US State Income Tax Withholding for Terminated/Retired Participants

State income tax withholding on stock option exercises or award distributions for US residents on the active payroll will continue to be based on the state of principal work location. The following are Alcoa's state income tax withholding procedures for retired or terminated individuals:

- If an individual terminates or retires on January 1st, state income tax withholding will continue to be based on the last place worked through December 31st of the year of retirement or termination. After this period, state income tax withholding will be based on state of residence (as maintained in the Corporate HR system).

- If an individual terminates or retires on January 2nd through December 31st, state income tax withholding will continue to be based on the last place worked through December 31st of the year **following** the year of retirement or termination (retirement year plus following year). After this period, state income tax withholding will be based on state of residence (as maintained in the Corporate HR system).

Special state income tax withholding rules may be required for individuals that retire from the New York office. These will be handled on an individual basis.