

Qualified Transportation Expense (QTE) Plan
featuring eTRAC® technology and Parking Reimbursement
PLAN SUMMARY

Maximize Your Benefits

By taking advantage of this Plan, you can make your work place commute and parking more affordable and increase your spendable income. Please take the time to carefully read this summary so you understand the advantages of participating in this valuable program.

Take Advantage of the Tax Laws

Effective January 1, 1998, IRC Section 132(f) was amended, allowing an employee to choose between “compensation” and otherwise excludable “Qualified Transportation Expense” (QTE). What does this mean to you? You can elect to pay for certain work place commuting and parking expenses on a tax-free basis.

The Plan Saves You Money by Cutting Taxes

If you participate in the Plan, you can have money deducted from your pay and set aside for your own Qualified Transportation Expenses. By enrolling in the QTE Plan, you can pay for these expenses tax-free, meaning that you will not have to pay federal income taxes, social security (FICA) taxes, or state income taxes (may vary by state) on these amounts. Because you pay less tax, your spendable income increases. The following example illustrates these tax savings.

Suppose your gross monthly pay is \$2,000 and you pay \$80 per month for Qualified Transportation Expenses. Your savings can be illustrated by comparing your disposable income with and without a QTE Plan. Based on your filing status, number of exemptions, and other deductions, suppose that you pay 15% of your income in federal taxes and 5% of your income in state taxes. (Of course, your income tax rates will depend on your individual situation; the rates shown are for illustration purposes only.)

<u>Monthly Amounts</u>	<u>Without Plan</u>	<u>With Plan</u>
• Gross Pay	\$2,000	\$2,000
> <i>Less Tax-Free Expenses:</i>		
◦ Qualified Transportation	0	80
	-----	-----
• Taxable Income	\$2,000	\$1,920
> <i>Less Taxes & After-Tax Expenses:</i>		
◦ Taxes -- 27.65% (FICA, Federal and State)	553	530
◦ Qualified Transportation	80	0
	-----	-----
Disposable Income (Net Pay)	\$1,367	\$1,390

As you can see in this illustration, your disposable income increases by \$23 per month if you join the QTE Plan. If you do not participate, you have to pay income tax and social security tax on the amounts you spend for Qualified Transportation Expenses. By paying for these expenses through the Plan, they do not appear as taxable income on your W-2 form, so your taxes are reduced.

Participating in the Plan

Only employees who are eligible to participate can enroll in the Plan. If you meet the requirements set forth in Item 3 of the Plan Highlights, you are eligible to participate. You may begin participation in the Plan on the date specified in Item 4 of the Plan Highlights. To use the Plan to pay for Qualified Transportation Expenses, you must enroll in the Plan. When you enroll, you must indicate how much you want to elect for a Parking Reimbursement Account and/or a Mass Transit Account, up to the amount(s) indicated in Item 5 of the Plan Highlights. The amount(s) elected will be deducted from your pay in equal installments and will go into your Plan Account(s). Again, you will not have to pay income or social security tax on the tax-free amounts set aside through the Plan for payment of these expenses. Refer to Item 10 in the Plan Highlights regarding continuing participation in the Plan.

If the Plan Administrator reasonably believes that a Participant knowingly has submitted an expense which is not a Qualified Transportation Expense, is an expense for someone other than the enrolled employee, or is otherwise not eligible, the Plan Administrator may immediately discontinue the Participant’s participation in the Plan, prohibit the Participant from again participating in the Plan and assess a surcharge for non-approved expenses. The Plan Administrator may request from the Participant any information reasonably necessary to assist in such determination. Failure of the Participant to provide such information shall be cause for the Plan Administrator to find that the Participant knowingly submitted an expense that is not a Qualified Transportation Expense.

What Expenses Can Be Paid Through the QTE Plan?

Parking Reimbursement Account: Expenses for parking provided to a Participant on or near the business premises of the Employer or on or near a location from which the Participant commutes to work by car pool, in a commuter highway vehicle, on mass transit facilities or on transportation provided by any person in the business of transporting persons for compensation or hire in a commuter highway vehicle. It does not include any parking on or near the property used by the Participant for residential purposes.

Mass Transit Account: Expenses for transportation in a commuter highway vehicle (i.e. van pool) or mass transit facilities (i.e. bus, train, subway, ferry) if such transportation is in connection with travel between the Participant’s residence and place of employment. This includes expenses for any pass, token, farecard or similar item that entitles the Participant to such transportation.

Note that a commuter highway vehicle means any highway vehicle with a seating capacity of at least six (6) adults (excluding the driver); and of which at least eighty percent (80%) of the mileage for a year is reasonably expected to be used:

- (1) for purposes of transporting employees in connection with travel between their residences and their places of employment; and

- (2) on trips during which the number of employees transported for such purposes is at least one-half (1/2) of the adult seating capacity of such vehicle (excluding the driver).

Deciding How Much to Set Aside in the QTE Plan

If you enroll in the QTE Plan, you have two separate Accounts available: a Parking Reimbursement Account (for Qualified Parking expenses described above) and a Mass Transit Account (for Qualified Mass Transit expenses described above). Keep in mind that you will only have access up to the cash balance in your Account(s). Unused cash balances at the end of a Plan Month will be carried forward to the subsequent Plan Month.

- Your monthly election for a Parking Reimbursement Account is limited to the IRS maximum tax-free amount as set forth in Item 5 of the Plan Highlights.
- Your monthly election for a Mass Transit Account with *eTRAC*® should equal your total Qualified Mass Transit expenses for the month in order to ensure that you have sufficient funds on your *eTRAC*® card to purchase passes. The maximum tax-free amount you can contribute is set forth in Item 5 of the Plan Highlights.

How the Plan Reimburses You for Qualified Parking Expenses

In order to receive reimbursement for Qualified Parking expenses, you must submit a completed Benefit Resource, Inc. claim form accompanied by the required documentation of the Qualified Parking expense(s) being claimed. Your claims for eligible expenses must be submitted as set forth in Items 6 and 8 of the Plan Highlights. The amount available for reimbursement is limited to the cash balance in your Account at that time.

Benefit Resource, Inc. reimburses Qualified Parking expense claims on a regularly scheduled basis. Items 6, 8 and 9 of the Plan Highlights provide important details about the reimbursement schedule and claim submission deadlines.

How the *eTRAC*® MasterCard® Pays for Qualified Mass Transit Expenses

If you enroll in a Mass Transit Account, you will be issued an *eTRAC*® MasterCard® to use to purchase Qualified Mass Transit expenses as described above. The card may only be used at approved vendors. Use of the card must be in accordance with the "*eTRAC*® MasterCard® Stored Value Card Disclosure and Agreement" provided with the card. The amount of the purchase for your Qualified Mass Transit expense is limited to the cash balance on your *eTRAC*® MasterCard® at the time of purchase.

If you purchase a mass transit service without your *eTRAC*® MasterCard®, that expense will not be reimbursed from your Mass Transit Account. Refunds of cash balances cannot be issued from Mass Transit Accounts.

Election Changes

Changes in elections are permitted as indicated in Item 10 of the Plan Highlights. Participants may increase or decrease an election, or may even temporarily reduce an election to \$0 in order to spend down unused cash balances carried over from prior months.

A Participant may close an Account at any time. To close an Account, an election change must be submitted. Once an Account is closed, funds remaining in the Account(s) will be forfeited. For a Parking Reimbursement Account, claims will no longer be reimbursed after the date the Account is closed. For a Mass Transit Account, the *eTRAC*® MasterCard® cannot be used after the date the Account is closed.

Termination of Employment

If you are enrolled in the QTE Plan and terminate employment:

- You may claim reimbursement for eligible Qualified Parking services provided through the last month of employment. To do so, your claim must be received by Benefit Resource, Inc. within the grace period specified in Item 8 of your Plan Highlights. Any funds remaining after the grace period will be forfeited.
- Any tax-free funds remaining in your Mass Transit Account at the end of the month during which employment terminates will become taxable wages. Mass Transit Account balances are available for use (via the *eTRAC*® MasterCard®) within the grace period specified in Item 8 of your Plan Highlights. Any funds remaining after this grace period will be forfeited.

Other Things You Should Know

The Plan Administrator will answer your questions about the Plan and provide any forms you need. The Plan Administrator also keeps the Plan's records and is responsible for the operation of the Plan. Neither the Plan Administrator nor the employer, however, is responsible for a participant's failure to pay transportation/parking vendors. The Plan Administrator's name, address and telephone number, along with other important Plan information, are shown in Items 11 through 14 of the Plan Highlights. The employer maintains a Plan Document on file which you may review upon request. The Plan Document is more precise than this Plan Summary, so if anything in this description seems to differ from the Plan Document, the Plan Document controls.

Note that the Employer may change or terminate the Plan at any time. In the event that your Employer amends or terminates this Plan, you will be notified about any changes which will affect your Account(s).

Denial Procedures

If a claim for reimbursement under this Plan is wholly or partially denied, a written notice of adverse benefit determination shall be furnished to the claimant within a reasonable period of time, not to exceed 90 days after receipt of the claim by the Administrator. Upon receipt of an adverse benefit determination, the claimant must within 60 days appeal the denial in writing to the Administrator (seeking reconsideration of the denial). This appeal step is a prerequisite to pursuing any other avenues of relief.