Highlights

Retirement Plan Distributions Income Tax Information Notice

PUBLIX SUPER MARKETS, INC.

401(k) SMART PLAN

The following income tax information is required to be provided to an eligible recipient no earlier than 30 days and no later than 180 days prior to distribution. Generally, neither a direct rollover nor a payment can be made from the plan until at least 30 days after you receive this notice. You have at least 30 days after receiving this notice to consider whether or not to have your distribution directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election of whether or not you wish to make a direct rollover. Your distribution will then be processed in accordance with your election and the plan.

Special Tax Rules

The Internal Revenue Code provides several complex rules relating to the taxation of the amount you may receive as a distribution from the Publix Super Markets, Inc. 401(k) SMART Plan. This notice summarizes those rules. As described in this notice, you may be liable for a 10% penalty tax on "early distributions" unless you roll over your distribution into an individual retirement arrangement (IRA), another employer's qualified retirement plan (another employer’s plan), annuity contract described under Internal Revenue Code (Code) Section 403(b) or governmental Code Section 457 plan.

We encourage you to promptly consult a qualified tax advisor before making any decisions about your distribution.

Distribution Options

Outlined below are the distribution options available to you in the 401(k) SMART Plan, which are dependent upon your employment status with Publix Super Markets, Inc.

If you are Actively Employed:

- In-Service Distribution – You may take an in-service distribution of your 401(k) SMART Plan account if you are currently employed and are age 59½ (Age 59½ Withdrawal).

If you are Separated from Employment (your separation paperwork must be processed by Publix Personnel Records):

- Defer distribution – You may defer taking a distribution from the 401(k) SMART Plan if your account balance exceeds $1,000. No later than 60 days following the plan year end in which you reach age 62, distribution must be made under one of the distribution options available under the plan.
- Direct Rollover – You may choose to have all or a portion of your account balance rolled over to an IRA, another employer’s plan, annuity contract described in Code Section 403(b) or governmental Code Section 457 plan. The tax consequences associated with the direct rollover are discussed in the section entitled “Direct Rollover” on page 2 of this notice.
- Lump Sum Distribution – You may choose to have all or a portion of your account balance paid directly to you as a lump sum distribution. The tax consequences associated with the lump sum distribution are discussed in the section entitled “Lump Sum Distribution” on page 2 of this notice.

Age 59½ Withdrawal

While you are actively employed with Publix, you are eligible to take all or a portion of your account balance once you reach age 59½. The withdrawal can be taken as a (1) lump sum distribution, cash paid directly to you or shares issued in a Publix stock certificate or (2) direct rollover, rolled over to an IRA, another employer’s plan, annuity contract described in Code Section 403(b) or governmental Code Section 457 plan.

If you would like to take a cash withdrawal of your account balance invested in the Publix stock component of the Publix Stock Fund, that portion of the withdrawal is processed on the next Publix stock valuation effective date. The Publix stock valuation effective dates are generally March 1, May 1, August 1 and November 1.

Direct Rollover

Taxable income may be deferred for an eligible rollover distribution that is rolled over to an IRA, another employer's plan, annuity contract described in Code Section 403(b) or governmental Code Section 457 plan. See Internal Revenue Service (IRS) Publication 590, *Individual Retirement Arrangements*, for more information on IRAs. Generally, an eligible rollover distribution is ANY DISTRIBUTION received from the 401(k) SMART Plan EXCEPT:

1) Distributions made to correct a failed nondiscrimination test or because legal limits on certain contributions were exceeded.
2) Defaulted loans; however, a loan offset amount is eligible for rollover. (More information is located in the section entitled "Repayment of Plan Loans" on page 2 of this notice.)
3) Distributions which are required after you reach age 70½.

   Required Minimum Payments. If you reached age 70½ prior to January 1, 1999, and you did not make an irrevocable election to stop receiving distribution, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you (even if Required Minimum Payments were delayed until after your separation from employment).

- If you receive a distribution as a surviving spouse, or spouse or former spouse who is an alternate payee under a Qualified Domestic Relations Order, generally, you have the same choices as the employee.
- If you receive a distribution as a beneficiary other than a surviving spouse, or an alternate payee other than a spouse or former spouse, you can choose a Direct Rollover into an inherited IRA.

If you choose to have all or a portion of your account balance paid as a Direct Rollover, the amount rolled over:

- Will not be taxed in the current year and no income tax will be withheld.
- Will be made payable to an IRA*****, another employer's plan*, annuity contract described in Code Section 403(b)* or governmental Code Section 457 plan* that accepts rollovers but will be mailed directly to you at your address on file with Publix for you to forward to your IRA custodian.
- Will be taxed later when you take it out of the IRA, another employer's plan, annuity contract described in Code Section 403(b) or governmental Code Section 457 plan.

***Note:** Direct Rollover of Publix stock shares **cannot** be made to another employer's plan, annuity contract described in Code Section 403(b) or governmental Code Section 457 plan. Shares of Publix stock may be directly rolled over to an IRA; however, not all IRAs can hold Publix stock because it is not traded on any stock exchange. You will need to check with your IRA custodian directly to inquire about its capability to hold Publix stock. The IRA you select must be a "traditional" IRA. The Roth IRA, SIMPLE IRA and Coverdell Education Savings Account (formerly known as an education IRA) are not traditional IRAs. Please note that in order to rollover the proceeds to a governmental Code Section 457 plan that plan must agree to separately account for the amounts rolled over from your 401(k) SMART Plan.

Lump Sum Distribution

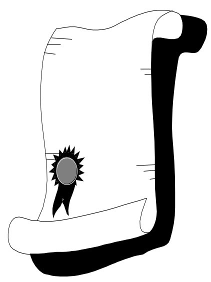
You may choose to have all or a portion of your account balance paid as a lump sum distribution. A lump sum distribution can be taken in two ways: 1) cash paid directly to you or 2) shares issued in a Publix stock certificate.

- If you choose to have your 401(k) SMART Plan benefits paid in cash directly to you, you will receive only 80% of the current accumulated balance because the Plan Administrator is required to withhold 20% of the payment and send it to the IRS as income tax withholding to be credited against your federal income taxes. Your payment (including the 20% withheld) will be taxed in the tax year in which distribution occurs, unless within 60 days from the date of distribution you roll it over into an IRA, another employer's plan, annuity contract described in Code Section 403(b) or governmental Code Section 457 plan that accepts rollovers.
- If you choose to roll over 100% of the 401(k) SMART Plan distribution, you must find other money within the 60-day period following distribution to replace the 20% that was withheld because it cannot be refunded by the Plan Administrator. The 20% withholding will be applied against your federal income tax liability when filing your individual income tax return for the tax year in which distribution occurs. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and not rolled over.
- If you choose to have your 401(k) SMART Plan balance that is invested in Publix stock issued directly to you, your payment will be taxed in the tax year in which distribution occurs (please see the "Distributions involving Publix Stock" section on page 3 of this notice) unless within 60 days from the date of distribution you roll it over into an IRA. If you elect to sell your Publix stock to Publix after distribution from the 401(k) SMART Plan, the proceeds from the sale will be sent to you and you may roll over all or any portion of the proceeds within the 60-day period from the date of distribution from the 401(k) SMART Plan. The Plan Administrator is required to withhold 20% of the cost basis of the Publix stock issued as federal income tax withholding to be credited against your federal income taxes. The withholding liability will be satisfied from any cash distribution from the 401(k) SMART Plan.

Repayment of Plan Loans

If you have an outstanding loan balance, your distribution will be reduced ("offset") by the amount of the loan you have not repaid within 31 days after you separate from employment. The amount of your loan offset is treated as a distribution to you at the time of the offset and will be taxed unless you roll over an amount equal to the amount of your loan offset to an IRA, another employer's plan, annuity contract described in Code Section 403(b) or governmental Code Section 457 plan within 60 days of the date of the offset. If the amount of your loan offset is the only amount you receive or are treated as having received, no amount will be withheld from it. If you receive cash from the plan, the 20% withholding amount will be based on the entire amount paid to you, including the amount of the loan offset. The amount withheld will be limited to the amount of cash paid to you. The amount of a defaulted plan loan that is a taxable deemed distribution cannot be rolled over.

Distributions involving Publix Stock



Publix Stock Certificate

<u>SHARES ISSUED</u>: If you choose an in-kind distribution, a Publix stock certificate will be issued for the shares held in the Publix Stock Fund of your 401(k) SMART Plan account. The stock certificate will be mailed to your address on file with Publix the first week of the month following the distribution request. The cost of the stock to the trust (cost basis) will be taxable as ordinary income in the year of distribution, unless the gross distribution amount is less than the cost basis in which case the gross distribution amount will be taxable. A **Form 1099-R will be issued to you** in the month of January following distribution. The Form 1099-R will report the amount to be included in your income, along with the gross distribution amount (value of the stock at distribution) and any net unrealized appreciation (gross distribution value minus cost basis), commonly referred to as the gain.

For lump sum distributions, the net unrealized appreciation (gain) is **not** reported as taxable income in the year the stock is distributed because it is taxed in the year the stock is sold to Publix. When the shares are sold, the net unrealized appreciation (gain) existing at the time of distribution is taxable as Long-Term Capital Gain. However, you <u>may</u> elect to report the appreciation (gain) in the year the stock is received. This may be advantageous if you are eligible for 10-year averaging. If this election is made, the taxable distribution will be the gross distribution shown on the Form 1099-R since it includes any net unrealized appreciation. (Please see the “10-year averaging” section located on page 4 of this notice.)

Cash Value

<u>SHARES SOLD</u>: If you elect to sell the shares of Publix stock held in the Publix Stock Fund of your 401(k) SMART Plan account as a lump sum distribution, the gross distribution amount will be taxable as ordinary income. A Form 1099-R will be issued to you in the month of January following distribution. The 401(k) SMART Plan only sells shares on the valuation effective dates for Publix stock, which are generally March 1, May 1, August 1 and November 1.

As discussed in this notice, there is a **10% penalty tax** if you separate from employment prior to the calendar year in which you reach age 55 and receive distribution prior to reaching age 59½. <u>This penalty applies to the amount which is included in the taxable income of the participant.</u> The penalty tax is not applicable if the distribution is rolled over or you meet one of the exceptions to the penalty tax as discussed in this notice.

Supplemental Distributions

A distribution from the 401(k) SMART Plan reflects the total accumulated balance of your account as of the end of the business day on the distribution date, except distributions involving Publix stock. Distributions involving the Publix stock component of the Publix Stock Fund will be processed on the next Publix stock valuation effective date. After your initial distribution, additional contributions (supplementals) may be made to your account in the form of company matching contributions or dividends on Publix stock, if you are eligible. Supplementals, if any, from the 401(k) SMART Plan are distributed as soon as administratively possible.

IF you are eligible and elect to defer distribution from the 401(k) SMART Plan, any additional matching contributions or dividends on Publix stock will be credited to your account and accumulate with your previous account balance until you request distribution or no later than 60 days following the plan year end in which you reach age 62.

Possible 10% Penalty Tax

If you do not roll your distribution over into an IRA*****, another employer’s qualified plan*****, annuity contract described in Code Section 403(b)* or governmental Code Section 457 plan*, you may have to pay a penalty tax equal to 10% of the taxable portion of your distribution from the 401(k) SMART Plan. **<u>In general, this 10% penalty tax applies if you separate from employment prior to the calendar year in which you reach age 55 and receive your distribution prior to reaching age 59½.</u>** The 10% penalty tax is in addition to any income tax due on such distribution(s).

There are several types of distributions **<u>not</u> subject to the 10% penalty tax.** These include:

1) Distributions that are rolled over, as stated previously. However, if such amounts are withdrawn from the rollover account prior to your reaching age 59½, the penalty tax would usually apply in addition to regular income tax.
2) Distributions made because of the death of a participant.
3) Distributions made because of the disability of the participant as defined in Internal Revenue Code Section 72(m)(7), which is a more stringent definition than the meaning of disability under the 401(k) SMART Plan.
4) Distributions to an alternate payee pursuant to a Qualified Domestic Relations Order.
5) Distributions that are paid directly to the government to satisfy a federal tax levy.

Distributions made to a qualified reservist may not be subject to the 10% penalty tax. We encourage you to consult a qualified tax advisor regarding the eligibility requirements.

See **IRS Form 5329** for more information on the 10% penalty tax, which includes applications and exceptions to the penalty tax on distributions from a rollover account.

***Note:** Direct Rollover of Publix stock shares **cannot** be made to another employer’s plan, annuity contract described in Code Section 403(b) or governmental Code Section 457 plan. **Also**, not all IRAs can hold Publix stock because it is not traded on any stock exchange. If you elect to sell your Publix stock to Publix after distribution, the proceeds from the sale will be sent to you and you may roll over all or any portion of the proceeds into an IRA, another employer’s plan, annuity contract described in Code Section 403(b) or governmental Code Section 457 plan within the 60-day period from the date of distribution from the 401(k) SMART Plan. Please note that in order to rollover the proceeds to a governmental Code Section 457 plan that plan must agree to separately account for the amounts rolled over from your 401(k) SMART Plan.

10-Year Averaging

If your distribution from the 401(k) SMART Plan is a lump sum distribution received on or after the date you reached age 59½, you may be eligible for special tax treatment by using 10-year averaging if you were at least 50 years of age as of January 1, 1986. **A lump sum distribution eligible for 10-year averaging** means a distribution of the entire balance under the plan within one tax year that is made because of the employee's separation from service or death or the employee is disabled or reaches age 59½. Further, for a payment to qualify as a lump sum distribution, the payment must be made after 5 or more years of participation in the plan, unless paid as a result of the death of the participant.

IRS Form 4972 is used to compute your income tax under the 10-year averaging method**. If you are not eligible for 10-year averaging, your lump sum distribution is taxable as ordinary income for the tax year in which it is distributed (unless you defer taxation by electing to roll it over as described previously).**

NOTE: Lump sum distributions eligible for 10-year averaging will be taxed as ordinary income if any portion is placed in an IRA, another employer's plan, annuity contract described in Code Section 403(b) or governmental Code Section 457 plan.

Death Benefit Exclusion

Regardless of whether or not the lump sum distribution rules apply to your distribution, up to $5,000 of the distribution may be excluded from income if the payment was made to beneficiary(ies) of a deceased participant whose date of death was prior to August 21,1996. Where there is more than one beneficiary of the deceased participant, the maximum $5,000 death benefit exclusion must be prorated among all such beneficiaries. In any event, the aggregate amount excludable is limited to $5,000 with respect to all employers and all beneficiaries. Any amount so excludable should be subtracted from the gross amount reported on Form 1099-R in determining the taxable amount received.

Frequently Asked Questions

Q: How do I take a distribution?

A: The distribution process is "paperless." This means, once your employment separation has been processed by the Publix Personnel Records Department you need to call the Information Line at (888) 401-5756 to process a distribution of your account balance from the 401(k) SMART Plan. The Information Line will guide you through the distribution options available to you and as outlined in this notice. If you have questions, Participant Services Representatives are available weekdays from 8:00 a.m. to 8:00 p.m., Eastern Standard Time, (except for stock market holidays) to offer assistance.

Q: How long does it take to process my distribution?

A: Our goal is to have the non-Publix stock portion of your distribution check processed and mailed to your address on file with Publix within 2 business days after you've initiated and confirmed your distribution over the Information Line. The Publix stock portion of your distribution will be processed on the next Publix stock valuation effective date, which is generally March 1, May 1, August 1 or November 1.

Q: How can I update my address?

A: If you need to update your home mailing address, see your Department Manager or Support Department Head to have him or her complete an on-line SHARP Master Data Change form to update your information. If you are separated from employment with Publix, you should submit your correct address in writing to: Publix Super Markets, Inc., Personnel Records, P.O. Box 407, Lakeland, FL 33802-0407.

Q: What happens to my loan if I separate from employment with Publix?

A: If you separate from employment with an outstanding 401(k) SMART Plan loan balance, your loan will be defaulted and considered a deemed distribution in the current tax year if it is not paid off within 31 days after you receive your termination notification package from Voya. You may avoid the default by paying off your loan within the 31-day time period.

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