

**LHK PARTNERS, INC.
FSA SALARY REDUCTION PLAN**

SUMMARY PLAN DESCRIPTION

EFFECTIVE NOVEMBER 1, 2017

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INTRODUCTION

LHK Partners, Inc. (“the Employer”) is pleased to sponsor an employee benefit program known as a “FSA Salary Reduction Plan” (“the Plan”) for you and your fellow employees. The Plan is called a cafeteria plan because it lets you choose from several different insurance and fringe benefit programs according to your individual needs. The Employer provides you with the opportunity to pay for selected benefits by entering into a salary reduction arrangement by which you elect to pay for the benefits on a pre-tax basis instead of receiving a corresponding amount of your regular pay. This arrangement helps you because the benefits that you elect are nontaxable; you save Social Security and income taxes on the amount of your salary reduction. Alternatively, you may choose to pay for any of the available benefits with after-tax contributions on a payroll reduction basis.

This Summary Plan Description describes the basic features of the Plan, how it operates, and how you can get the maximum advantage from it. This is only a summary of the key parts of the Plan and a brief description of your rights as a Participant (defined in Q-3); it is not a part of the official Plan documents. If there are conflicts between the Plan documents and this Summary Plan Description, the Plan documents will control.

Q-1. What is the purpose of the Plan?

The purpose of the Plan is to allow eligible Employees (defined in Q-3) to use funds provided through employee salary reductions to pay for benefits under the Plan with pre-tax dollars.

Q-2. What benefits are provided by the Plan?

The Plan includes the following three benefit plans:

- *Premium Payment Component*—permits an Employee to pay for his or her share of premiums (that is, contributions for the cost of coverage) for the Health Insurance Plan with pre-tax dollars. “*Health Insurance Plan*” means the plan that your Employer maintains for Employees, their Spouses and Dependents, providing medical type benefits through a group insurance policy. Benefits provided under the Premium Payment Component are called “*Premium Payment Benefits*”;
- *Health Flexible Spending Arrangement (Health FSA)*—also called a medical expense reimbursement plan—permits an Employee to pay for his or her qualifying Medical Care Expenses (defined in Q-22) that are not otherwise reimbursed by insurance with pre-tax dollars. Benefits provided under the Health FSA are called “*Health FSA Benefits*”; and
- *Dependent Care Assistance Program (DCAP)*—also called a dependent care flexible spending account—permits an Employee to pay for his or her qualifying Dependent Care Expenses (defined in Q-33) with pre-tax dollars. Benefits provided under the DCAP are called “*DCAP Benefits*”.

Q-3. Who can participate in the Plan?

Corporate Class Employees who are regularly scheduled to work 37.5 hours or more per week are eligible to participate in the Plan, on the first of the month following Employment Commencement Date, provided that the election procedures in Q-5 are followed.

“*Employee*” means an individual that the Employer classifies as a common-law employee and who is on the Employer’s W-2 payroll, except that the term does not include any common-law employee who is a leased employee or any common-law employee classified by the Employer as a contract worker, independent contractor, temporary employee or casual employee. “*Employee*” also does not include any individual who performs services for the Employer but who is paid by a temporary or other employment or staffing agency, nor any employee covered under a collective bargaining agreement. Nor does it include self-employed individuals, partners in a partnership, or more-than-2% shareholders in a Subchapter S corporation.

Employees who actually participate in the Plan are called “*Participants*”. An Employee continues to participate until (a) the end of the Plan Year for which the election to participate was made, unless the Participant elects during the *Open Enrollment Period* (defined in Q-6) to continue participation; (b) the termination of the Plan; (c) the Participant revokes his or her election, as described in Q-7; or (d) the date on which the Participant ceases to be an eligible Employee (because of retirement, termination of employment, layoff, reduction in hours, or for any other reason). In the case of circumstances described in (d), eligibility may continue beyond the date on which the Participant ceases to be an eligible Employee for purposes of pre-taxing COBRA coverage for Health Insurance Benefits and Health FSA Benefits. See Q-8 and Q-12 for further information about how termination of participation affects your Benefits.

Q-4. What tax savings would I gain by participating in the Plan?

You save both federal income tax and FICA (Social Security) taxes by participating in the Plan. State and local taxes are also exempt, except in New Jersey, and in Pennsylvania for DCAP Benefits. The tax savings vary depending upon your filing status and various other factors.

Q-5. How do I become a Participant?

After you complete the eligibility requirements described in Q-3, you become a Participant by signing an individual Election Form/Salary Reduction Agreement on which you elect one or more of the benefits available under the Plan, as well as agree to a salary reduction to pay for those benefits so elected. You must complete the Election Form/Salary Reduction Agreement and turn it in to the Human Resource Office within the time period specified by the Administrator of the Plan (“*the Administrator*”) in the enrollment materials. Also, the Election Form/Salary Reduction Agreement will be made available to you by the first day of the Open Enrollment Period, and you will be given the opportunity during the November 1, called the “*Plan Year*”. A Participant who fails to complete, sign and file an Election Form/Salary Reduction Agreement as required will not be able to participate in the Plan until the next Open Enrollment Period (unless a *Change in Election Event* occurs, as defined in Q-7).

If a participant does not submit new benefit enrollment forms during any open enrollment period, the elections from the prior plan year will be terminated for the next plan year and will not carry over.

Q-6. What is the “Open Enrollment Period”?

The Open Enrollment Period is the period during which you have an opportunity to participate under the Plan by signing and returning an Election Form/Salary Reduction Agreement (see Q-5). You will be notified of the timing and duration of the Open Enrollment Period. The Open Enrollment Period for a Plan Year will generally be September 1 through October 31, the last 30-60 days of the previous Plan Year.

Q-7. Can I change my election for benefits or salary reduction amounts during the Plan Year?

Generally, you cannot change your election to participate in the Plan or vary the salary reduction amounts you have selected during the Plan Year (known as the irrevocability rule); except that your election will terminate if you are no longer eligible under the Plan (see Q-8). Of course, you can change your elections for benefits and salary reductions during the Open Enrollment Period, but that will apply only for the upcoming Plan Year.

There are several important exceptions to the irrevocability rule, however, known as *Change in Election Events*. “Change in Election Events” include the following events, as more fully described below: Leaves of Absence, including FMLA leave (defined in Q-14); Change in Status; certain judgments, decrees and orders; Medicare and Medicaid; Change in Cost; and Change in Coverage. (*Changes in Status, Cost and Coverage* are defined below). Note that the Change in Election Events does not apply for all Benefits—exclusions are described below for each such Event.

If a Change in Election Event (including a Change in Status) occurs, you must inform the Administrator and complete a new Election Form/Salary Reduction Agreement within 30 days of the occurrence. However if the change involves a loss of your spouse's or dependent's eligibility for the Health Insurance Plan, it will be deemed to be effective upon the date that eligibility is lost on the occurrence of the Change in Election Event, even if you do not request it within 30 days.

1. Leaves of Absence (*Applies to Premium Payment, Health FSA and DCAP Benefits*). You may change an election under the Plan upon FMLA and non-FMLA leave only as described in Q-14.

2. Change in Status (*Applies to Premium Payment Benefits, to Health FSA Benefits as Limited Below, and to DCAP Benefits*). If one or more of the following Changes in Status occur, you may revoke your old election and make a new election, provided that both the revocation and new election are on account of and correspond with the Change in Status. Those occurrences that qualify as a Change in Status include the events described below, as well as any other events that the Administrator, in its sole discretion and on a uniform and consistent basis, determines are permitted under subsequent IRS regulations:

- a change in your legal marital status (such as marriage, death of a Spouse, divorce, legal separation or annulment). “*Spouse*” means the person who is legally married to you and is treated as a spouse under the Internal Revenue Code (“*the Code*”);
- a change in the number of your Dependents (such as the birth of a child, adoption or placement for adoption of a Dependent, or death of a Dependent). “*Dependent*” means your tax dependent under the Code;
- any of the following events that change the employment status of you, your Spouse, or your Dependent and that affect benefit eligibility under a cafeteria plan (including this Plan) or other employee benefit plan of you, your Spouse, or your Dependents. Such events include any of the following changes in employment status: termination or commencement of employment, a strike or lockout, a commencement of or return from an unpaid leave of absence, a change in worksite, switching from salaried to hourly-paid, union to non-union, or full-time to part-time (or vice versa); incurring a reduction or increase in hours of employment, or any other similar change which makes the individual become (or cease to be) eligible for a particular employee benefit;
- an event that causes your Dependent to satisfy or cease to satisfy an eligibility requirement for a particular benefit (such as attaining a specific age, ceasing to be a student or similar circumstance).
- a change in your, your Spouse's or your Dependent's place of residence.

3. Change in Status—Other Requirements. (*Applies to Premium Payment Benefits, to Health FSA Benefits as Limited Below, and to DCAP Benefits*). If you wish to change your election based on a Change in Status, you must establish that the revocation is on account of and corresponds with the Change in Status. The Administrator, in its sole discretion and on a uniform and consistent basis, shall determine whether a requested change is on account of and corresponds with a Change in Status. As a general rule, a desired election change will be found to be consistent with a Change in Status event if the event affects coverage eligibility (for DCAP Benefits, the event may also affect eligibility of Dependent Care Expenses (as defined in Q-33) for the dependent care tax exclusion).

Election changes may not be made to reduce Health FSA coverage during a Plan Year; however, election changes may be made to cancel Health FSA coverage completely due to the occurrence of any of the following events: death of your Spouse, divorce, legal separation, or annulment; death of your Dependent; change in employment status such that you become ineligible for Health FSA coverage; or your Dependent's ceasing to satisfy eligibility requirements for Health FSA coverage (e.g., on account of attaining a specific age). But if you cancel coverage, it cannot result in your contributions for the year being less than the amount for which you have already been reimbursed. For example, assume that you elected to contribute \$100 per month to the Health FSA and in February you were reimbursed for \$700 of expenses. If a change in status event occurs in March that allows you to cancel coverage, your cancellation will not take effect until you have contributed a total of \$700 for the year. (See also Q-20 and Q-21). In addition, you must also satisfy the following specific requirements in order to alter your election based on that Change in Status:

- *Loss of Spouse or Dependent Eligibility; Special COBRA Rules (If Applicable).* For health benefits (here, the medical insurance under the Health Insurance Plan and the Health FSA Benefits), a special rule governs which type of election changes is consistent with the Change in Status. For a Change in Status involving your divorce, annulment or legal separation from your Spouse, the death of your Spouse or your Dependent, or your Dependent's ceasing to satisfy the eligibility requirements for coverage, you may elect only to cancel the health benefits for the affected Spouse or Dependent. A change in election for any individual other than your Spouse involved in the divorce, annulment, or legal separation, your deceased Spouse or Dependent, or your Dependent that ceased to satisfy the eligibility requirements would fail to correspond with that Change in Status.

Example: Employee Mike is married to Sharon, and they have one child. The employer offers a calendar-year cafeteria plan that allows employees to elect no health coverage. Before the plan year, Mike elects family coverage for himself, his wife Sharon, and their child. Mike and Sharon subsequently divorce during the plan year; Sharon loses eligibility for coverage under the plan, while the child is still eligible for coverage under the plan. Mike now wishes to revoke his previous election and elect no health coverage. The divorce between Mike and Sharon constitutes a Change in Status. An election to cancel health coverage for Sharon is consistent with this Change in Status. An election to cancel coverage for Mike and /or the child is not consistent with this Change in Status. In contrast, an election to change to employee-plus-one-dependent coverage would be consistent with this Change in Status. However, Mike could drop his Health FSA coverage completely.

However, if you, your Spouse, or a Dependent elects COBRA continuation coverage (as described in Q-12) under the Employer's plan for any reason other than divorce, annulment or legal separation, or your child's ceasing to be a Dependent, and you remain a Participant under the terms of this Plan, you may be able to increase your contribution to pay for such coverage.

- *Gain of Coverage Eligibility Under Another Employer's Plan.* For a Change in Status in which you, your spouse, or your Dependent gains eligibility for coverage under another employer's cafeteria plan (or qualified benefit plan) as a result of a change in your marital status or a change in your, your Spouse's, or your Dependent's employment status, your election to cease or decrease coverage for that individual under the Plan would correspond with that Change in Status *only if* coverage for that individual becomes effective or is increased under the other employer's plan.
- *DCAP Benefits.* With respect to the DCAP Benefits, you may change or terminate your election with respect to a Change in Status event only if (a) such change or termination is made on account of and conforms with a Change in Status that affects eligibility for coverage under an employer's Plan; or (b) your election change is on account of and conforms with a Change in Status that affects the eligibility of Dependent Care Expenses for the available tax exclusion.

Example: Employer Mike is married to Sharon, and they have a 12-year-old daughter. The employer's plan offers a DCAP as part of its cafeteria plan. Mike elects to reduce his salary by \$2,000 during a plan year to fund dependent care coverage for his daughter. In the middle of the plan year when the daughter turns 13 years old, however, she is no longer eligible to participate in the DCAP. This event constitutes a Change in Status. Mike's election to cancel coverage under the DCAP would be consistent with this Change in Status.

4. Special Enrollment Rights. (*Applies to Premium Payment Benefits, but Not to Health FSA or DCAP Benefits*). If you, your Spouse, or a Dependent is entitled to special enrollment rights under the Health Insurance Portability and Accountability Act of 1996 (*HIPAA*) under a group health plan, you may change your election to correspond with the special enrollment right. Please refer to the summary plan description of the Health Insurance Plan for an explanation of special enrollment rights.

5. Certain Judgments, Decrees and Orders. (*Applies to Premium Payment and Health FSA Benefits, but Not to DCAP Benefits*). If a judgment, decree or order from a divorce, separation, annulment or custody change requires your child (including a foster child who is your Dependent) to be covered under the Plan, you may change your election to provide coverage for the child. If the order requires that another individual (such as your former Spouse) cover the child, then you may change your election to revoke coverage for the child.

6. Medicare or Medicaid. (*Applies to Premium Payment Benefits, to Health FSA Benefits as Limited Below, but Not to DCAP Benefits*). If you, your Spouse, or your Dependent becomes entitled to Medicare or Medicaid (i.e., is enrolled), you may reduce or cancel that person's health coverage under the Health Insurance Plan (here, medical coverage) and/or your Health FSA coverage may be cancelled completely but not reduced. Similarly, if you, your Spouse, or a Dependent who has been entitled to Medicare or Medicaid loses eligibility for such coverage, you may, subject to the terms of the underlying plan, elect to commence or increase that person's health coverage, and/or commence or increase Health FSA coverage.

7. Change in Cost. (*Applies to Premium Payment Benefits, to DCAP Benefits as Limited Below, but Not to Health FSA Benefits*). If the Administrator notifies you that the cost of your coverage under the Plan *significantly* increases during the Plan Year, you may choose to do any of the following: (a) make a corresponding increase in your contributions; (b) revoke your election and receive coverage under another Plan option that provides similar coverage or elect similar coverage under the plan of your Spouse's employer; or (c) drop your coverage, but *only if* there is no option available under the Plan that provides similar coverage. (Note that, for purposes of this definition, (a) a Health FSA is not similar coverage with respect to a Health Insurance Plan, and (b) coverage under another employer plan, such as the plan of a Spouse or Dependent's employer is treated as similar coverage.) For *insignificant* increases or decreases in the cost of benefits, however, the Administrator will automatically adjust your election contributions to reflect the minor change in cost.

Generally, you will have to notify the Administrator of increases in the cost of DCAP Benefits. The change in cost provision applies to DCAP Benefits only if the cost change is imposed by a dependent care provider who is not your relative.

8. Change in Coverage. (*Applies to Premium Payment and DCAP Benefits, but Not to Health FSA Benefits*). You may also change your election for the Plan if one of the following events occurs:

- **Significant Curtailment of Coverage.** If the Administrator notifies you that your coverage under the Plan is significantly curtailed without a loss of coverage (for example, when there is an increase in the deductible), then you may revoke your election and elect coverage under another Plan option that provides similar coverage. If the Administrator notifies you that your coverage under the Plan is significantly curtailed with a loss of coverage (for example, if you lose all coverage by reason of an overall lifetime or annual limitation), then you may either revoke your election and elect coverage under another Plan option that provides similar coverage, elect similar coverage under the plan of your Spouse's employer, or drop coverage but *only if* there is no option available under the plan that provides similar coverage.
- **Addition or Significant Improvement of Plan Option.** If the Plan adds a new option or significantly improves an existing option, the Administrator may permit Participants who are enrolled in an option other than the new or improved option to elect the new or improved option. Also, the Administrator may permit eligible Employees to elect the new or improved option on a prospective basis, subject to limitations imposed by the Health Insurance Plan.
- **Loss of Other Group Health Coverage.** You may change your election to add group health coverage for you, your Spouse or Dependent, if any of you loses coverage under any group health coverage sponsored by a governmental or educational institution (for example, a state children's health insurance program or certain Indian tribal programs).
- **Change in Election Under Another Employer Plan.** You may make an election change that is on account of and corresponds with a change made under another employer plan (including a plan of the Employer or a plan of your Spouse's or Dependent's employer), so long as (a) the other cafeteria plan or qualified benefits plan permits its participants to make an election change permitted under the IRS regulations; or (b) this Plan permits you to make an election for a period of coverage (for example, the Plan Year) that is different from the period of coverage under the other cafeteria plan or qualified benefits plan. For example, if an election is made by your Spouse during his/her employer's open enrollment to drop coverage, you may add coverage to replace the dropped coverage.
- **DCAP Coverage Changes.** You may make a prospective election change that is on account of and corresponds with a change by your dependent care service provider. For example: (a) if you terminate one dependent care service provider and hire a new dependent care service provider,

you may change coverage to reflect the cost of the new service provider; and (b) if you terminate a dependent care service provider because a relative becomes available to take care of the child at no charge, you may cancel coverage.

9. Modifications Required by the Administrator. The Administrator may modify your election(s) downward during the Plan Year if you are a key employee or highly compensated individual (as defined by the Code), if necessary to prevent the Plan from becoming discriminatory within the meaning of the federal income tax law. Additionally, if a mistake is made as to your eligibility or participation, the allocations made to your account, or the amount of benefits to be paid to you or another person, then the Administrator shall, to the extent that it deems administratively possible and otherwise permissible under the Code and other applicable law, allocate, withhold, accelerate, or otherwise adjust such amounts as will in its judgment accord the credits to the account or distributions to which you or such other person is properly entitled under the Plan. Such action by the Administrator may include withholding of any amounts due from your compensation.

Q-8. What happens if my employment ends during the Plan Year or I lose eligibility for other reasons?

If your employment with the Employer is terminated during the Plan Year, your active participation in the Plan will cease, and you will not be able to make any more contributions to the Plan. See Q-12 and the booklets for the Health Insurance Plan for information on your right to continued or converted group health coverage after termination of your employment. If you are rehired within the same Plan Year and are eligible for the Plan, you may make new elections, provided that you are rehired more than 30 days after you terminated employment. If you are rehired within 30 days or less during the same Plan Year, your prior elections will be reinstated.

If you cease to be an eligible Employee for reasons other than termination of employment, such as a reduction in hours, you must complete the waiting period described in Q-3 before again becoming eligible to participate in the Plan.

Q-9. Will I pay administrative costs under the Plan?

No. The cost is paid entirely by the Employer.

Q-10. How long will the Plan remain in effect?

Although the Employer expects to maintain the Plan indefinitely, it has the right to amend or terminate all or any part of the Plan at any time for any reason. It is also possible that future changes in state or federal tax laws may require that the Plan be amended accordingly.

Q-11. What happens if my claim for benefits is denied?

Medical Coverage Claims. If your claim is for a benefit under the Health Insurance Plan, you will generally proceed under the claims procedure applicable under that plan or policy, as described in the plan document or summary plan description for the Health Insurance Plan.

Claims Under the Plan. However, if (a) a claim for reimbursement under the Health FSA or DCAP Components of the Plan is wholly or partially denied, or (b) you are denied a benefit under the Plan (such as the ability to pay for premiums on a pre-tax basis) due to an issue germane to your coverage under the Plan (for example, a determination of a Change in Status; a “significant” change in premiums charged; or eligibility and participation matters under the Salary Reduction Plan Document), then the claims procedure described below will apply.

If your claim is denied in whole or in part, *gente* will notify you in writing within 30 days of the date *gente* received your claim. (This time period may be extended for an additional 15 days for matters beyond the control of *gente*, including in cases where a claim is incomplete). *gente* will provide written notice of any extension, including the reasons for the extension and the date by which a decision by *gente* is expected to be made. Where a claim is incomplete, the extension notice will also specifically describe the required information, will allow you 45 days from receipt of the notice in which to provide the

specified information and will have the effect of suspending the time for a decision on your claim until the specified information is provided).

Notification of a denied claim will set out:

- a specific reason or reasons for the denial;
- the specific Plan provision on which the denial is based;
- a description of any additional material or information necessary for you to validate the claim and an explanation of why such material or information is necessary;
- appropriate information on the steps to be taken if you wish to appeal the Administrator's decision, including your right to submit written comments and have them considered, your right to review (upon request and at no charge) relevant documents and other information, and your right to file suit under ERISA (where applicable) with respect to any adverse determination after appeal of your claim.

Appeals by Participant. If your claim is denied in whole or in part, you (or your authorized representative) may request review upon written application to the *Committee* (the Benefits Committee that acts on behalf of *gente* with respect to appeals). Your appeal must be made in writing within 180 days after your receipt of the notice that the claim was denied. If you do not appeal on time, you will lose the right to appeal the denial and the right to file suit in court. Your written appeal should state the reasons that you feel your claim should not have been denied. It should include any additional facts and/or documents that you feel support your claim. You will have the opportunity to ask additional questions and make written comments, and you may review (upon request and at no charge) documents and other information relevant to your appeal.

Decision on Review. Your appeal will be reviewed and decided by the Committee or other entity designated in the Plan in a reasonable time not later than 60 days after the Committee receives your request for review. The Committee may, in its discretion, hold a hearing on the denied claim. Any medical expert consulted in connection with your appeal will be different from and not subordinate to any expert consulted in connection with the initial claim denial. The identity of a medical expert consulted in connection with your appeal will be provided. If the decision on review affirms the initial denial of your claim, you will be furnished with a notice of adverse benefit determination on review setting forth:

- the specific reason(s) for the decision on review;
- the specific Plan provision(s) on which the decision is based;
- a statement of your right to review (upon request and at no charge) relevant documents and other information;
- if an "internal rule, guideline, protocol, or other similar criterion" is relied on in making the decision on review, a description and copy of the specific criteria will be provided free of charge to you upon request; and
- a statement of your right to bring suit under ERISA § 502(a) (where applicable).

Q-12. What is "Continuation Coverage" and how does it work?

You can continue your Health FSA under COBRA but the continuation is limited to only those employees, who, at the time of their COBRA qualifying event, have under spent their Health FSA account.

Example of Why a Health FSA Participant Would Elect COBRA: During the first six months of the 2005 plan year, Mike contributes \$1,200 toward his Health FSA coverage (annual coverage elected is \$2,400). He terminates employment with his employer on June 30, 2005. The plan provides that coverage ceases upon termination of employment. Mike did not incur any medical expenses before he terminated. Under the use-it-or-lose-it rule, Mike will forfeit the \$1,200 he contributed unless he elects COBRA. But if Mike elects and pays for COBRA and incurs \$2,400 in medical expenses in August, Mike can be reimbursed \$2,400.

A similar right to continuation coverage is provided under a federal law called USERRA for certain leaves of absence for military service. USERRA also provides certain health plan reinstatement rights to persons whose coverage was terminated by reason of such a leave of absence. Your Employer can provide you with additional information about USERRA.

Q-13. How will participating in the Plan affect my Social Security and other benefits?

Plan participation will reduce the amount of your taxable compensation. Accordingly, there could be a decrease in your Social Security benefits and/or other benefits, which is based on taxable compensation. However, the tax savings that you realize through Plan participation will often more than offset any reduction in Social Security benefits.

Q-14. How do leaves of absence (such as under FMLA) affect my benefits?

FMLA Leaves of Absence (Applies to Employers with 50 or More Employees). If you go on a qualifying leave under the Family and Medical Leave Act of 1993 (FMLA), to the extent required by the FMLA, your Employer will continue to maintain your Health Insurance Benefits and Health FSA Benefits on the same terms and conditions as if you were still active (that is, your Employer will continue to pay its share of the premium to the extent that you opt to continue coverage). Your Employer may require you to continue all Health Insurance Benefits and Health FSA Benefits coverage for Participants while they are on paid leave (for example, on a pre-tax salary reduction basis).

If you are going on unpaid FMLA leave (or paid FMLA leave where coverage is not required to be continued) and you opt to continue your Health Insurance Benefits and Health FSA Benefits, then you may pay your share of the premium in one of three ways: (a) with after-tax dollars while on leave; (b) with pre-tax dollars to the extent that you receive compensation during the leave, or by pre-paying all or a portion of your share of the premium for the expected duration of the leave on a pre-tax salary reduction basis out of your pre-leave compensation, including unused sick days and vacation days (to pre-pay in advance, you must make a special election before such compensation would normally be available to you) but note that pre-payments with pre-tax dollars may not be used to pay for coverage during the next Plan Year; or (c) by other arrangements agreed upon between you and the Administrator (for example, the Administrator may pay for coverage during the leave and withhold amounts from your compensation upon your return from leave).

If your Employer requires all Participants to continue Health Insurance Benefits and Health FSA Benefits during the unpaid FMLA leave, you may discontinue paying your share of the required premium until you return from leave. Upon returning from leave you must pay your share of any required premiums that you did not pay during the leave. Payment for your share will be withheld from your compensation either on a pre-tax or after-tax basis, as you and the Administrator may agree.

If your Health Insurance Benefits or Health FSA Benefits coverage ceases while on FMLA leave (e.g., for non-payment of required contributions), you will be permitted to re-enter such Benefits, as applicable, upon return from such leave on the same basis as when you were participating in the Plan before the leave, or as otherwise required by the FMLA. You may be required to have coverage for such Benefits reinstated so long as coverage for Employees on non-FMLA leave is required to be reinstated upon return from leave. But despite the preceding sentence, with regard to Health FSA Benefits, if your coverage ceased you will be permitted to elect whether to be reinstated in the Health FSA Benefit at the same coverage level as was in effect before the FMLA leave (with increased contributions for the remaining period of coverage) or at a coverage level that is reduced pro rata for the period of FMLA leave during which you did not pay premiums. If you elect the pro rata coverage, the amount withheld from your compensation on a payroll-by-payroll basis for the purpose of paying for reinstated Health FSA Benefits will equal the amount withheld before FMLA leave.

If you are commencing or returning from FMLA leave, your election for non-health benefits (such as DCAP Benefits) will be treated in the same way as under your Employer's policy for providing such Benefits for Participants on a non-FMLA leave (see below). If that policy permits you to discontinue contributions while on leave, then you will, upon returning from leave, be required to repay the premiums not paid by you during leave. Payment will be withheld from your compensation either on a pre-tax or after-tax basis, as agreed to by the Administrator and you or as the Administrator otherwise deems appropriate.

Non-FMLA Leaves of Absence. If you go on an unpaid leave of absence that does not affect eligibility, then you will continue to participate and the premium due for you will be paid by pre-payment before going on leave, after-tax contributions while on leave, or with catch-up contributions after the leave ends, as determined by the Administrator. If you go on an unpaid leave that affects eligibility, the change in status rules will apply (see Q-7).

Q-15. What are “Premium Payment Benefits”?

If you elect Premium Payment Benefits, you will be able to pay for your share of health insurance (which includes dental, vision or other types of health insurance benefits) premiums with pre-tax dollars by entering into an Election Form/Salary Reduction Agreement with your Employer. This means that the share of the premiums you pay will be with pre-tax funds, which saves you Federal and Social Security income taxes on the amount of your salary reduction. State and local taxes are also exempt except in New Jersey.

The only Premium Payment Benefits offered under your Plan are for the health benefits.

Q-16. How are my Premium Payment Benefits paid?

If you select the Health Insurance Plan described in Q-15, you may be required to pay a portion of the premiums for the Premium Payment Benefits that you have selected, as described in documents furnished separately to you. When you complete the Election Form/Salary Reduction Agreement, you specify that your share of the premiums will be paid with that portion of gross income that you have elected to give up through pre-tax salary reductions. From then on, you must pay a premium for such coverage by having that portion deducted from each paycheck on a pre-tax basis (generally an equal portion from each paycheck, or an amount otherwise agreed to or as deemed appropriate by the Administrator). The Employer will not be liable to you if an insurance company fails to provide any of the medical insurance benefits.

The Employer may contribute all, some, or no portion of the Premium Payment Benefits that you have selected, as described in documents furnished separately to you.

Q-17. What are “Health FSA Benefits”?

If you elect Health FSA Benefits, you provide a source of pre-tax funds to reimburse yourself for your eligible Medical Care Expenses by entering into an Election Form/Salary Reduction Agreement with your Employer. Under that Agreement, you agree to a salary reduction to fund Medical Care Expenses instead of receiving a corresponding amount of your regular pay. This means that the premiums you pay will be paid with pre-tax funds. In return, you may be reimbursed from the Plan for certain eligible Medical Care Expenses. This arrangement helps you because the coverage you elect is nontaxable, which saves you Federal and Social Security income taxes on the amount of your salary reduction. State and local taxes are also exempt except in New Jersey.

Health FSA Benefits are intended to pay benefits solely for Medical Care Expenses not reimbursed elsewhere. Accordingly, the Health FSA shall not be considered to be a health plan for coordination of benefits purposes, and Health FSA Benefits shall not be taken into account when determining benefits payable under any other plan, including wording for plans with Employer funded accounts.

Q-18. What is my “Health FSA Account”?

If you elect Health FSA Benefits, an account called a *Health FSA Account* will be set up in your name to keep a record of the reimbursements that you are entitled to, as well as the premiums that you have paid for such benefits during the Plan Year. Your Health FSA Account is merely a recordkeeping account; it is not funded (all reimbursements are paid from the general assets of the Employer), and it does not bear interest.

Q-19. What are the maximum and minimum Health FSA Benefits that I may elect?

You may choose any amount of Medical Care Expenses reimbursement that you desire under the Health FSA, subject to the maximum reimbursement amount of \$2,600 per Plan Year. There is no minimum reimbursement amount. You will be required to pay the annual Health FSA “premium” equal to the coverage level you have chosen.

Q-20. How are my Health FSA Benefits paid?

When you complete the Election Form/Salary Reduction Agreement, you specify the amount of Health FSA Benefits that you wish to pay for with your salary reduction. From then on, you must pay a premium for such coverage by having an equal portion of the annual premium deducted from each paycheck (unless otherwise agreed with, or as deemed appropriate by the Administrator). For example, suppose that you have elected to be reimbursed up to \$1,000 per year for Medical Care Expenses and that you have chosen no other benefits under the Plan. If you pay all of your premiums, your Health FSA Account would be credited with a total of \$1,000 during the Plan Year. If you are paid bi-weekly, your Health FSA Account would reflect that you have paid \$38.46 (\$1,000 divided by 26) for each pay period in premiums for the Health FSA Benefits that you have elected.

The Employer makes no contribution to your Health FSA Account.

Q-21. What amounts will be available for Health FSA reimbursement at any particular time during the Plan Year?

The full amount of the coverage that you have elected (reduced by prior reimbursements made during the same Plan Year) will be available to reimburse you for eligible Medical Care Expenses incurred during the Plan Year, regardless of the amount that you have contributed when you submitted the claim (so long as you have continued to pay the premiums). For example, suppose that you elected \$1,000 of coverage and contributed to your Health FSA Account (as described in Q-20) during January and February—that means that by February 24 you would have contributed \$153.84 (\$38.46 times 4 pay periods). You haven’t made any prior claims for reimbursement during the calendar year, but on February 26 you incur a Medical Care Expense in the amount of \$300. You submit that claim for reimbursement on February 27. So long as the claim meets all applicable requirements, then \$300 would be available to you for that expense, even though you have only contributed \$153.84 to your Health FSA Account at the time.

Q-22. What are “Medical Care Expenses”?

“*Medical Care Expense*” means expenses incurred by you, your Spouse or Dependents for “medical care” as defined in Code § 213(d). Under the tax laws, medical care expenses now includes expenses for OTC drugs and medicines as well as expenses for prescription drugs.

The following list specifies certain expenses that are not reimbursable, even if they meet the definition of “medical care” under Code § 213(d), and may otherwise be reimbursable under regulations governing Health FSA’s. Note that many expenses not on the list of exclusions below will still not be reimbursable if such expenses do not meet the definition of “medical care” under Code § 213(d) and other requirements for reimbursement under the Health FSA.

EXCLUSIONS:

- health insurance premiums for any other plan (including a plan sponsored by the Employer);
- long-term care services;
- cosmetic surgery or other similar procedures, unless the surgery or procedure is necessary to ameliorate a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or a disfiguring disease. “Cosmetic surgery” means any procedure that is directed at improving the patient’s appearance and does

- not meaningfully promote the proper function of the body or prevent or treat illness or disease;
- the salary expense of a nurse to care for a healthy newborn at home;
- funeral and burial expenses;
- household and domestic help (even though recommended by a qualified physician due to an Employee’s or Dependent’s inability to perform physical housework);
- custodial care;
- costs for sending a problem child to a special school for benefits that the child may receive from the course of study and disciplinary methods;
- social activities, such as dance lessons (even though recommended by a physician for general health improvement);
- bottled water;
- cosmetics, toiletries, toothpaste, etc.;
- uniforms or special clothing, such as maternity clothing;
- automobile insurance premiums;
- marijuana and other controlled substances that are in violation of federal law, even if prescribed by a physician;
- any item that doesn’t constitute “medical care” under Code § 213(d); and
- any item that isn’t reimbursable under applicable regulations.

For more information about what items are—and are not—Medical Care Expenses, consult IRS Publication 502 (“Medical and Dental Expenses”), under the headings “What Medical Expenses Are Deductible?” and “What Expenses Are Not Deductible?” But use the Publication with caution, because it was meant only to help taxpayers figure out what medical expenses can be deducted on their Form 1040 Schedule A (i.e., to figure out their tax deductions), not what is reimbursable under a Health FSA. In fact, some of the statements in the Publication aren’t correct when determining whether that same expense is reimbursable from your Health FSA. This is because there are several fundamental differences between what is deductible as medical care (under Code §§ 213(a) and 213(b)) and what is reimbursable under a Health FSA (under Code § 213(d)). Not all expenses that are deductible are reimbursable under a Health FSA. (For example, health insurance premiums, founders’ fees, lifetime care and long-term contracts are listed as deductible expenses in Publication 502, but they cannot be reimbursed from your Health FSA.) And not all expenses that are reimbursable under a Health FSA are deductible. Be sure to ask the Administrator or consult a tax advisor for help if you need to be certain about which expenses are—and are not—reimbursable.

Q-23. When are Medical Care Expenses incurred?

For Medical Care Expenses to be reimbursed to you, they must have been incurred during the Plan Year. A Medical Care Expense is *incurred* when the service that gives rise to the expense is provided, not when the expense was paid. Note that if you have paid for the expense but the services have not yet been rendered, then the expense has not been incurred for this purpose. For example, if you pay for medical care on the first day of the month for care given on the 15th of that month, the expense has not been incurred until the 15th of that month. You may not be reimbursed for any expenses arising before the Plan became effective, before your Election Form/Salary Reduction Agreement became effective, for any expenses incurred after the close of the Plan Year, or after a separation from service (except for Continuation Coverage, as described in Q-12).

Q-24. What must I do to be reimbursed for Medical Care Expenses?

When you incur an expense that is eligible for payment, you must submit a claim to *gente* on a *Medical Reimbursement Request Form* that will be supplied to you. You must include written statements and/or bills from independent third parties stating that the Medical Care Expenses have been incurred, and the amount of such Medical Care Expenses along with the Medical Reimbursement Request Form.

Generally, this requires including an Explanation of Benefits (EOB) Form from the medical insurance carrier (or a bill from a doctor's office) indicating the amounts that you are obligated to pay.

If you have paid the premiums (through payroll deductions) for the Health FSA coverage you have elected, then you will be reimbursed for your eligible Medical Care Expenses within 30 days after the date you submitted the Medical Reimbursement Request Form (subject to a 15-day extension for matters beyond the Administrator's control—see Q-11). Remember, though, that you can't be reimbursed for any total expenses above the annual reimbursement amount you have elected.

You will have until April 15 after the end of the Plan Year in which to submit a claim for reimbursement for Medical Care Expenses incurred during the previous Plan Year. However, if you have ceased to be eligible as a Participant, you will only have until 90 days after the date you ceased to be eligible in which to submit a claim for reimbursement for Medical Care Expenses incurred during the previous Plan Year. You will be notified in writing if any claim for benefits is denied (see Q-11).

To have your claims processed as soon as possible, please read Q-11. Note that it is *not* necessary for you to have actually paid the bill in an amount due for a Medical Care Expense—only for you to have *incurred* the expense (as defined in Q-23), and that it is not being paid for or reimbursed from any other source.

Q-25. Is there any risk of losing or forfeiting the amounts that I elect for Health FSA Benefits?

Yes. If the Medical Care Expenses that you incur during the Plan Year are less than the annual amount that you elected for Health FSA Benefits, you will forfeit the rest of that amount in your Health FSA Account – this is called the “use-it-or-lose-it” rule under applicable tax laws. The difference will be forfeited as described in Q-26.

Q-26. What are the time limits that affect forfeiture of my Health FSA Benefits?

You will forfeit any amount allocated to your Health FSA Account if that amount has not been applied to Health FSA Benefits for any Plan Year by January 15 following the end of the Plan Year for which the election was effective (except that if you have ceased to be eligible as a Participant, you will forfeit such amounts if they have not been applied within 90 days of the date you ceased to be eligible—see Q-24). Forfeited amounts will be used as follows: first, to offset any losses experienced by the Employer as a result of making reimbursements in excess of contributions paid by all Participants; second, to reduce the cost of administering the Health FSA during the Plan Year and subsequent Plan Year; and third, to provide increased benefits or compensation to Participants in subsequent years in any weighted or uniform fashion that the Administrator deems appropriate and consistent with applicable regulations. Also, any Health FSA Account benefit payments that are unclaimed (for example, uncashed benefit checks) by the close of the Plan Year following the Plan Year in which the Medical Care Expense was incurred shall be forfeited and applied as described above.

Q-27. Will I be taxed on the Health FSA Benefits I receive?

Generally, you will not be taxed on your Health FSA Benefits, up to the limits set forth in Q-19. However, the Employer cannot guarantee that specific tax consequences will flow from your participation in the Plan. The tax benefits that you receive depend on the validity of the claims you submit. For example, to qualify for tax-free treatment, your Medical Care Expenses must meet the definition of “medical care” as defined in the Code. If you are reimbursed for a claim that is later determined to not be for Medical Care Expenses, you will be required to repay the amount. Ultimately, it is your responsibility to determine whether each payment to you under this plan is excludable for tax purposes. You may wish to consult a tax advisor.

Q-28. What are “DCAP Benefits”?

If you elect DCAP Benefits, you provide a source of pre-tax funds to reimburse yourself for your eligible Dependent Care Expenses by entering into an Election Form/Salary Reduction Agreement with your Employer. Under that Agreement, you agree to a salary reduction to pay for Dependent Care

Expenses instead of receiving a corresponding amount of your regular pay. This means that the premiums you pay will be with pre-tax funds. In return, you may be reimbursed from the Plan for certain eligible Dependent Care Expenses. This arrangement helps you because the coverage that you elect is nontaxable, which saves you Federal and Social Security income taxes on the amount of your salary reduction. State and local taxes are also exempt except in New Jersey and Pennsylvania.

Q-29. What is my “DCAP Account”?

If you elect DCAP Benefits, an account called a *DCAP Account* will be set up in your name to keep a record of the reimbursements that you are entitled to, as well as the premiums that you have paid for such benefits during the Plan Year. Your DCAP Account is merely a recordkeeping; it is not funded (all reimbursements are paid from the general assets of the Employer).

Q-30. What is the maximum DCAP Benefit that I may elect?

You may choose any amount of Dependent Care Expenses reimbursement that you desire under the DCAP, subject to the maximum reimbursement amounts described below. You will be required to pay the annual DCAP “premium” equal to the coverage level you have chosen.

The amount of Dependent Care Expenses reimbursement that you choose cannot exceed the maximum amount specified in Code § 129. The maximum amount is currently \$5,000 for a calendar year if you:

- are married and file a joint federal income tax return;
- are married and file a separate federal income tax return, and meet the following conditions: (1) you maintain as your home a household that constitutes (for more than half of the taxable year) the principal place of abode of a qualifying individual (i.e., the Dependent for whom you are eligible to receive reimbursements under the DCAP); (2) you furnish over half of the cost of maintaining such household during the taxable year; and (3) during the last six months of the taxable year, your Spouse is not a member of such household (i.e., your Spouse maintained a separate residence);
- are single or are the head of the household for tax purposes.

If you are married and reside with your Spouse but you file a separate federal income tax return, then the maximum DCAP Benefit that you may elect is \$2,500 for a calendar year.

The above maximum (\$5,000 or \$2,500 for a calendar year, as applicable) applies to the amount that you may elect under this Plan and any plan of your Spouse. However, the above maximum is just the greatest amount that is possible; the election amount that applies to you may be less than the above maximum because of other limitations, as described in Q-33 (for example, note that reimbursement cannot exceed the amount of your or your Spouse’s earned income for the Plan Year).

Q-31. How are my DCAP Benefits paid?

When you complete the Election Form/Salary Reduction Agreement, you specify the amount of DCAP Benefits that you wish to pay with your salary reduction. From then on, you must pay a premium for such coverage by having an equal portion of the annual premium deducted from each paycheck (unless otherwise agreed with, or as deemed appropriate by the Administrator). If you pay all of your premiums, your DCAP Account will be credited with the portion of your gross income that you have elected to give up through salary reduction. These portions will be credited as of each pay period.

For example, suppose that you have elected to be reimbursed for \$2,600 per year for Dependent Care Expenses and that you have chosen no other benefits under the Plan. Your DCAP Account would be credited with a total of \$2,600 by the end of the Plan Year. If you were paid bi-weekly, your DCAP Account would reflect that you have paid \$100 (\$2,600 divided by 26) each pay period in premiums for the DCAP Benefits that you have elected.

The Employer makes no contribution to your DCAP Account.

Q-32. What amounts will be available for DCAP reimbursement at any particular time during the Plan Year?

The amount of coverage that is available for reimbursement of Dependent Care Expenses at any particular time during the Plan Year will be equal to the amount credited to your DCAP Account at the time your claim is paid, reduced by the amount of any prior reimbursements paid to you during the Plan Year. Using the example in Q-31, suppose that you incur \$1,500 of Dependent Care Expenses by the end of March 2004. At that time, your DCAP Account would only have been credited with \$600 (\$100 times 6 pay periods), so only \$600 would be available for reimbursement at the end of March (assuming that you had not received any prior reimbursements). You would have to wait to submit the remaining \$900 of Dependent Care Expenses until after you had received the appropriate credits to your DCAP Account. Note, however, that the earned income limitations described in Q-33 must also be met.

Q-33. What are “Dependent Care Expenses”?

“*Dependent Care Expenses*” means employment-related expenses incurred on behalf of any Dependent who meets the requirements to be a *Qualifying Individual*, as defined in the first bulleted item below. All of the following conditions must be met for such expenses to qualify as Dependent Care Expenses that are eligible for reimbursement:

- Each Dependent for whom you incur the expenses must be a Qualifying Individual—that is, he or she must be:
 - (a) a person under age 13 for whom you are entitled to claim a dependency exemption on your federal income tax return (if you are a divorced parent, a child is your Dependent if you have custody of the child, even if you are entitled to claim the dependency exemption); or
 - (b) your Spouse or a person who is your Dependent under federal tax law (even if you cannot claim the dependency exemption on your federal income tax return), but only if he or she is physically or mentally incapable of self-care.
- No reimbursement will be made to the extent that such reimbursement would exceed the balance in your DCAP Account. In addition, no reimbursement will be made to the extent that such reimbursement, when combined with the total amount of reimbursements made for the Plan Year, would exceed the applicable statutory limit. Your applicable statutory limit is the smallest of the following amounts:
 - (a) your earned income for the calendar year (after your Salary Reductions under the Plan);
 - (b) the earned income of your Spouse for the calendar year (your Spouse will be deemed to have earned income of \$250 (\$500 if you have two or more Qualifying Individuals), for each month in which your Spouse is (1) physically or mentally incapable of self-care; or (2) a full-time student); or
 - (c) either \$5,000 or \$2,500 for the calendar year, depending on your marital and tax filing status, as described further in Q-30.
- The expenses are incurred for services rendered after the date of your election to receive DCAP Benefits and during the Plan Year to which the election applies.
- The expenses are incurred to enable you (and your Spouse, if you are married) to be gainfully employed, which generally means working or looking for work. There is an exception: if your Spouse is not working or looking for work when the expenses are incurred, he or she must be a full-time student or physically or mentally incapable of self-care.
- You (or you and your Spouse together) are providing at least 50% of the cost of maintaining your household, and the expenses are incurred when at least one member of your household is a Qualifying Individual.
- The expenses are incurred for the care of a Qualifying Individual, or for household services attributable in part to the care of a Qualifying Individual.
- If the expenses are incurred for services outside your household, they are incurred for the care of (1) a person under age 13 who is your Dependent under federal tax law; or (2) your Spouse or a person who is your Dependent under federal tax law, is physically or mentally incapable of self-care, and regularly spends at least eight hours per day in your household.

- If the expenses are incurred for services provided by a dependent care center (that is, a facility that provides care for more than six individuals not residing at the facility), the center complies with all applicable state and local laws and regulations.
- The person who provided care was not your Spouse or a person for whom you are entitled to a personal exemption under Code § 151(c). If your child provided the care, he or she must be age 19 or older at the end of the year in which the expenses are incurred.
- The expenses are not paid for services outside your household at a camp where the dependent stays overnight.

For more information about what items are—and are not—deductible Dependent Care Expenses, consult IRS Publication 503 (Child and Dependent Care Expenses), under the heading “Tests to Claim the Credit”. But use the Publication with caution, because it was meant only to help taxpayers figure out whether they can claim the Dependent Care Credit, not to explain what is reimbursable under a DCAP. So, some of the statements in the Publication aren’t correct when determining whether that same expense is reimbursable from your DCAP. For example, regardless of what the Publication says, you must incur the expense during the Plan Year to be reimbursed for it. See Q-34. Be sure to ask the Administrator for help if you have any doubts about which expenses are—and are not—reimbursable.

Q-34. When must the Dependent Care Expenses be incurred?

Dependent Care Expenses must have been incurred during the Plan Year. A Dependent Care Expense is *incurred* when the service that gives rise to the expense is provided, not *when* the expense is paid. Note that if you have paid for the expense but the services have not yet been rendered, then the expense has not been incurred for this purpose. For example, if you pay for your child’s daycare on the first day of the month for care given during the entire month, the expense has not been incurred until the end of that month. You may not be reimbursed for any expenses arising before the Plan became effective, before your Election Form/Salary Reduction Agreement became effective, for any expenses incurred after the close of the Plan Year, or after a separation from service (except as described in Q-35).

Q-35. What must I do to be reimbursed for my Dependent Care Expenses?

When you incur an expense that is eligible for payment, you must submit a claim to *gente* on a *Dependent Care Reimbursement Request Form* that will be supplied to you. You must include written statements and/or bills from independent third parties stating that the Dependent Care Expenses have been incurred, and the amount of such Dependent Care Expenses along with the Dependent Care Reimbursement Request Form.

If there are enough credits to your DCAP Account, then you will be reimbursed for your eligible DCAP Expenses within 30 days after the date you submitted the Dependent Care Reimbursement Request Form (subject to a 15-day extension for matters beyond the Administrator’s control—see Q-11). If a claim is for an amount that is more than your current DCAP Account balance, then the excess part of the claim will be carried over into the following months, to be paid out as your balance becomes adequate. Remember, though, that you can’t be reimbursed for any total expenses above your available annual credits to your DCAP Account.

You will have until January 31 after the end of the Plan Year in which to submit a claim for reimbursement for Dependent Care Expenses incurred during the previous Plan Year. However, if you have ceased to be eligible as a Participant, you will only have until 90 days after the date you ceased to be eligible in which to submit a claim for reimbursement for Dependent Care Expenses incurred during the previous Plan Year, including expenses incurred in the month following your termination of participation if such month is in the current Plan Year. You will be notified in writing if any claim for benefits is denied (see Q-11).

To have your claims processed as soon as possible, please read Q-11. Note that it is not necessary for you to have actually paid the bill in an amount due for Dependent Care Expenses, only that you have *incurred* the expense (as defined in Q-34) and that it is not being paid for or reimbursed from any other source.

Q-36. Is there any risk of losing or forfeiting the amounts that I elect for DCAP Benefits?

Yes. If the Dependent Care Expenses that you incur during the Plan Year are less than the annual amount that you elected for DCAP Benefits, you will forfeit the rest of that amount in your DCAP Account – this is called the “use-it-or-lose-it” rule under applicable tax laws. The difference will be forfeited as described in Q-37.

Q-37. When would I risk forfeiting my DCAP Benefits?

You will forfeit any amount allocated to your DCAP Account if that amount has not applied to DCAP Benefits for any Plan Year by October 31 following the end of the Plan Year for which the election was effective (except that if you have ceased to be eligible as a Participant, you will forfeit such amounts if they have not been applied within 90 days of the date you ceased to be eligible—see Q-35). Forfeited amounts will be used as follows: first, to offset any losses experienced by the Employer as a result of making reimbursements in excess of contributions paid by all Participants; second, to reduce the cost of administering the DCAP during the Plan Year and the subsequent Plan Year; and third, to provide increased benefits or compensation to Participants in subsequent years in any weighted or uniform fashion that the Plan administrator deems appropriate and consistent with applicable regulations. Also, any DCAP Account benefit payments that are unclaimed (for example, uncashed benefit checks) by the end of the close of the Plan Year following the Plan Year in which the Dependent Care Expense was incurred will be forfeited and applied as described above.

Q-38. Will I be taxed on the DCAP Benefits I receive?

Generally, you will not be taxed on your DCAP Benefits, up to the limits set forth in Q-30. However, the Employer cannot guarantee that specific tax consequences will flow from your participation in the Plan. The tax benefits that you receive depend on the validity of the claims that you submit. For example, to qualify for tax-free treatment, you will be required to file IRS Form 2441 (Child and Dependent Care Expenses) with your annual tax return (Form 1040) or a similar form. If you are reimbursed for a claim that is later determined to not be for Dependent Care Expenses, you will be required to repay the amount. Ultimately, it is your responsibility to determine whether each payment to you under this Plan is excludable for tax purposes. You may wish to consult a tax advisor.

Q-39. If I elect DCAP Benefits, can I still claim the Dependent Care Credit on my federal income tax return?

You may not claim any other tax benefit for the amount of your pre-tax salary reductions under this Plan, although your Dependent Care Expenses in excess of that amount may be eligible for the household and dependent care services tax credit under Code § 21 (*Dependent Care Credit*) (e.g., if you elect \$3,000 of coverage under the DCAP and are reimbursed \$3,000, but you had Dependent Care Expenses totaling \$5,000, you could count the excess \$2,000 when calculating the Dependent Care Credit if you have two or more Dependents).

Q-40. What is the Dependent Care Tax Credit?

As described in Q-39, the Dependent Care Tax Credit is a credit against your federal income tax liability under the Code. It is a non-refundable tax credit, which means that any portion of it that exceeds your federal income tax liability will be of no value to you. The Credit is calculated as a percentage of your annual Dependent Care Expenses. In determining what the tax credit would be, you may take into account \$3,000 of such expenses for one Dependent, or \$6,000 for two or more Dependents. Depending on your adjusted gross income, the percentage could be as much as 35% of your qualifying expenses (to a maximum credit amount of \$1,050 for one Dependent or \$2,100 for two or more Dependents), to a minimum of 20% of such expenses (producing a maximum credit of \$600 for one Dependent or \$1,200 for two or more Dependents). The maximum 35% rate is reduced by 1% (but not below 20%) for each \$2,000 portion (or any fraction of \$2,000) by which your adjusted gross incomes exceeds \$15,000.

Illustration: Assume that you have one Dependent for whom you have incurred Dependent Care Expenses of \$3,600, and that your adjusted gross income is \$20,000. Since only one Dependent is involved, the credit will be calculated by applying the appropriate percentage to the first \$3,000 of the expenses. The percentage is 32%. Thus, your tax credit would be $\$3,000 \times 32\% = \960 . If you had incurred the same expenses for two or more Dependents, your credit would have been $\$3,600 \times 32\% = \$1,152$, because the entire expense would have been taken into account, not just the first \$3,000.

For more information about how the Dependent Care Tax Credit works, see IRS Publication No. 503 (“Child and Dependent Care Expenses”). You may also wish to consult a tax advisor.

Q-41. Would it be better to include the DCAP Benefits in my income and claim the Dependent Care Tax Credit, instead of treating the reimbursements as tax-free?

For most individuals, participating in a DCAP will produce the greater federal tax savings, but there are others for whom the opposite is true. Because the actual determination of the preferable method for treating benefit payments depends on a number of factors such as a person’s tax filing status (e.g., married, single, head of household), number of Dependents, earned income, etc., each Participant will have to determine his or her tax position individually in order to make the decision between taxable and tax-free benefits. Use IRS Form 2441 (“Child and Dependent Care Expenses”) to help you. Your Employer may be able to provide you with a worksheet or tax calculator to help you make the comparison. You may also wish to consult a tax advisor.

Q-42. What are my ERISA Rights?

The Salary Reduction Plan is not an ERISA welfare benefit plan under the Employee Retirement Income Security Act of 1974 (*ERISA*). However, the Health FSA Component and the Health Insurance Plan are governed by ERISA. As a Participant in an ERISA-covered benefit plan, you are entitled to certain rights and protections under ERISA.

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

- Examine, without charge, at the Administrator’s office and at other specified locations, such as worksites, all documents governing the Plan, including insurance contracts, and a copy of the latest annual report (Form 5500 Series), if any, filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Administrator, copies of documents governing the operation of the plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Administrator may make a reasonable charge for the copies.
- Receive a summary of the Plan’s annual financial report, if any. The Administrator is required by law to furnish each participant with a copy of this summary annual report.

COBRA and HIPAA Rights. You have a right to continue your Health Insurance Plan coverage (and, in some cases, your Health FSA coverage) for yourself if there is a loss of coverage under the plan as a result of a qualifying event. You may have to pay for such coverage. Review this summary plan description and the documents governing the Plan on the rules governing your COBRA (only applies to employers with 20 or more employees) continuation coverage rights.

You have rights regarding reduction or elimination of exclusionary periods of coverage for pre-existing conditions under your group health plan, if you have creditable coverage from another plan. You should be provided a certificate of creditable coverage, free of charge, from your group health plan or health insurance issuer when you lose coverage under the plan, when you become entitled to elect COBRA continuation coverage, when your COBRA continuation coverage ceases, if you request it before losing coverage, or if you request it up to 24 months after losing coverage. Without evidence of creditable coverage, you may be subject to a pre-existing condition exclusion for 12 months (18 months

for late enrollees) after your enrollment date in your coverage. (This does not apply to the Health FSA, which is an “excepted benefit” under HIPAA).

HIPAA Privacy Rights. Under another provision of HIPAA, group health plans (including the Health FSA) are required to take steps to ensure that certain “protected health information” (PHI) is kept confidential. You may receive a separate notice from the Employer (or medical insurers) that outlines its health privacy policies. This provision became effective April 14, 2004.

Fiduciary Obligations. In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your plan, called “fiduciaries” of the plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries.

No Discrimination. No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a plan benefit or exercising your rights under ERISA.

Enforcing Your Rights. If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules. Under ERISA, there are steps you can take to enforce these rights. For instance, if you request a copy of plan documents or the latest annual report (if any) from the plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court (but only if you have first filed your claim under the plan’s claims procedures, and, if applicable, filed a timely appeal of any denial of your claim).

If it should happen that plan fiduciaries misuse the plan’s money, 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.

Assistance With Your Questions. If you have any questions about your plan, you should contact the Administrator. If you have any questions about this statement or about your rights under ERISA or HIPAA, or if you need assistance in obtaining documents from the Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Q-43. What other general information should I know?

This section contains certain general information that you may need to know about the Plan.

General Plan Information

- Name: LHK Partners, Inc. FSA Salary Reduction Plan is the name of the Plan.
- Plan Number: 501.
- Effective Date: November 1, 2017.
- Plan Year: November 1 to October 31. Your Plan’s records are maintained on a 12-month period of time.
- Type of Plan: Welfare plan providing Medical Insurance Benefits, Health FSA Benefits, and DCAP Benefits.

Employer/Plan Sponsor Information

- Name and Address:

LHK Partners, Inc.

2 Campus Blvd
Newtown Square, PA 19073

- Federal employer tax identification number (EIN): 23-2820864.

Plan Administrator Information

- Name, address, and business telephone number:

LHK Partners, Inc.
2 Campus Blvd
Newtown Square, PA 19073

Attention: Director of Human Resources
Telephone Number: 610-359-8486

- The Administrator appoints *gente* to keep the records for the Plan and to be responsible for the administration of the Plan. However, the Benefits Committee acts on behalf of the Administrator with respect to appeals. *gente* will answer any questions that you may have about Plan administration. You may contact the Human Resources Manager at the above address for any further information about the Plan.

Funding Medium and Type of Plan Administration.

- The Health FSA Component is a group health plan that is self-funded by the Employer. It is a contract administration plan. A third-party administrator processes claims for the Plan, but the Employer pays all claims out of its general assets. A health insurance issuer is not responsible for the financing or administration (including payment of claims) of the Plan.

Third-Party Administrator.

- Name, address, and business telephone number:

gente
122 Parish Drive
Wayne, NJ 07470

Telephone Number: 866-693-7254

Service of Legal Process

- The name and address of the Plan's agent for service of legal process is:

LHK Partners, Inc.
2 Campus Blvd
Newtown Square, PA 19073

Attention: Director of Human Resources

Qualified Medical Child Support Order

The Health Insurance Plan and the Health FSA will provide benefits as required by any qualified medical child support order (QMCSO), as defined in ERISA § 609(a). The Plan has detailed procedures for determining whether an order qualifies as a QMCSO. Participants and beneficiaries can obtain, without charge, a copy of such procedures from the Administrator.

Newborns' and Mothers' Health Protection Act of 1996

Group health plans and health insurance issuers generally may not, under federal law, restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to

less than 48 hours following a vaginal delivery, or less than 96 hours following a cesarean section. However, federal law generally does not prohibit the mother's or newborn's attending provider, after consulting with the mother, from discharging the mother or her newborn earlier than 48 hours (or 96 hours, as applicable). In any case, plans and issuers may not, under federal law, require that a provider obtain authorization from the plan or the issuer for prescribing a length of stay not in excess of 48 hours (or 96 hours).

Health Insurance Plan Documents

This Summary Plan Description does not describe the Health Insurance Plan. Consult the Health Insurance Plan document and the separate Summary Plan Description for the Health Insurance Plan.