

**SUMMARY PLAN DESCRIPTION  
OF THE  
MARCH 1998 RETIREMENT BRIDGE PROGRAM  
EMPLOYEES AFFECTED BY THE  
WELLS BUSINESS UNIT WORK FORCE REDUCTION**

**INTRODUCTION**

Your employer recognizes that some employees who are affected by the work force reduction at the Wells Business Unit may face difficulty in making the transition to other employment (or to retirement) within the regular severance period. Therefore, we have developed the March 1998 Retirement Bridge Program for Salaried Employees Affected by the Wells Business Unit Work Force Reduction (the "March 1998 Retirement Bridge Program" or the "Program"). The benefits provided under the March 1998 Retirement Bridge Program are in addition to those for which you may be eligible under your employer's regular severance program.

The March 1998 Retirement Bridge Program is not automatically extended to all employees. Your employer reserves the discretion and the exclusive right and responsibility to determine the scope, application and interpretation of the March 1998 Retirement Bridge Program as well as the discretion and the exclusive right to select those employees who are eligible for benefits under the March 1998 Retirement Bridge Program. Your employer also reserves the discretion and the exclusive right and responsibility to select the scope of benefits provided under this Program.

This is a summary of the main provisions of the March 1998 Retirement Bridge Program. Since it is only a summary, it may not tell you everything you might possibly want to know about the March 1998 Retirement Bridge Program. If you have

any questions this summary does not answer, ask a representative of the March 1998 Retirement Bridge Program Administrator. You should also be certain to read this summary in its entirety. Otherwise, you might miss information which could affect your understanding of the March 1998 Retirement Bridge Program.

## GENERAL INFORMATION

The sponsor of the March 1998 Retirement Bridge Program is Eastern Associated Coal Corp. ("EACC"). The Employer Identification Number of the Plan Sponsor is:

Eastern Associated Coal Corp. 25-1125516

The plan number for the Program is 534.

The type of plan is a severance benefit plan.

The Program Administrator is Eastern Associated Coal Corp., c/o Employee Compensation and Benefits Department, Director Human Resources. The Program Administrator can be contacted at (304) 340-1859.

The agent for service of legal process is the Program Administrator.

All severance benefits under the March 1998 Retirement Bridge Program are paid from your employer's general assets.

## ELIGIBILITY

### **1. How do I become eligible to participate in the March 1998 Retirement Bridge Program?**

You will receive the severance benefits provided under the March 1998 Retirement Bridge Program if your employer, in its sole and complete discretion, selects you for participation in the March 1998 Retirement Bridge Program, and you meet all of the following requirements:

- a. You are a regular full-time salaried employee; and
- b. Your employment is terminated no later than March 31, 1998 as a direct result of the work force reduction the Wells Business Unit; and

- c. Your termination of employment is involuntary or you and your employer agree to the termination of your employment and your participation in this Program; and
  - d. You are within five years of being eligible for early retirement under your employer's pension plan (see Question 2); and
  - e. You do not satisfy the requirements for early retirement under your employer's pension plan (see Question 3); and
  - f. In consideration of the enhanced severance benefits provided under the March 1998 Retirement Bridge Program, you sign and return a form provided by your employer which waives any rights which you may have to bring legal action against your employer as a result of your employment or termination of employment.
- 2. How does the Program Administrator determine if I am within five years of being eligible for early retirement under my employer's pension plan?**

To be entitled to early retirement under your employer's pension plan, you must (i) have credit for ten years of service; and (ii) have attained age 55. Both the age and service requirements must be satisfied before you are eligible for early retirement. Therefore, for example, if you presently have 10 or more years of service, but you are age 50, you are not eligible for early retirement.

For purposes of the March 1998 Retirement Bridge Program, the Program Administrator will first determine your age and years of service as of March 20, 1998. (Your age will be based on your age as of your birthday on or immediately before March 20, 1998.) Next, the Program Administrator will determine what your age and years of service would have been as of March 20, 2003, if you had remained a full-time employee. If, by March 20, 2003, you would have both (i) attained age 55; and (ii) would have accrued 10 or more years of service had you remained employed, you

will be considered to be within five years of being eligible for early retirement for March 1998 Retirement Bridge Program purposes. Please note, however, that eligibility for the March 1998 Retirement Bridge Program does not mean that you are eligible for early retirement under your employer's pension plan.

#### EXAMPLES

**Example 1** A's date of birth is March 19, 1946. B's date of birth is January 1, 1946. C's date of birth is March 30, 1946. A and B will be considered to be 52 years old as of March 20, 1998. For Program purposes, C is 51 years old as of March 20, 1998.

**Example 2** As of March 20, 1998: A is 50 years old and has over ten years of service; B is 55 and has five years of service; and C is 50 and has eight years of service. Had they remained in full-time employment, A, B, and C would have satisfied the age and service requirements for early retirement as of March 20, 2003. Therefore, A, B, and C are within five years of early retirement eligibility for March 1998 Retirement Bridge Program purposes.

**Example 3** As of March 20, 1998, D is 49 years old and has credit for five years of service. Had he remained employed, D would have had credit for ten years of service as of March 20, 2003. However, on that date, D would not be eligible for early retirement because he would have not satisfied the age requirement for early retirement. (As of March 20, 2003, D will be age 54.) Therefore, D is not eligible to participate in the March 1998 Retirement Bridge Program.

### **3. Can I participate in this Program if I am eligible for early retirement under my employer's pension plan?**

The March 1998 Retirement Bridge Program is intended to provide additional financial assistance to those employees who would have been eligible for early retirement within a short time if they had remained employed, but who have not satisfied the early retirement eligibility requirements. Therefore, if you are eligible for early retirement under your employer's pension plan, you are not eligible for the March

1998 Retirement Bridge Program. (If you are retirement eligible, you may still be eligible for a different severance program, the Severance Program for Salaried Employees Affected by the Wells Business Unit Work Force Reduction.)

For purposes of determining if you are retirement eligible, all benefits for which you are eligible that can be paid in the form of pre-paid retirement will be counted. Pre-paid retirement is periodic payments equal to your regular rate of pay. Amounts that can be paid as pre-paid retirement include severance benefits and accrued vacation.

#### EXAMPLE

As of March 20, 1998, A has over 10 years of service and is entitled to 20 weeks of severance pay and 5 weeks of accrued vacation pay. Severance pay and accrued vacation pay are payable as pre-paid retirement. The last day for which A's pre-paid retirement is payable is September 11, 1998, which is also the date of A's 55th birthday.

On March 20, 1998, A is not eligible for early retirement because he has not attained age 55. However, to determine if A is eligible for this Program, A will be credited with an additional 25 weeks of pre-paid retirement (20 weeks of severance pay and 5 weeks of accrued vacation pay). A's 55th birthday occurs prior to the end of his pre-paid retirement. Because A will be retirement eligible (having attained age 55 with 10 or more years of service) once his pre-paid retirement is taken into account, he cannot participate in this Program. (A may be eligible for severance benefits under the Severance Program for Salaried Employees Affected by the Wells Business Unit Work Force Reduction.)

**4. Can I participate in both the March 1998 Retirement Bridge Program and in other severance benefit plans or programs sponsored by my employer?**

Your employer sponsors a regular severance plan (see Question 5) that is generally available to employees whose employment is terminated, irrespective of whether employment termination is the result of the March 1998 reduction in force.

As a participant in the March 1998 Retirement Bridge Program, you will receive severance benefits from both the regular severance plan and this Program.

Your employer currently sponsors another severance program, called the Severance Program for Salaried Employees Affected by the Wells Business Unit Work Force Reduction, for employees who are or will be affected by the March 1998 reduction in force. You cannot participate in both the Severance Program for Salaried Employees Affected by the Wells Business Unit Work Force Reduction and this Program. Therefore, if you participate in this Program, you will not also receive benefits from the Severance Program for Salaried Employees Affected by the Wells Business Unit Work Force Reduction.

#### BENEFITS PROVIDED UNDER THE PROGRAM

##### Severance Benefits

**5. What severance benefits will I receive under my employer's regular severance plan?**

Under the regular severance plan, provided you satisfy any applicable eligibility requirements, you will receive a severance benefit, payable in a single lump sum, on or shortly after the date of your termination of employment. This single lump sum payment will be referred to throughout this document as "Regular Severance Benefit." The amount of your Regular Severance Benefit depends on three factors:

- (a) whether you were eligible to receive overtime payments during your employment;
- (b) your base pay (see Question 12); and

(c) your years of service (see Question 11).

Under the Regular Severance Benefit program, salaried employees who were eligible for overtime during employment (non-exempt employees) will receive a severance benefit equal to their base pay for (i) one-half month (in lieu of notice) plus (ii) one additional week for each full or partial year of service, to a maximum of 13 weeks.

Salaried employees who were not eligible for overtime (exempt employees) will receive a severance benefit equal to their base pay for (i) one month (in lieu of notice), plus (ii) one additional week for each full or partial year of service, to a maximum of 13 weeks, under the regular severance plan.

#### EXAMPLES

**Example 1** A and B were exempt employees. A had 10 years of service as of the termination of his employment. B had 15 years of service.

A's Regular Severance Benefit will be equal to his base pay for one month and 10 weeks, less payroll withholding and deductions.

B's Regular Severance Benefit will be equal to his base pay for one month and 13 weeks, less payroll withholding and deductions. B's service in excess of 13 years is not counted for purposes of calculating his Regular Severance Benefit.

**Example 2** C and D were non-exempt employees. C had 2 years of service as of the termination of his employment. D had 18 years of service.

C's Regular Severance Benefit will be equal to his base pay for one-half month and 2 weeks, less payroll withholding and deductions.

D's Regular Severance Benefit will be equal to his base pay for one-half month and 13 weeks, less payroll withholding and deductions. D's service in excess of 13 years is not counted for purposes of calculating



his Regular Severance Benefit.

**6. What vacation benefits will I receive under my employer's regular severance program?**

In addition to the lump sum benefit described in Question 5, under the regular severance program, you will receive an amount equal to the value of your vacation entitlement (unused, accrued and carryover) earned during your active employment. This amount, less applicable payroll deductions, is payable in a single lump sum, on or shortly after the date of your termination of employment.

**PLEASE NOTE:** Accrual of vacation times ends once your active employment ceases. You will not earn additional vacation time because of severance payments made to you under the regular severance program or under this Program.

**7. What additional severance benefits will I receive if I participate in the March 1998 Retirement Bridge Program?**

If you participate in the March 1998 Retirement Bridge

- (a) you will receive an additional lump sum severance benefit (see Question 8);
- (b) you will receive periodic severance payments (see Question 15); and
- (c) you will receive a retirement bridge benefit (see question 16).

**8. What is the additional lump sum severance payment under the March 1998 Retirement Bridge Program?**

If you participate in the March 1998 Retirement Bridge Program you will receive an additional lump sum severance benefit equal to at least four weeks of your weekly base pay (see Question 13). You will receive this amount irrespective of the number of your years of service.

If you have five or more years of service, you can receive an additional

lump sum severance benefit, equal to:

your years of service (see Question 12) in excess of five years, up to a maximum of 13 years

multiplied by

your weekly base pay (see Question 13).

In other words, if you had been with your employer for 13 or more years, your additional lump sum severance benefit under the March 1998 Retirement Bridge Program can be as much as 13 weeks of your weekly base pay. This amount is in addition to severance benefits to which you may be entitled under the Regular Severance Benefit program. Payment will be made in a single, lump sum amount ten days after you have satisfied all of the eligibility requirements for the March 1998 Retirement Bridge Program.

#### EXAMPLE

A, B, C and D participate in the March 1998 Retirement Bridge Program. As of the termination of employment, A had 3 years of service, B had 5 years of service, C had 13 years of service, and D had 20 years of service.

A's additional lump sum severance benefit is an amount equal to her weekly base pay, multiplied by 4, less payroll withholding and deductions.

Note that A's additional lump sum severance benefit will be based on 4 weeks of her weekly base pay, although she has only 3 years of service.

B's additional lump sum severance benefit is an amount equal to her weekly base pay, multiplied by 5, less payroll withholding and deductions.

C's additional lump sum severance benefit is an amount equal to his weekly base pay, multiplied by 13, less payroll withholding and deductions.

D's additional lump sum severance benefit is an amount equal to his weekly base pay, multiplied by 13, less payroll withholding and

deductions. Note that D's years of service in excess of 13 are not considered for purposes of determining his additional lump sum severance benefit under the March 1998 Retirement Bridge Program.

**9. Will my lump sum severance payment (Question 8) be affected if I accept another position with my employer?**

In some cases, yes. If you participate in the March 1998 Retirement Bridge Program, you are guaranteed payment of a lump sum severance benefit under the Program, equal to four weeks of your weekly base pay (see Question 13.) This minimum lump sum severance benefit under the March 1998 Retirement Bridge Program will not be affected if you accept employment with your employer. If you have received a lump sum severance benefit under the March 1998 Retirement Bridge Program of more than five weeks of weekly base pay, your benefit may be affected if you accept employment with your employer (see Questions 10, and 11).

**10. When and how will re-employment with my employer reduce the amount of my lump sum severance benefit?**

Your lump sum severance benefit will not be reduced at all if the offer of employment occurs 13 weeks or more after you terminate active employment. Also, if you accept employment at a base salary that is less than your annual base pay (see Question 13), your entitlement to lump sum severance benefits under the March 1998 Retirement Bridge Program will not be reduced. And, remember, that you are guaranteed a minimum lump sum severance benefit under the March 1998 Retirement Bridge Program equal to four weeks of your weekly base pay (see Question 9). Your acceptance of an offer of employment will not affect your entitlement to the minimum four weeks of weekly base pay.

The amount of your lump sum severance benefit under the March 1998 Retirement Bridge Program will be affected if all of the following apply to you:

- You received a lump sum severance pay benefit under the March 1998 Retirement Bridge Program equal to more than four weeks of your weekly base pay; and
- You accept an offer of employment with your employer at base pay that is the same or more than your present base annual pay (see Question 13); and
- You accept the offer of employment less than 13 weeks after your termination of employment; and
- The number of your years of service exceeds the number of weeks that have elapsed since your termination of employment

The amount of the reduction is one week of weekly base pay (Question 13), multiplied by the number by which your years of service (Question 12) exceeds the number of weeks since your termination of your employment.

If you have already received payment of a lump sum severance benefit and you subsequently accept an offer of employment from your employer, you may be required to repay a portion of your lump sum severance benefit to your employer.

**PLEASE NOTE:** There may also be a reduction in the amount of severance benefits payable under your employer's Regular Severance Benefit program if you accept an offer of employment. You should review the rules applicable to the Regular Severance Benefit program to determine how an acceptance of employment will affect your benefits under that plan.

#### EXAMPLES

**Example 1** A has base pay of \$25,000 per year when her employment is terminated. She receives an offer of employment with her employer with base pay of \$15,000. A's offer will not affect her entitlement to lump sum severance benefits under the March 1998

Retirement Bridge Program because the amount of base pay offered to her is less than her former base pay.

**Example 2** B receives an offer of employment from her employer at the same base pay B previously received. B terminated employment on March 20, 1998 and accepted an offer of employment with her employer on June 25, 1998. B's lump sum severance benefit under the March 1998 Retirement Bridge Program will not be affected because she accepted employment 13 or more weeks after her termination of employment.

**Example 3** When C terminated employment, he received a lump sum severance benefit under the Program equal to 4 weeks of his base pay. C's acceptance of new employment will not affect his lump sum severance benefit under the Program because of the minimum guarantee of four weeks of weekly base pay.

**Example 4** When D terminated employment, she had 10 years of service and weekly base pay of \$500. As a result, she received a lump sum severance benefit under the March 1998 Retirement Bridge Program of \$5,000 (10 multiplied by \$500). Eight weeks after D's termination of employment, she accepts a job with her former employer at her same base pay. Because the number of D's years of service (10) exceeds the number of weeks that elapsed since D terminated employment (8), D's lump sum severance benefit under the March 1998 Retirement Bridge Program will be reduced. The amount of the reduction is the difference between 10 (the number of D's years of service) and eight (the number of weeks since D terminated employment), multiplied by D's weekly base pay. D's lump sum severance benefit under the March 1998 Retirement Bridge Program will therefore be reduced from \$5,000 to \$4,000.

**Example 5** E received an offer of employment from her employer at her former rate of base pay within 13 weeks of her termination of employment. She refuses the offer. E's lump sum severance benefit under the March 1998 Retirement Bridge Program will not be reduced simply because she was offered and refused employment.

**11. Can employment with a company other than my employer (Eastern Associated Coal Corp.) affect my lump sum severance benefit?**

In many cases, no. However, an offer of employment at any facility or

company that is managed by Eastern Associated Coal Corp. ("EACC") will be treated as if it were an offer of employment from your employer.

**12. How are my years of service determined for purposes of calculating my severance benefits?**

Your service for purposes of calculating your severance benefits is basically the same as is used to calculate your pension benefits under your employer's pension plan. However, for severance benefit purposes, a partial year of service is credited as a full year of service. (If you want to determine the number of your years of service or if you want to know how years of service are calculated under the pension plan, you should contact the plan administrator of the pension plan.)

**PLEASE NOTE:** Your "years of service" is not necessarily the same as the length of your employment, particularly if your employment has been interrupted. Please contact the Employee Compensation and Benefits Department for further information.

**EXAMPLE**

Upon termination of employment, A had 12 years of service and B had 12 1/2 years of service. A's severance benefit will be based on 12 years of service; B's severance benefit will be based on 13 years of service.

**13. What is my base pay for purposes of calculating my severance benefits?**

For severance benefit purposes, base pay means your annual rate of pay in effect on your last day of active employment exclusive of (i) overtime; (ii) shift differentials; (iii) bonuses; (iv) contributions made by your employer on your behalf to employee benefit plans or programs; (v) relocation and expense allowances; (vi) vehicle

allowance; and (vii) similar forms of nonperiodic compensation. Anticipated adjustments in compensation (e.g., merit or cost of living adjustments) scheduled to become effective after your last day of active employment are not included. For severance benefit purposes, your base pay is not reduced by the amount of contributions you may have elected to make to Peabody Holding Company, Inc.'s Savings and Long-Term Investment Plan for Salaried Employees and Reimbursement Accounts. For purposes of the March 1998 Retirement Bridge Program, your last day of active employment excludes any day on which you are not physically present at your place of employment due to e.g., vacation, leave of absence, sick leave or for similar circumstances.

The amount of your severance benefits depends on your weekly base pay, and your monthly base pay or, in some cases, your base pay for one-half month.

Weekly base pay is your annual base pay divided by 52.

Monthly base pay is your annual base pay divided by 12.

Base pay for one-half month is your annual base pay divided by 24.

**14. Do payroll withholding and deductions apply to my severance benefits?**

All severance benefits under both the regular severance plan and the March 1998 Retirement Bridge Program are reduced by regular payroll tax withholding and other legally required amounts. In addition, your Regular Severance Benefits (see Question 5) will be reduced by payroll deductions, if any, to Peabody Holding Company, Inc.'s Savings and Long-Term Investment Plan for Salaried Employees.

## EXAMPLES

**Example 1** A was an exempt employee who participates in the March 1998 Retirement Bridge Program. His base pay as of termination of employment was \$25,000 and he had ten years of service. A was not offered employment with any EACC-managed facility. A's regular severance benefit (see Question 5) is equal to (i) his monthly base pay of \$2,083.33 (\$25,000 divided by 12); plus (ii) his weekly base pay of \$480.77 (\$25,000 divided by 52), multiplied by 10 or \$4,807.70. A's total severance benefit under the regular plan is therefore \$6,891.03.

A will receive an additional lump sum service benefit under the March 1998 Retirement Bridge Program equal to his base pay of \$480.77 (\$25,000 divided by 52), multiplied by 10 or \$4,807.70. (see Question 8) A's total lump sum severance benefit is therefore \$11,698.73, less payroll withholding and deductions.

**Example 2** B was an exempt employee who participates in the March 1998 Retirement Bridge Program. His base pay as of termination of employment was \$40,000 and he had 15 years of service. B's regular severance benefit (see Question 5) is equal to (i) his monthly base pay of \$3,333.33 (\$40,000 divided by 12); plus (ii) \$9,999.99, his weekly base pay of \$769.23 (\$40,000 divided by 52), multiplied by 13. B's total severance benefit under the regular plan is therefore \$13,333.32.

Under the March 1998 Retirement Bridge Program, B will receive an additional lump sum benefit (see Question 8), equal to his weekly base pay of \$769.23, multiplied by 13, or \$9,999.99. The total amount of B's lump sum severance benefits under the regular plan and the March 1998 Retirement Bridge Program is \$23,333.31, less payroll withholding and deductions.

**Example 3** C is a non-exempt employee who had base annual pay of \$20,000 and 15 years of service as of her termination of employment. C's regular severance benefit (see Question 5) is equal to (i) her base pay for one-half month or \$833.33 (\$20,000 divided by 24); plus (ii) \$5,000.06, her weekly base pay of \$384.62 (\$20,000 divided by 52), multiplied by 13. C's total severance benefit under the regular plan is therefore \$5,833.39.

Under the March 1998 Retirement Bridge Program, C will receive an additional lump sum severance benefit (see Question 8), of \$5,000.06, which is equal to her weekly base pay of \$384.62, multiplied by 13. The total amount of C's lump sum severance benefits under the regular plan and the March 1998 Retirement Bridge Program is \$10,833.45.



**15. What are periodic severance benefits under the March 1998 Retirement Bridge Program?**

If you participate in the March 1998 Retirement Bridge Program, you may receive periodic severance benefits. Periodic severance benefits are benefits in addition to your regular severance benefits (see Question 5) and the additional lump sum severance benefits under the March 1998 Retirement Bridge Program (see Question 8). Periodic severance benefits are available only if you participate in the March 1998 Retirement Bridge Program.

If you participate in the March 1998 Retirement Bridge Program and you have not been offered and accepted employment with your employer or at an EACC-managed facility (see Question 11), you will receive a guaranteed minimum periodic severance payment equal to your base pay for one month (see Question 13) at the end of the "regular severance period." For exempt employees, the "regular severance period" is the period consisting of (i) one month following your termination of employment, plus (ii) an additional week for each of your years of service (see Question 12), up to 13 weeks. For non-exempt employees, the "regular severance period" is the period consisting of (i) two weeks following your termination of employment, plus (ii) an additional week for each of your years of service (see Question 12), up to 13 weeks.

If you participate in the March 1998 Retirement Bridge Program, you will receive the guaranteed minimum periodic severance payment described above irrespective of whether you have obtained employment with another employer. The

only exception is if you are offered and have accepted employment with your present employer or at an EACC-managed facility at your annual base pay in effect as of your last day of active employment (see Question 13), in which case you are not entitled to periodic severance benefits.

If you have or have not obtained other employment and are entitled to guaranteed minimum periodic severance benefits, payment of your guaranteed minimum periodic severance benefit will be in a single lump sum on the 15th of the month coincident with or next following the last day of your regular severance period. (In other words, you will receive a single lump sum payment equal to your monthly base pay.)

If you are not employed at the end of the regular severance period, you may be eligible for additional periodic severance benefits. You can continue to receive periodic severance benefits for up to an additional two months, if you remain unemployed and if you are not offered employment by your present employer or at any EACC-managed facility. Each additional payment will be equal to your base pay for one month (see Question 13). To obtain each additional month of periodic severance benefits, you must sign a form, certifying that you are unemployed. This form will be sent to you when you receive payment of periodic severance benefits for the preceding month. Payment of any additional periodic severance benefits will not be made unless your certification is received by the Program Administrator no later than the 15th day of the next month. Periodic severance benefits beyond the guaranteed minimum level will end once you obtain regular employment at a pay rate equal to or greater than

your last EACC-managed facility rate with another employer or if you are offered and accept employment with your present employer or at any EACC-managed facility. If you are offered and accept employment at a rate of pay less than the EACC-managed facility pay rate, you will be paid the difference between the lower rate of pay and the EACC-managed facility rate of pay for two months. Periodic severance payments are subject to standard payroll withholding and deductions (see Question 14).

### EXAMPLES

**Example 1** As of her date of termination on March 20, 1998, A, a non-exempt employee, has 2 years of service and base annual pay of \$20,000. She was not offered employment by her present employer or at any EACC-managed facility. The regular severance period for A ends on April 17, 1998 (two weeks plus an additional two weeks for each of her years of service). On or about May 15, 1998, A will receive a payment of \$1,666.67, guaranteed minimum periodic severance benefit (her base pay for one month, calculated by dividing her annual base pay of \$20,000 by 12; see Question 13), less payroll withholding and deductions. If A remains unemployed, provides timely certification of her unemployment to the Program Administrator, and is not offered employment by her present employer or at an EACC-managed facility at her former base pay, she can receive two additional payments of \$1,666.67 each, on or about June 15, 1998 and July 15, 1998. A's total periodic severance benefit payments will equal \$5,000.01.

**Example 2** As of employment termination on March 20, 1998, B was an exempt employee with 15 years of service and base annual pay of \$30,000. She was not offered employment by her present employer or at any EACC-managed facility. The regular severance period for B (one month and 13 weeks following her termination of employment) ends on July 20, 1998. On or about August 15, 1998, B will receive a payment equal to her base pay for one month, guaranteed minimum periodic severance benefit (an additional \$2,500.00). If B remains unemployed, provides timely certification of her unemployment to the Program Administrator, and is not offered employment by her present employer or at an EACC-managed facility at her former base pay, she can receive two additional payments of \$2,500.00 each (less payroll withholding and deductions) on or about

September 15, 1998, and October 15, 1998. B's total periodic severance benefit will equal \$7,500.00.

**Example 3** As of termination of employment on March 20, 1998, C was an exempt employee with 2 years of service and base annual pay of \$30,000. C obtained employment on April 15, 1998. C's new employment was not with his present employer or at an EACC-managed facility. The regular severance period for C (one month and 2 weeks following his termination of employment) ends on May 4, 1998. C's new employment was at \$2,000.00 per month. Although C was re-employed, he will still receive a guaranteed minimum periodic severance benefit equal to \$2,500.00, less payroll withholding and deductions, payable on or about May 15, 1998. If C remains employed, provides timely certification of his earnings to the Program Administrator, and is not offered employment by an EACC-managed facility at his former base pay, he can receive 2 additional payments of \$500.00 each (less payroll withholding and deductions) on or about June 15, 1998 and July 15, 1998. C's total periodic severance benefit will equal \$3,500.00.

**Example 4** D's employment terminated on March 20, 1998 and he was offered and accepted employment at an EACC-managed facility during his "regular severance period". D is not entitled to receive any periodic severance benefits.

**16. What is the retirement bridge benefit payable under the March 1998 Retirement Bridge Program?**

To provide additional financial assistance for those employees who are near to retirement eligibility, but who have not satisfied the applicable requirements for early retirement, \$25,000, less payroll withholding and deductions, will be paid to participants in the March 1998 Retirement Bridge Program. This amount will be paid irrespective of whether you obtain other employment. It will be paid in a single lump sum payment within 10 days of the date on which you satisfy all of the eligibility requirements applicable to the March 1998 Retirement Bridge Program.

## EXAMPLE

As of employment termination on March 20, 1998, A was an exempt employee with 15 years of service and base annual pay of \$30,000. A elects to participate in the Retirement Bridge Program.

Under the regular severance plan, A will receive a severance benefit of \$10,000 (A's base monthly pay of \$2,500 plus \$7,500, which is 13 times A's base weekly pay of \$576.92). Under the March 1998 Retirement Bridge Program, A will receive an additional lump sum severance benefit of \$7,500. A's lump sum severance benefits under the regular severance plan and the March 1998 Retirement Bridge Program total \$17,500.

A's regular severance period (one month and 13 weeks following her termination of employment) ends on July 20, 1998. On or about August 15, 1998, A will receive a payment equal to her base pay for one month for a total guaranteed minimum periodic severance benefit of \$2,500.00. Assuming that A remains unemployed and provides timely certification of her unemployment to the Program Administrator, she can receive two additional payments of \$2,500.00 each (less payroll withholding and deductions) on or about September 15, 1998, and October 15, 1998. A's total periodic severance benefit will equal \$7,500.00.

Under the March 1998 Retirement Bridge Program, A will receive an additional \$25,000 (less payroll withholding and deductions). A's severance benefit package under the regular severance plan and the March 1998 Retirement Bridge Program will total \$50,000 (less payroll withholding and deductions). Had A elected not to participate in the March 1998 Retirement Bridge Program, her severance benefit would equal \$10,000.

### Alternative Catastrophic Care Coverage Under the March 1998 Retirement Bridge Program

#### **17. What are my options for continuing my medical coverage?**

Your options for continuing medical coverage depend on whether you are eligible for and electing to retire (see Question 15).

If you are not retiring, the Regular Severance Plan allows you (and your eligible dependents) to continue to participate for a limited period in the Group Medical

and Drug Plan, to the extent that you (and your eligible dependents) were covered as of the last day of your active employment. This extended medical and drug coverage available under the Regular Severance Plan lasts until the end of the month of your active employment ends, plus three additional months, provided that you continue to pay applicable premiums. (Under the Regular Severance Plan, your premium for extended medical and drug coverage is presently the same as is charged for active employees and their eligible dependents.) However, EACC has retained the right to change the required premiums if it so elects.

A federal law, the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), requires that you (and your eligible dependents) be given the right to elect to continue your group medical coverage so that your total period of available post-employment medical coverage is 18 months<sup>1</sup>, measured from your last day of active employment. However, if you elect COBRA, you (and if applicable, your eligible dependents) must pay the full cost of coverage beyond the extended coverage provided under the Regular Severance Plan. Also, you cannot elect COBRA coverage if you have lost coverage because you failed to pay your part of the premium for the extended coverage available under the Regular Severance Plan.

COBRA coverage ends after a maximum of 18 months (measured from your last day of active employment), or upon the occurrence of one of the following, if earlier:

- a. you (or your eligible dependent(s), if applicable) become covered under another group health plan that provides

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<sup>1</sup>If the federal Social Security Administration determines that you were disabled as of your last day of active employment, you may be entitled to continue COBRA coverage for a longer period. Please contact the Plan Administrator for further information.

- coverage for pre-existing conditions; or
- b. you (or your eligible dependent(s), if applicable) become eligible for Medicare; or
  - c. you fail to make timely payment of the premium for COBRA coverage; or
  - d. your employer ceases to offer a group health care plan to its active employees; or
  - e. you return to active employment with your employer, at which time your benefits will be determined in accordance with your status as an active employee.

More information concerning your rights and obligations under COBRA and other medical coverage options will be provided to you by your employer. If you do not receive this important additional information concerning COBRA, please notify the employee benefits department at once. You should not make any decisions concerning your medical coverage until you have taken the opportunity to review all of the pertinent information.

If you participate in the March 1998 Retirement Bridge Program, you have the additional option of electing Special Catastrophic Coverage. If you elect Special Catastrophic Coverage, it will become effective after the expiration of Group Medical and Drug coverage provided under the Regular Severance Program.

Special Catastrophic Coverage is not the same as your existing coverage. Special Catastrophic Coverage only provides catastrophic care coverage for you and your eligible dependents. In addition, if you have other group health coverage (for example, coverage under a plan sponsored by your spouse's employer), you may be required to obtain coverage from the other plan before any benefit is payable under

Special Catastrophic Coverage. (This is called coordination of benefits.) The terms of Special Catastrophic Coverage are more fully explained in the summary plan description for that plan. If you have not received a copy of that summary plan description, please ask the Program Administrator for a copy.

Your employer will fully pay the cost of Special Catastrophic Coverage for you (and any eligible dependent who was covered by the Group Medical and Drug plan as of last day of active employment) until the earlier of

- a. twelve months following the last day of month in which your active employment ended; or
- b. if you become employed by an employer which offers group health care coverage, the date on which you (or your eligible dependent) become covered under a group health plan provided to you as an employee.

You can elect Special Catastrophic Care Coverage even if you lose extended coverage under the Regular Severance Plan for failing to pay applicable premiums. However, Special Catastrophic Coverage does not become effective until three months after the end of month in which you terminate employment. Therefore, if you elect Special Catastrophic Coverage and you lose extended coverage under the Regular Severance Plan because you failed to pay your portion of the premiums, you may be without medical coverage until Special Catastrophic Coverage becomes effective.

Once your period of Special Catastrophic Care Coverage is over, your medical coverage will end unless you elect, at your own expense, to convert your Special Catastrophic Coverage to an individual policy offering such coverage. You will not have the opportunity to elect additional coverage under COBRA.



**PLEASE NOTE:** Special Catastrophic Coverage is an additional option that is made available to those who participate in the March 1998 Retirement Bridge Program. You are not required to select this option in order to participate in the March 1998 Retirement Bridge Program. If you wish, you can participate in the March 1998 Retirement Bridge Program and elect COBRA coverage or the other medical coverage options described in the separate notice provided to you concerning medical coverage options.

**Example 1** Employees A and B are not retiring. Both A and B terminate employment on March 20, 1998 and both pay all required premiums for extended medical coverage under the Regular Severance Plan. A elects COBRA coverage and B elects Special Catastrophic Coverage.

Extended medical coverage under the Regular Severance Program will end for both A and B as of June 30, 1998. Provided that A pays the full cost of COBRA coverage, and does not otherwise become ineligible for COBRA coverage, he can continue COBRA coverage until September 20, 1999. B's Special Catastrophic Care will begin on July 1, 1998 and continue at no cost to B until March 31, 1998, provided B remains otherwise eligible for coverage.

**Example 2** Employees C and D are not retiring. Both C's and D's last day of active employment is on March 20, 1998. C wants to elect COBRA coverage and D wants to elect Special Catastrophic Coverage. However, neither C nor D pay any of the participant's portion of the premium for extended medical coverage under the Regular Severance Plan. C will have not medical coverage as of March 21, 1998.

D will not have any medical coverage from his former employer from March 20, 1998 through June 30, 1998. However, provided that D does not obtain medical coverage under another employer's plan, he can have Special Catastrophic Care coverage at no cost to him from July 1, 1998 through March 31, 1999.

### Life Insurance

#### **18. What life insurance will I have?**

Basic term life insurance continues until the end of the month in which your active employment ends, plus three additional months. Basic accidental death

and dismemberment and travel accidental death and dismemberment insurance expire on your last day of active employment.

You can continue supplemental term and optional accidental death and dismemberment life insurance, if enrolled and paying premiums, for the remainder of the month of your termination.

### Benefit Plan Changes

#### **19. Can my benefits ever change?**

Your employer has reserved the right to terminate or modify in any manner the benefit coverage that is provided to active employees and retirees. If your employer modifies or terminates coverage for active employees or retirees, or both, your coverage will be terminated or modified in the same manner.

### Employees Who Are Not Actively At Work

#### **20. Am I eligible for participate in the Program if I am not actively at work?**

No, employees who are not actively at work when this Program is made available cannot participate in the Program. However, your eligibility for the Program will not be affected if you are actively at work, elect to participate in the Program and subsequently go on leave.

### TERMINATION OF THE MARCH 1998 RETIREMENT BRIDGE PROGRAM

The March 1998 Retirement Bridge Program is intended to be a unique severance benefit program, which has been established without regard to any prior

practice, and which is available only to those selected employees whose employment terminates as a result of the work force reduction at the Wells Business Unit and who otherwise satisfy the eligibility requirements for participation in this Program. The March 1998 Retirement Bridge Program shall automatically terminate once all benefits have been paid hereunder. Your employer makes no promise to re-institute the March 1998 Retirement Bridge Program or any similar program in the future, and rights to future severance allowances, if any, under any severance benefit program sponsored by your employer will never vest.

The description of your employer's regular severance benefits included in this summary is provided only for convenience. Nothing in this summary should be construed as creating any right, title, or vested interest to regular severance benefits.

#### CLAIMS PROCEDURE

All claims for benefits under the March 1998 Retirement Bridge Program must be filed in writing with the Program Administrator. If the Program Administrator wholly or partially denies your claim, you will be given written notice of the decision, including a reason for the denial of your claim, within 60 days of the Program Administrator's receipt of the claim.

Within 60 days from your receipt of the notice of denial, you or your representative may submit a written request to the Program Administrator for review of your claim. If you fail to make a timely request for review, you may forfeit any right to contest the determination of your benefit.

In conjunction with an appeal of your benefit claims, you or your representative may ask to review pertinent Program documents during regular business hours at the office of the Program Administrator.

You may be charged a reasonable fee for copying if you wish to obtain copies of Program documents. You or your representative have the right to submit issues and comments to the Program Administrator in writing.

The Program Administrator will review your claim. The Program Administrator has full discretionary authority to determine all matters relating to the Program and benefit eligibility; to construe or interpret the Plan; and to formulate administrative rules and policies to carry out your employer's intent in adopting the Program.

The Program Administrator will normally issue its decision within 60 days of receiving your request for review. In some cases, if the Program Administrator, in its sole discretion, determines that more time is required or appropriate, it may delay its determination. The Program Administrator may also elect, in its sole discretion, to hold a hearing on your benefit determination. The Program Administrator will advise you of any delay and of any hearing in writing and will issue its written benefit determination within 120 days of when your request for review is received. The decision of the Program Administrator is final.

#### STATEMENT OF ERISA RIGHTS

The March 1998 Retirement Bridge Program may be considered by the

United States Department of Labor to be an employee benefit plan under the Employee Retirement Income Security Act of 1974 ("ERISA"). Regulations of the federal government require summaries of employee benefit plans to include the statement which appears below. The statement was drafted by the government and is reproduced here with quotation marks. Neither your employer, the March 1998 Retirement Bridge Program, nor the Program Administrator takes responsibility for the accuracy or completeness of any assertion in this statement.

"As a participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974. ERISA provides that all Plan participants shall be entitled to:

"(1) Examine, without charge, all Plan documents and copies of all documents filed for the Plan with the U.S. Department of Labor, such as annual reports and Plan descriptions. The only Plan document in this case is the Plan. This document and copies may be examined during normal business hours at the Plan Administrator's office, the address of which is found in the "General Information" section of this summary.

"(2) Obtain copies of all documents described in paragraph (1) upon written request to the Plan Administrator. The Plan Administrator may make a reasonable charge for the copies.

"In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. These people, called "fiduciaries" of the Plan, must perform their duties under the Plan prudently and

in the interest of Plan participants and beneficiaries.

"No one, including your employer, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA. However, this does not mean that you cannot be fired for business reasons.

"If your claim for an allowance under the Plan is denied in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the Plan Administrator review and reconsider your claim.

"Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials which the Plan Administrator is required to provide, and they are not mailed to your last known address within 30 days of your request, you may file suit in a federal court. In such case, the court may require the Plan Administrator to provide the materials and pay you up to \$100 for each day's delay in mailing beyond the 30 day period, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is ignored or improperly denied, in whole or in part, you may file suit in a state or federal court. If it should happen that Plan fiduciaries misuse the money to pay benefits under the Plan, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and

fees--for example, if it finds your claim is frivolous.

"If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, you may contact the nearest Area Office of the U.S. Labor-Management Services Administration, Department of Labor."

March, 1998