HARDSHIP DISTRIBUTIONS

The new safe harbor rules for hardship distributions under the final 2004 401(k) regulations are as follows:

1. Medical expenses (not limited by 7.5% of AGI) described under Code §213(d) incurred or anticipated to be incurred by the employee, the employee's spouse or dependent. The Working Families Tax Relief Act expanded the definition of dependent to include non-custodial children.

2. Purchase (excluding mortgage payments) of a principal residence of the employee.

3. Tuition and related educational fees for the next 12 months for post-secondary education for the employee, spouse, children or dependents. The Working Families Tax Relief Act expanded the definition of dependent to include non-custodial children.

4. Payment to prevent eviction from the employee's primary residence or foreclosure on the mortgage on the employee's primary residence.

5. Funeral expenses of parents, spouse, children or dependents. The Working Families Tax Relief Act expanded the definition of dependent to include non-custodial children.

6. Certain expenses relating to the repair of damage to the employee's principal residence that would qualify for the casualty deduction, such as those resulting from hurricane or flood damage (determined without regard to whether the loss exceeds 10% of adjusted gross income).

***Please Note*:**

- When a hardship withdrawal is requested, the participant must provide documentation to the employer as proof of hardship.

- If the hardship is granted, there is a mandatory suspension of deferrals for six (6) months.

- Hardship withdrawals from elective deferral accounts are "limited" to contributions only (does not include earnings).

- Hardships are not permitted from QNEC's (including safe-harbor contributions) and QMAC's.

- Hardship distributions are subject to ordinary income tax and an additional 10% penalty for early withdrawals prior to age 59 ½.