

SPECIAL TAX NOTICE - HARDSHIP DISTRIBUTIONS

Updated 3/2/09

This Notice contains important information about federal income tax consequences of a hardship distribution from the HRSA-ILA Annuity & Savings Plan. Please read it carefully and discuss it with your tax advisor prior to making the election to receive a Hardship Distribution from the Plan.

HARDSHIP PAYMENT PAID TO YOU

NOT ELIGIBLE FOR ROLLOVER. Hardship distributions from the HRSA-ILA Annuity & Savings Plan are not eligible for rollover to another qualified plan. This means you will not have the option to continue to defer federal income tax on your retirement savings in the Plan through the rollover method.

VOLUNTARY INCOME TAX WITHHOLDING. Mandatory withholding rules for most Annuity & Savings Plan distributions do not apply. **However, hardship withdrawals are taxable, and additional taxes will be due upon tax filing if an adequate amount is not withheld.** You may elect to have additional federal and state taxes withheld in order to meet the tax obligation due on such distribution. If you do nothing, 10% will be taken out of this portion of your payment for federal income tax withholding. To make an additional tax withholding or to waive tax withholding, ask the Plan Administrator for the election form and related information.

ADDITIONAL 10% TAX IF YOU ARE UNDER AGE 59½. If you receive a payment before you reach age 59½ and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. **Most hardship withdrawals, except for those made for medical or disability reasons, will be subject to the additional 10% tax in addition to federal and state income taxes.** The additional 10% tax generally does not apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55, or if you are a qualified public safety employee as described in Code Section 72(t)(10)(A), payments that are paid to you from a governmental defined benefit plan after you separate from service with your employer during or after the year you reach age 50, (2) payments that are paid because you retire due to disability, (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies), (4) dividends paid with respect to stock by an employee stock ownership plan (ESOP) as described in Code Section 404(k), (5) payments that are paid directly to the government to satisfy a federal tax levy, (6) payments that are paid to an alternate payee under a qualified domestic relations order, (7) payments that do not exceed the amount of your deductible medical expenses, (8) qualified reservist distributions as described in Code Section 72(t)(2)(G) made to an individual who is a reservist or national guardsman and who was ordered or called to active duty after September 11, 2001 and before December 31, 2007 for a period in excess of 179 days or for an indefinite period, and (9) qualified hurricane distributions made to qualified individuals as described in Code Section 1400Q(a). See IRS Form 5329 for more information on the additional 10% tax.

HOW TO OBTAIN ADDITIONAL INFORMATION

This Notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules are complex and contain many conditions and exceptions that are not included in this Notice. Therefore, you may want to consult with a professional tax advisor BEFORE you take a payment of your benefits from the Plan. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, *Pension and Annuity Income*, and IRS Publication 590, *Individual Retirement Arrangements*. These publications are available from your local IRS office, on the IRS's Internet Web Site at www.irs.gov or by calling 1-800-TAX-FORMS.

1. What is a Qualified Preretirement Survivor Annuity (QPSA)?

Your spouse has an account in the Plan. The money in the account that your spouse is entitled to receive is called the vested account. You are entitled to a death benefit payable from your spouse's vested account if your spouse dies before beginning to receive retirement benefits (or, if earlier, before the beginning of the period for which termination benefits are paid). You have the right to receive this monthly payment for your life beginning upon your spouse's death. The special death benefit is called a Qualified Preretirement Survivor Annuity (QPSA). The Plan will pay this death benefit in a one-sum cash payment, rather than an annuity, if the value of the death benefit is less than the Plan's minimum cash out amount (contact the Administrator for details). The Plan may exclude rollover contributions in determining account balance.

2. Can Your Spouse Choose Other Beneficiaries to Receive the Account?

Your right to the QPSA benefit provided by federal law cannot be taken away unless you agree to give up that benefit. If you agree, your spouse can choose to have all or a part of the death benefits paid to someone else. The person your spouse chooses to receive the death benefits is usually called the "beneficiary." For example, if you agree, your spouse can have the death benefits paid to his or her children instead of you.

3. How Can Your Spouse's Choice of a Loan or Distribution Change the Way Benefits are Paid?

If you consent to your spouse's request for a loan or distribution from the Plan, the QPSA benefit may be reduced. *Example: Robin, the participant, elects to receive a loan from the Plan in the amount of \$2,000. To obtain the loan, Marion, Robin's spouse, must consent to the loan. If she consented and Robin dies soon after the loan, Marion may only be entitled to a benefit of the remaining account balance less the outstanding balance of the loan.*

4. Do You Have to Give Up Your Right to the Qualified Preretirement Survivor Annuity?

Your choice must be voluntary. It is your personal decision whether you want to give up your right to the annuity.

5. Can Your Spouse Make Future Changes if You Sign this Form?

If you sign this form, you agree that some or all of the account balance may be withdrawn from the Plan as requested by your spouse via a voice response system, the Internet, or an employee activity form. Your spouse cannot change the withdrawn amount after payment is made.

6. Can You Change Your Mind After You Sign this Form?

You cannot change this form after you sign it. Your decision is final.

7. What Happens to this Agreement if You Become Separated or Divorced?

You may lose your right to the QPSA if you become legally separated or divorced from your spouse even if you do not sign this form. Under such circumstance, however, you may be able to get a special court order, called a Qualified Domestic Relations Order or "QDRO," that specifically protects your rights to receive the QPSA or gives you other benefits under this Plan. If you are thinking about separating or getting a divorce, you should acquire legal advice on your rights to benefits from the Plan.

8. What Should You Know Before Signing this Form?

This is a very important decision. Think very carefully about whether you want to sign this form. Before signing, be sure you understand what death benefits you are eligible to receive and the effect of reducing or eliminating the account balance. Be sure to review any applicable employee activity form completed by your spouse and the Summary Plan Description (SPD). For additional information, you may contact the Plan Administrator.