

Transportation Benefit Plan Questions and Answers

The employer identified in the Appendix (referred to in these questions and answers as the “Company”) sponsors a transportation benefit plan (the “Plan”). The name of the Plan is identified in the Appendix.

The Plan provides each eligible employee with the opportunity to receive certain transportation benefits. The Plan helps you because the benefits you elect or receive are, in general, nontaxable. In addition, you save Social Security and income taxes on the amount of any salary reduction contributions you make to pay for these expenses.

The Plan is not an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 (“ERISA”). Any resemblance to an employee benefit plan subject to ERISA is coincidental.

Following are commonly asked questions and answers describing the basic features of the Plan and how it operates. Please review these questions and answers carefully, and do not hesitate to ask questions. This is *your* benefit, and it is important that you understand how it works and how it can help you. However, you should note that the questions and answers address only the key parts of the Plan. Consult the Plan Document, which is available from the Company, for additional information.

1. What is the purpose of the Plan?

The purpose of the Plan is to permit eligible employees to pay for certain transportation expenses on a *pre-tax* basis and/or to receive transportation benefits on a nontaxable basis.

2. What benefits are offered through the Plan?

The Plan provides up to four types of benefits, as specified in the Appendix: Transit Pass Benefits, Qualified Parking Benefits, Commuter Vehicle Benefits, and/or Qualified Bicycle Commuting Benefits. These benefits are explained in more detail below. However, a particular benefit is available under the Plan only if the benefit is selected in the Appendix.

3. Who may participate in the Plan?

Employees who satisfy the eligibility requirements described in the Appendix are eligible to participate in the Plan. If you are an eligible employee, you may become a participant in the Plan on the “Entry Date” specified in the Appendix. However, in most cases, you must first complete and submit an application to participate.

4. Who pays for the transportation benefits provided under the Plan?

In most cases, the cost of the benefits provided by the Plan is paid by the Company and/or by you through pre-tax salary reduction contributions. The Appendix indicates whether the Company makes an “Employer Contribution” and, if so, specifies the amount of the contribution and the rules for using the contribution. Bookkeeping accounts will be established for each benefit you elect and will be credited with the contributions allocated to such benefit.

Notwithstanding the foregoing, the cost of Qualified Bicycle Commuting Benefits is paid solely from Company contributions.

5. What is the Transit Pass Benefit?

As specified in the Appendix, the Transit Pass Benefit (if included in the Plan) may include (1) the provision of transit vouchers by the Company, and/or (2) reimbursement of eligible transit pass expenses. Transit passes include tokens, fare cards, vouchers, or similar items that entitle you to use mass transit facilities or van pooling services offered by an outside vendor (other than the employer). If the Appendix indicates that the Company provides transit vouchers, you will purchase the vouchers by allocation of the Company's contribution (if any) and/or with your salary reduction contributions and the Company will distribute vouchers for transit passes. If the Appendix indicates that the Plan provides reimbursement of eligible transit pass expenses, you will purchase the transit passes and seek reimbursement for such expenses from your Transit Pass Benefit account. Reimbursements are made for eligible transit pass expenses on a nontaxable basis.

If the Transit Pass Benefit is available, eligible employees elect to participate in this part of the program by completing the proper enrollment form available from the Company.

6. What is the maximum amount of Transit Pass Benefits I may receive?

The maximum amount of benefits (e.g., vouchers and/or reimbursements) you may receive under the Transit Pass Benefit part of the Plan is \$255 per month (2017 limit). This limit applies to both Transit Pass Benefits and Commuter Vehicle Benefits (if provided under the Plan) on a combined basis. This amount may be adjusted each plan year to reflect inflation adjustments and other statutory changes.

7. What is the Qualified Parking Benefit?

The Qualified Parking Benefit (if included in the Plan) allows you to receive reimbursement for your qualified parking expenses on a nontaxable basis. Qualified parking is parking provided to you at or near the Company's business premises. It also includes parking at or near a location from which you commute to work by mass transit, vanpooling, in a commuter highway vehicle, or by carpool. Parking at or near your home does not qualify.

If the Qualified Parking Benefit is available, eligible employees elect to participate in this part of the program by completing the proper enrollment form available from the Company.

8. What is the maximum amount of Qualified Parking Benefits I may receive?

The maximum amount of benefits you may receive under the Qualified Parking Benefit part of the Plan is \$255 per month (2017 limit). This amount may be adjusted each Plan Year to reflect inflation adjustments and other statutory changes.

9. What is the Commuter Vehicle Benefit?

The Commuter Vehicle Benefit (if included in the Plan) allows you to receive reimbursement for your eligible commuter vehicle expenses on a nontaxable basis. Eligible commuter vehicle expenses include expenses for transportation in a "Commuter Highway Vehicle" if you use such transportation to travel between your residence and place of employment. A "Commuter Highway Vehicle" is a vehicle: (1) that has a seating capacity of at least 6 adults (not including the driver), and (2) with respect to which at least 80 percent of the mileage use of such vehicle is reasonably expected to be (i) for purposes of transporting employees in connection with travel between their residences and their place of employment, and (ii) on trips during which the number of employees transported for such purposes is, on average, at least one half of the adult seating capacity of such vehicle (not including the driver).

If the Commuter Vehicle Benefit is available, eligible employees elect to participate in this part of the program by completing the proper enrollment form available from the Company.

10. What is the maximum amount of Commuter Vehicle Benefits I may receive?

The maximum amount of benefits you may receive under the Commuter Vehicle Benefit part of the Plan is \$255 per month (2017 limit). This limit applies to both Transit Pass Benefits (if provided under the Plan) and Commuter Vehicle Benefits on a combined basis. This amount may be adjusted each Plan Year to reflect inflation adjustments and other statutory changes.

11. What is the Qualified Bicycle Commuting Benefit?

The Qualified Bicycle Commuting Benefit (if included in the Plan) allows you to receive reimbursement for certain bicycle commuting expenses on a nontaxable basis. Eligible expenses include: (1) the cost of purchasing a bicycle that you “regularly use,” during at least one calendar month in the year of the purchase, to travel between your residence and place of employment; and (2) expenses for the improvement, repair, or storage of a bicycle you “regularly use,” during at least one calendar month in the year in which the expense was incurred, to travel between your residence and place of employment. For purposes of this paragraph, a bicycle is regularly used if, in general, you use it on at least 50% of the days that you actually travel to your place of employment during a month.

Notwithstanding the foregoing, the following expenses are not eligible expenses: (i) expenses incurred with respect to a bicycle not owned by you; (ii) expenses for improvements to a bicycle that are primarily decorative; (iii) expenses for improvements that are designed to attach to the rider of the bicycle; and (iv) expenses for storage that are not incurred primarily for the purpose of storing the bicycle while you are at work or home.

An eligible employee must be employed by the Company on December 31st to receive reimbursement of any eligible bicycle commuting expenses incurred during that year.

If the Qualified Bicycle Commuting Benefit is available, eligible employees will automatically become participants in this part of the program.

12. What is the maximum amount of Qualified Bicycle Commuting Benefits I may receive?

The maximum amount of benefits you may receive under the Qualified Bicycle Commuting Benefit part of the Plan is the lesser of (1) the amount specified in the Appendix, or (2) \$240 per calendar year. The \$240 maximum is reduced by \$20 for each calendar month in which (i) you did not “regularly use” (see Q&A 11) a bicycle for a “substantial portion” of the distance travelled between your residence and place of employment, or (ii) you received other benefits under this Plan (e.g., transit pass benefits, qualified parking benefits, etc.). For purposes of this paragraph, a bicycle is used for a “substantial portion” of the distance travelled if it is used for at least 50% of the distance travelled.

Upon the close of the calendar year, you must certify (on a form available from the Company or claims administrator) the number of months during such year in which you regularly used a bicycle for a substantial portion of travel between your residence and place of employment.

13. How does the Plan save me money?

The following example illustrates how the Plan saves you money. Assume that your monthly eligible transportation expenses are \$175 per month, your monthly income is \$2,500, and you are in the 28-percent federal income tax bracket and the 7.5-percent state tax bracket. If you elect to pay your eligible transportation expenses under the Plan, you will save \$76 per month, or \$912 per year. These amounts are computed as follows:

	Pre-Tax Plan	No Pre-Tax Plan
Salary	\$2,500	\$2,500
LESS:		
Transportation Expenses (Mo.)	(175)	<u>0</u>
Taxable Income	2,325	2,500
LESS:		
Federal Income Tax	(651)	(700)
State Income Tax	(174)	(188)
Social Security (FICA)	(178)	(191)
Unreimbursed Transp. Expenses	<u>0</u>	<u>(175)</u>
Net Take Home Pay	1,322	1,246
Monthly Tax Savings	76	
Annual Tax Savings	912	

14. What is considered the Plan Year?

The Plan runs on a 12-month Plan year that is specified in the Appendix. In certain cases, a short Plan year may exist as indicated in the Appendix.

15. When and how do I elect the Plan benefits?

You will be notified of your eligibility to participate in the Plan when you first become eligible for the Plan, at which time you may apply to participate in the Plan and elect (if necessary) the benefits you wish to receive. Unless the Appendix indicates that elections automatically renew each Plan year, you will be given the opportunity to confirm or change your existing choices for each new Plan year.

16. Can I change my election during the Plan Year?

Yes. In general, you may change your election at any time during a Plan year by completing a new election indicating the new amount to be allocated to your account(s). Your change in election will be effective on the first day of the month coinciding with or following the date the change is filed.

17. How do I withdraw money from my account?

Depending on the choices made by the Company in the Appendix, there are one or more methods by which you may withdraw money from your account.

If the Plan includes Transit Pass Benefits and the Appendix indicates that the Company distributes vouchers, your account will be reduced as transit pass vouchers are distributed.

For other benefits, and for Transit Pass Benefits that are provided through reimbursement of eligible expenses, to receive the benefit you must complete a claim form and submit it along with proper documentation substantiating your expenses to the designated claims administration representative. The Company has designated Benefit Extras to be the claims administrator. The documentation you submit along with your claim form must show the name of the party/business providing the service, the date the expense was incurred, and the amount of the expense.

Notwithstanding the general rule described above, if the Plan includes a special rule (as indicated in Appendix A), you may not need to submit supporting documentation with your claim form in all cases. If provided in Appendix A, supporting documentation is not required in cases in which the provider of the transportation service does not provide receipts in the normal course of its business. In such cases, your expense will be considered substantiated based solely upon your certification (in the claim form) of the amount and date of the expense and that the provider does not provide receipts in the normal course of its business. In all other cases, a claim must include the documentation described above.

If provided in the Appendix, the Company also makes available a debit card that you may use in some situations to obtain benefits under the Plan (other than for Qualified Bicycle Commuting Benefits). The debit card allows you to pay for eligible expenses at the time that you incur the expense. The electronic payment card works as follows:

Eligible Merchants. The debit card may be used only at merchants that sell fare media for some or all of the following categories: local and suburban commuter passenger transport; passenger railway; bus lines, excluding charters and tours; and transportation services.

Initial Substantiation. You must pay for eligible transportation expenses without using the debit card for the first month of participation in the card program. Those expenses must be substantiated by submitting a claim to the claims administrator as described above. Following the substantiation, the substantiated amount of expenses will be allocated to the appropriate sub-account on your debit card to be used for subsequently incurred expenses.

Recurring Expenses After Initial Substantiation. After the initial substantiation of an eligible expense, you may be reimbursed for subsequent eligible expenses via the debit card (i.e., funds will be allocated to the appropriate sub-account on the card for use with subsequently incurred expenses) without additional substantiation, so long as the requirements described in the following two paragraphs are met. If the seller/provider of the transportation service changes, the time period for which the transportation service is used changes, or the amount of the eligible expense increases, a claim must be submitted for the expense.

Certification. You must certify that the debit card is used only for eligible transportation expenses. This certification must be provided when you initially receive your debit card and thereafter on an annual basis.

Note, other than for expenses under the Qualified Bicycle Commuting Benefit, you must have either incurred or paid an eligible expense prior to seeking reimbursement. For the Qualified Bicycle Commuting Benefit, you must have incurred an eligible expense prior to seeking reimbursement. An expense is incurred when the transportation service giving rise to the eligible expense is furnished or when the goods giving rise to the eligible expense are purchased.

18. How often will claims be paid under the Plan?

Except as provided below, claims will be processed on the day you submit them or the following business day. Payments may not exceed the amount credited to the applicable account or the applicable maximum benefit. If a claim is in excess of the amount credited to your account, the excess amount cannot be paid from amounts subsequently credited to your account.

For Qualified Bicycle Commuting Benefits, reimbursement of eligible expenses incurred during a calendar year will be paid after the close of that calendar year.

19. Are my Plan benefits taxable?

Under current law, the benefits you receive under the Plan are not currently taxable to you, nor are the benefits subject to federal income tax withholding and Social Security (FICA) withholding taxes. In some cases, Plan benefits may be subject to state income taxes.

20. What happens to the money in my account(s) should my participation terminate?

If you are still employed by the Company, you may continue to submit claims for eligible expenses (whether incurred or paid prior to or after you cease to participate in the Plan) until the end of the claim run-out period described in Q&A 21 below.

If your employment has terminated, you may submit claims for eligible expenses incurred or paid before the date of your termination. Eligible claims must be submitted within 90 days from the date of your termination. Any balance remaining in your account(s) after you cease to be an employee and after all benefits to which you are entitled are paid will be forfeited.

Special rules apply to the Qualified Bicycle Commuting Benefit (if available). If your participation in the Plan terminates, you will not be eligible to receive reimbursement for any eligible expenses incurred during the calendar year in which your participation ceases. If your participation terminates early in the calendar year, you will, however, be able to receive reimbursement for eligible expenses incurred in the prior calendar year if the claim is submitted within the claim run-out period described in Q&A 21 below.

21. What is the deadline for submitting claims?

For most benefits (except Qualified Bicycle Commuting Benefits), claims for eligible expenses incurred or paid during a particular Plan year must be submitted within 90 days following the end of that Plan year.

For Qualified Bicycle Commuting Benefits (if available), the benefit operates on the calendar year, which may be different than the Plan year. Claims under the Qualified Bicycle Commuting Benefit for eligible expenses incurred during a particular calendar year must be submitted within 90 days following the end of that calendar year.

22. What happens to unused account balances?

Unless your participation has terminated (see Q&A 20), and except as provided below, unused account balances at the end of a Plan year will, as provided in the Appendix, either: (1) carry over to the subsequent Plan year, or (2) be forfeited following the close of the claim run-out period for that year. There is no ability to cash out your unused account balance.

For the Qualified Bicycle Commuting Benefit, any unused benefit for a particular calendar year is forfeited following the close of the claim run-out period for that year.

23. The Plan sounds too good to be true. Are there any reasons why I shouldn't participate?

As discussed above, salary you elect to use to pay for Plan benefits is free from income and FICA taxes. This is a valuable benefit. However, because amounts deferred under the Plan are not counted as wages when determining your Social Security benefit, it is possible that there may be a reduction in your Social Security benefits. If your salary is above the Social Security Taxable Wage Base (\$127,200 in 2017) your Social Security benefits probably will not be affected. If your salary is below the Social Security Taxable Wage Base, your Social Security benefits might be reduced. You should consult your own financial or tax advisor to determine the effects of electing to participate in the Plan.

24. Who holds the funds I have set aside under the Plan?

Separate bookkeeping entries will be maintained to keep track of your account balances. However, the Company does not set aside Plan contributions from the other assets of the Company.

25. When will my participation in the Plan cease?

If you elect to participate in the Plan, your participation will generally continue until you separate from service with the Company or are otherwise no longer eligible for the Plan, or until you elect to stop making contributions under the Plan. The Company may also terminate your participation for cause.

26. Will I have any administrative costs under the Plan?

The cost of administering the Plan will be paid either by the Company or by participants, as indicated in the Appendix.

27. How long will the Plan remain in effect?

The Company has the right to modify or terminate the Plan at any time.