory federal withholding), CT, ME, MI (see below), MN, NC, NE, OK*, OR*, VA** or **VT*** applicable withholding will be deducted automatically, unless an election out is applicable (see below). Note: Some states require withholding if federal income tax is withheld from the distribution.

If you are a resident of **IA**, have federal income taxes withheld, and receive one or more distributions totaling more than $6,000 in the calendar year, **IA** income taxes are required to be deducted for the amount over $6,000.

☐ My resident state is **AR, DE, KS, ME, MN, NC, NE,** or **VA (for NE and VA, election out is allowed for payments from IRA's only)** and I do not want state income tax withholding deducted from my distribution. (An election out of **AR, DE, KS, ME, NC,** or **VA** state tax is not allowed for eligible rollover distributions, subject to 20% mandatory federal withholding.) ***Important note to Maine (ME) residents. If you elect out of ME withholding, you must either have elected out of federal withholding, or have no Maine State tax liability in the prior or current years.***

☐ *My resident state is one of the following: **CA**, **OK**, **OR, **VT** and withholding is required if federal income tax is withheld, unless I elect out of state withholding. By checking this box I am electing out of state withholding. **An election out is not allowed for eligible rollover distributions, subject to 20% mandatory federal withholding.

☐ My resident state is **CT** and Empower will withhold 6.99% on your taxable distribution. Please note that if you are not requesting a distribution of your entire account balance and if Form CT-W4P, *Withholding Certificate for Pension or Annuity Payments*, applies to you, please return Form CT-W4P as part of this distribution form. Form CT-W4P is available on the Department of Revenue Services (DRS) website, at www.ct.gov/DRS.

My resident state is **MI** and withholding of 4.25% is required, unless my payments are <u>not</u> taxable and I opt out.

☐ My resident state is **MI** and I would like to opt out of **MI** withholding. Note: Opting out may result in a balance due on your **MI 1040** as well as penalty and/or interest.

☐ My resident state is **MI** and if my payments <u>are</u> taxable, I wish to have **MI** state withholding based on the number of exemptions selected. I have entered the number of exemptions below:

________Enter the number of personal exemptions allowed on your Michigan Income Tax Return (MI-1040). The total number of exemptions you claim may not exceed the number of exemptions you are entitled to claim when you file your **MI-1040**. Withholding will be computed at the percentage determined by the state after subtracting your personal exemption allowances.

☐ My resident state is **MI** and I am requesting ________% <u>additional</u> **MI** state tax withheld from my payment. This amount must be a <u>whole</u> percentage.

B. Voluntary State Withholding: Please check the appropriate box below. If state income tax withholding is not mandatory in your state, you may be allowed to request state tax withholding. If your state of residence is not listed, or if you choose a method of withholding that is not offered for your state, we cannot withhold state income tax.

☐ I reside in one of the following voluntary withholding states: **AL, CO, DC (voluntary for partial and systematic distributions), GA, ID, IA (voluntary if no federal tax withheld) IL, IN, KY, LA, MD (non-eligible rollover distributions only), MA (voluntary if no federal income tax withheld), MO, MS (voluntary except for early distributions)**, **MT, ND, NE, NJ, NM, NY, OH, PA, RI, SC, UT, VA, WI, WV (NE and VA state withholding is voluntary for payments from IRA's only)** and would like state income tax withheld. (Specify a percentage or dollar amount to be withheld.)
_____________% or $__________________

☐ I reside in one of the voluntary withholding states listed above and I do not want state income tax withholding deducted from my distribution.

C. No State Withholding: Some states do not have state income tax withholding.

☐ My resident state is one of the following: **AK, FL, HI, NV, NH, SD, TN, TX, WA, WY** and there is no state income tax withholding.

☐ My resident state is **AZ** and there is no state income tax withholding on non-periodic (single sum) payments.

Important information and signature required on the following page

Social Security Number______________________

Your Authorization

I certify that the information I have provided is true and correct and will be relied upon in processing my request. I understand that any failure in this regard, inaccurate assertion or misrepresentation may jeopardize the ability of my employer to offer a plan and may subject me to disciplinary action, including severance from employment. I will be responsible for its accuracy in the event any dispute arises with respect to the transaction.

I certify that I have obtained or sought all other distributions (other than hardship distributions) under this and all other employee benefit plans maintained by my employer, that I have insufficient cash or other liquid assets to satisfy the need, and that the net amount of my withdrawal request does not exceed the amount necessary to relieve my financial need.

I understand that my request for a hardship withdrawal from the Plan may generally not be revoked once processed.

By signing below, I consent to allow Life Care to request and obtain information for the purpose of verifying my eligibility for a financial hardship under this Plan.

I have read the attached Special Tax Notice Regarding Plan Payments and I understand the implications regarding this disbursement.

X ______________________________ *Date* ____|____|____

Participant's signature

Your Plan Authorization

This section will be completed by the corporate 401(k) Department of Life Care Centers of America.

Approved by:

X ______________________________ *Date* ____|____|____

Life Care Centers of America, Inc. Retirement Committee
Members: J. Steven Ziegler, John E. Bottley III, Cathy Slaton, Kelley Falcon, Todd Fletcher

Social Security Number______________________

Federal Marginal Rate Tables

2023 Marginal Rate Tables

You may use these tables to help you select the appropriate withholding rate for this payment or distribution. Add your income from all sources and use the column that matches your filing status to find the corresponding rate of withholding. See page 2 for more information on how to use this table.

Single or Married filing separately		**Married filing jointly or Qualifying surviving spouse**		**Head of household**	
Total income over—	**Tax rate for every dollar more**	*Total income over—*	**Tax rate for every dollar more**	*Total income over—*	**Tax rate for every dollar more**
$0	**0%**	$0	**0%**	$0	**0%**
13,850	**10%**	27,700	**10%**	20,800	**10%**
24,850	**12%**	49,700	**12%**	36,500	**12%**
58,575	**22%**	117,150	**22%**	80,650	**22%**
109,225	**24%**	218,450	**24%**	116,150	**24%**
195,950	**32%**	391,900	**32%**	202,900	**32%**
245,100	**35%**	490,200	**35%**	252,050	**35%**
591,975*	**37%**	721,450	**37%**	598,900	**37%**

* If married filing separately, use $360,725 instead for this 37% rate.

ATTACHMENT TO THE HARDSHIP WITHDRAWAL REQUEST
EXPENSES & LOSSES AS A RESULT OF A FEDERALLY DECLARED DISASTER

DEFINITION
This attachment is intended to be utilized by participants who have incurred expenses and losses (including loss of income) on account of a disaster declared by the Federal Emergency Management Agency (FEMA) under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, Pub. L. 100-707, provided that the employee's principal residence or principal place of employment at the time of the disaster was located in an area designated by FEMA for individual assistance with respect to the disaster.

1. DISASTER INFORMATION

☐ Federally declared disaster reason (list the event / disaster): ____

☐ Provide a description of the expenses or loss and its cause (the loss must have occurred within the last 12 months): ________
____

☐ You must **reside** or **work** in an area designated as a disaster by FEMA as described above:
- ☐ I **reside** in an area that was affected. County: ____
  Address of residence**: ____
- ☐ I **work** in an area that was affected. County: ____
  Address of employment: ____
  - ➢ The address must be in a FEMA designated disaster area, as described above and will be verified in payroll:

2. DOCUMENTATION REQUIREMENTS

☐ I hereby request a Hardship Withdrawal resulting from a Federally declared disaster area for the following reason(s). I understand I need to provide supporting documentation, as detailed below:

Expense (check all that apply):	Documentation Required:
☐ **Food or Shelter** *(Hotel, lodging)* ☐ **Fuel for Primary Heat Source** *(Heating oil, natural gas, firewood, or gasoline for generator)* ☐ **Clean-up Items** *(Rental or purchase of wet/dry vacuum, dehumidifier)* ☐ **Transportation Needs** *(Towing, gasoline, repairs, public transportation while vehicle is being repaired)* ☐ **Essential Non-Luxury Personal Items** *(Phone, tools required for job, clothing destroyed in storm, furniture, appliances)*	• Itemized receipts or credit card statement identifying the expense(s): ○ Statement or receipt date within 60 days of the request ○ Itemization of the expense(s) **OR** • Unpaid invoices evidencing the expenses, listing the following: ○ Invoice date within 60 days of the request ○ Name of the company ○ Itemization of the costs(s) ○ Total amount due
☐ **Moving and Storage** *(Storage units, moving company, rental of a moving vehicle)* ☐ **Restoration of Property** *(Tree removal, debris removal)*	• Invoices and/or contracts evidencing the cost of repair or expenses, listing the following: ○ Invoice and/or contract date within 60 days of the request ○ Name of the contractor or company ○ Your name (if this is in your spouse's name, proof of relationship is required, ex: marriage certificate) ○ Property address ○ Itemization of the repair(s) ○ Total amount due • **In addition to the above documentation**, the following information is required for **<u>Restoration of Property</u>** expenses**:** ○ Copy of insurance claim from your insurance company verifying what portion, if any, is covered by insurance ○ If you do not have homeowner's insurance, you must attach a signed and dated letter stating you did not have insurance at the time of the loss
☐ **Loss of Income**	• See below

****** If your address in payroll does not match the address listed, you must provide ONE of the following items for proof of residence:
- ☐ Copy of your valid driver's license
- ☐ Copy of any bill dated within the last 60 days

<u>IMPORTANT</u>: Your signature is required on the following page (under #3 Certification). Your request will not be accepted without this.

Social Security Number________________________

ATTACHMENT TO THE HARDSHIP WITHDRAWAL REQUEST
EXPENSES & LOSSES AS A RESULT OF A FEDERALLY DECLARED DISASTER

LOSS OF INCOME (Complete this section only if "Loss of Income " is selected on Page 1)

NOTE TO ALL PARTIES: The information provided is subject to further review, up to and including verification by your Plan Administrator. Incomplete or incorrectly completed forms will not be accepted.

SECTION I: TO BE COMPLETED BY THE PARTICIPANT

INSTRUCTIONS FOR RETIREMENT PLAN PARTICIPANT:
For loss of income claims relating to a Federally declared disaster area, please complete ONLY Section I.

☐ I am requesting the amount of $____________________ due to my own loss of income on account of a disaster declared by FEMA for individual assistance.

- ❖ Please note: The amount requested should be included in the amount shown in the “Hardship Request Amount” section of the Hardship Withdrawal Request Form.
- ❖ Start Date of Loss of Income: _____/_____/_____ Return Date / Anticipated Return: _____/_____/_____

3. CERTIFICATION

☐ In addition to the representations included in the hardship withdrawal form, I hereby certify, under the pains and penalties of perjury, that: (1) this request is made on account of a hardship resulting from a federally declared disaster; (2) the amount I am requesting does not exceed the amount necessary to relieve this financial need; (3) I reside and/or work in an area located in a county identified for individual assistance by FEMA; (4) I was not otherwise reimbursed for the expense (such as my insurance or by FEMA).

X____ Date ______|______|______
Participant’s signature **(REQUIRED)**

Social Security Number______________________

SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

Retain for Your Records

This notice is provided to you by Prudential Financial, Inc., on behalf of the plan administrator ("Plan Administrator").

Right to Defer Distributions from Defined Contribution Plans

You may be eligible to receive a distribution from your employer's retirement plan now. Instead of taking a distribution now, you may elect to defer receiving a distribution until a later date -- typically as late as age 70½. (If your account balance does not exceed $5,000 (or the amount of your plan's cashout threshold), you may not have a right to defer payment.) If you defer receiving a distribution, the plan investment options available to you thereafter (including related fees) generally will be the same as those available to active employees. However, certain plan features, such as the right to repay or take a loan from the plan, may not be available if you have terminated employment. Please refer to your summary plan description and fund fact sheets for more information about plan investment options, investment related expenses, any plan restrictions or charges applicable to terminated employees, payment options, and any other special rules that may impact your distribution decision. If you elect to receive a distribution that you roll over to another eligible retirement plan such as an IRA, the investment options offered under your current employer's plan (e.g., mutual funds, employer stock) may not be available to you or, if available, are likely to carry higher expenses if transferred to an IRA. If you elect to receive a distribution but do not roll it over to another eligible retirement plan, such action triggers taxation (possibly including a 10% penalty), results in loss of future tax-deferred earnings (if any) and may diminish the funds available to you for retirement purposes. For additional information about plan investment options (and related fees), plan restrictions or charges applicable to terminated employees who defer receiving a distribution, or if you have other questions regarding your right to defer a distribution, and the consequences of failing to defer, please contact Prudential at the number provided on your benefit statement.

For Payments Not From a Designated Roth Account

This notice describes the rollover rules that apply to payments from your employer's plan (the "Plan") that are not from a designated Roth account (a type of account with special tax rules in some employer plans). A different notice is provided for payments from a designated Roth account.

YOUR ROLLOVER OPTIONS

This notice is provided to you because all or part of the payments that you may receive from the Plan may be eligible for rollover to an IRA or an eligible employer plan. This notice is intended to help you decide whether to do such a rollover. If you have additional questions after reading this notice, you can contact your Plan Administrator.

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 (generally, distributions made before age 59½), 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).

What types of retirement accounts and plans may accept my rollover?

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.

<u>If you do a direct rollover</u>, 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.

<u>If you do not do a direct rollover</u>, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. Generally, 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 (if you were born before July 1, 1949) or age 72 (if you were born after June 30, 1949) 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;
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution; and
- 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 applies to the part of the distribution that you must include in income and 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 plan made after you separate from service if you are a qualified public safety employee and you will be at least age 50 in the year of the separation;
- Payments of up to $5,000 made to you within one year after the birth or adoption of a child;
- 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;

- 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;
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution;
- Payments for certain distributions relating to certain federally declared disasters; and
- Phased retirement payments made to federal employees.

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 on the part of the distribution that you must include in income, 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:

- The exception for payments made after you separate from service if you will be at least age 55 in the year of the separation (or age 50 for qualified public safety employees) does not apply.
- 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 for health insurance premiums 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 included in the payment, so you cannot take a payment of only after-tax contributions. However, 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. In addition, special rules apply when you do a rollover, as described below.

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). If you do a direct rollover of only a portion of the amount paid from the Plan and at the same time the rest is paid to you, the portion directly rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of $12,000, of which $2,000 is after-tax contributions. In this case, if you directly roll over $10,000 to an IRA that is not a Roth IRA, no amount is taxable because the $2,000 amount not directly rolled over is treated as being after-tax contributions. If you do a direct rollover of the entire amount paid from the Plan to two or more destinations at the same time, you can choose which destination receives 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 distribution of $12,000, of which $2,000 is after-tax contributions and no part of the distribution is directly rolled over. In this case, if you roll over $10,000 to an IRA that is not a Roth 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. Under certain circumstances, you may claim eligibility for a waiver of the 60-day rollover deadline by making a written self-certification. Otherwise, to apply for a waiver from the IRS, 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-A, *Contributions to 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 outstanding amount of the loan, typically when your employment ends. The offset amount is treated as a distribution to you at the time of the offset. Generally, you may roll over all or any portion of the offset amount. Any offset amount that is not rolled over will be taxed (including the 10% additional income tax on early distributions, unless an exception applies). You may roll over offset amounts to an IRA or an employer plan (if the terms of the employer plan permit the plan to receive plan loan offset rollovers).

How long you have to complete the rollover depends on what kind of plan loan offset you have. If you have a qualified plan loan offset, you will have until your tax return due date (including extensions) for the tax year during which the offset occurs to complete your rollover. A qualified plan loan offset occurs when a plan loan in good standing is offset because your employer plan terminates, or because you sever from employment. If your plan loan offset occurs for any other reason, then you have 60 days from the date the offset occurs to complete your rollover.

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 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

If you roll over a payment from the Plan 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).

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-A, Contributions to Individual Retirement Arrangements (IRAs) and IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs).

If you do a rollover to a designated Roth account in the Plan

You cannot roll over a distribution to a designated Roth account in another employer's plan. However, you may be able to roll the distribution over into a designated Roth account in the distributing Plan. If you roll over a payment from the Plan 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).

If you roll over the 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 are age 59½ (or after your death or disability) and after you have had a 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 you made the first contribution 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 of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies).

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 were born before July 1, 1949) or age 72 (if you were born after June 30, 1949).

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 born before July 1, 1949) or age 72 (if born after June 30, 1949).

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 and the same tax treatment that 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). However, 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 is not required to allow you to do a direct rollover and is not required to withhold 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, or the amount of your plan's cashout threshold (not including any amounts held under the plan as a result of a prior rollover made to the plan).

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information on special rollover rights related to the U.S. Armed Forces, see IRS Publication 3, Armed Forces' Tax Guide. You also may have special rollover rights if you were affected by a federally declared disaster (or similar event), or if you received a distribution on account of a disaster. For more information on special rollover rights related to disaster relief, see the IRS website at www.irs.gov.

If you expatriate from the U.S., you may be subject to special rules, and should consult with your personal tax advisor to determine if you are required to provide Prudential with IRS Form W-8CE.

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-A, Contributions to Individual Retirement Arrangements (IRAs); IRS Publication 590-B, Distributions from 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.

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