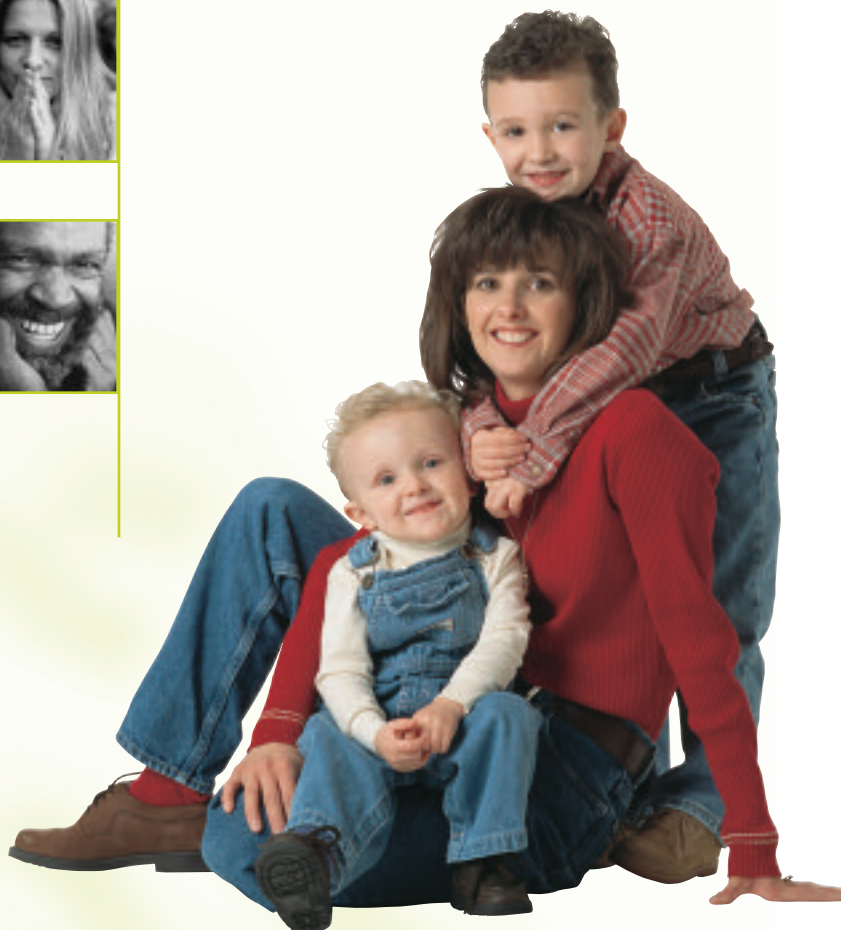


flexplanSM
for your benefit



Flexible Spending Account Overview



CORNERSTONE
ADMINISTRATIVE
SERVICES, LLC

FSA with Debit Card
Medical Reimbursement Account
Dependent Care Reimbursement Account

flexplanSM

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WHAT IS A FLEXPLAN?

A FlexPlan is a Flexible Spending Account (FSA) Plan that is offered through your employer and administered by Cornerstone. A FlexPlan is one of the most valuable benefits your employer can offer. A FlexPlan provides you with the opportunity to withhold pre-tax dollars from your paycheck to pay for qualified, health related and dependent care expenses.

HOW THE PLAN WORKS

Participating in the FlexPlan is easy. You decide how much to contribute and whether to participate in the Healthcare FSA, Dependent Care FSA, or both. A worksheet has been provided for you to help you to estimate your expenses. Your election amount should conservatively match your estimated expenses for the plan year. Refer to the examples on the right to see how quickly the out-of-pocket expenses can add up.

As you incur expenses covered by the FlexPlan, you simply complete and submit a claim form to Cornerstone. As your plan administrator, Cornerstone will adjudicate the claim and issue a reimbursement check. You can always find out more information by calling one of Cornerstone's team members at 800.720.4460 or visit our website at www.teamcornerstone.com.

THE FLEXPLAN ADVANTAGE

With the FlexPlan, during each pay period, a portion of your annual election amount will be deducted from your gross pay and transferred into your Flexible Spending Account. The money you deposit in your accounts is automatically deducted from your gross pay prior to calculating federal and Social Security (FICA) taxes. Your account deposits are not considered current taxable income and therefore do not appear on your W-2 form as taxable income. Since your taxable income is reduced, so are your annual taxes.



"Faced with soaring healthcare bills, companies are shifting more of the costs to workers. One way to ease the burden is by signing up for a flexible spending account. Money in a flex spending account is exempt from federal, state and payroll taxes. Using pre-tax dollars can slash your out-of-pocket cost by a third or more."

— USA TODAY



USING YOUR FLEXPLAN DEBIT CARD

The FlexPlan debit card is a special, prepaid debit card to be used exclusively with your Cornerstone FlexPlan Account. The debit card can be used at any qualified merchant that accepts Mastercard. The card will work at doctor's offices, hospitals, pharmacies, opticians and optometrists, chiropractors and other healthcare providers. The card will also work with day care providers that offer Mastercard as a means for payment. The card will not work at restaurants, retail stores, gas stations, etc. Retain this receipt, as it may be requested.

Simply present the FlexPlan debit card at the time of payment and select credit at the register. This card does not require a PIN, only your signature to make qualified purchases. The provider will be paid and your account balance will be automatically adjusted.

By using the FlexPlan debit card, you save time and reduce paperwork. There is no longer a need to pay for your qualified expenses and wait for a reimbursement check to come in the mail. Simply use your FlexPlan debit card for all of your qualified FlexPlan expenses.

If the provider does not accept Mastercard debit cards, simply use another form of payment and submit a claim form along with your receipt(s) to Cornerstone for reimbursement. Claim forms can be obtained at www.teamcornerstone.com and faxed toll-free to Cornerstone at 866-878-2800..

IMPORTANT DEBIT CARD INFORMATION

You will automatically receive one FlexPlan debit card in your name when you enroll. It will be mailed directly to your home. You should allow up to 30 days from the beginning of the plan year to receive the card.

Included with your card will be further information that explains how to use the card and the Terms of Use. No credit application is required. Additional cards for dependents cost \$5.00. This fee will be deducted from your FlexPlan Account.

REMEMBER . . . YOU NEED TO PROVIDE DOCUMENTATION

The debit card is a great advance for FlexPlan accounts, however, the IRS requires that you keep all receipts for FlexPlan debit card transactions. The IRS requires Cornerstone, the third party administrator, to verify all transactions on the card that are not your standard health plan co-payment amounts, or verified by a

Female, Age 30 and unmarried

MEDICAL RELATED EXPENSES		TAX SAVINGS WITH FLEXPLAN	
Co-pays for Doctor Visits	\$235	Healthcare FSA Expenses	\$1240
Optician Visit	\$125	Marginal Tax Rate	28%
Contact Lenses (Solutions)	\$375		
Dental Visits	\$250		
Prescription Co-pays	\$255		
Total Eligible Expenses	\$1240	Estimated Tax Savings	\$347.20

Married couple, Age 38 & 40 with 2 children ages 5 & 9

MEDICAL RELATED EXPENSES		TAX SAVINGS WITH FLEXPLAN	
Co-pays for Doctor Visits	\$635	Healthcare FSA Expenses	\$2340
Optician Visits	\$225	Dependent Care Expenses	\$5000
New Eyeglasses	\$425	Total Expenses	\$7340
Dental Cost for Root Canal	\$400	Marginal Tax Rate	33%
Prescription Co-pays	\$655		
Total Eligible Expenses	\$2340	Estimated Tax Savings	\$2422.22

DEPENDENT CARE RELATED EXPENSES

Children are in daycare while their parents are at work. The annual cost for this care exceeds \$5000.

Married couple, Age 60 & 64, no children

MEDICAL RELATED EXPENSES		TAX SAVINGS WITH FLEXPLAN	
Co-pays for Doctor Visits	\$335	Healthcare FSA Expenses	\$1395
Optician Visits	\$125	Dependent Care Expenses	\$3600
Dental Costs	\$350	Total Expenses	\$4995
Prescription Co-pays	\$585	Marginal Tax Rate	39%
Total Eligible Expenses	\$1395	Estimated Tax Savings	\$1948.05

DEPENDENT CARE RELATED EXPENSES

The annual cost for in-home care is \$3600.



vendor using the IIAS System. The IIAS system allows merchants to identify the UPC codes for eligible items commonly purchased, and take payment only for those approved items off your FSA debit card. Non-eligible items will automatically be restricted for the card, and alternate payment will be requested at the point of sale. When items are purchased from a merchant using the IIAS system, Cornerstone will not need to request verification for your purchase. Cornerstone will request copies of the receipts that are needed to adjudicate your claims.

MEDICAL CARE REIMBURSEMENT ACCOUNT

Having a Medical Care Reimbursement Account gives you the opportunity through payroll deduction to be reimbursed tax-free, up to the employer's annual maximum for health care expenses not covered or not fully paid by medical or dental plans. These expenses may include deductibles, co-insurance payments, dental services, eyeglasses, contact lenses and solutions. A listing of these expenses is included for your review, while not intended to be complete, this list illustrates health care expenses that may be claimed as part of the plan.

DEPENDENT CARE REIMBURSEMENT ACCOUNT

A FlexPlan Dependent Care Reimbursement Account gives you the opportunity to pay for the first \$5,000 of employment-related dependent care expenses tax free. The rules for eligibility are the same as those for Child and Dependent Care Credit outlined in IRS Publication 503. This includes children under 13 as well as

adults incapable of self-care that are claimed as dependents.

Eligible Dependent Care Expenses Include:

Payments made for services provided in your home as long as services are not provided by someone you also claim as a dependent, or your other children under age 19.

Payments made for dependent care services outside your home.

If a dependent care center (*caring for six or more children*) is used, it must be in compliance with state and local law.

Summer day camps.

Before & after school programs.

Maximum Contribution to Dependent Care Reimbursement Account is:

\$5,000 if married filing jointly or single and head of the household.

\$2,500 if married filing separately.

The lower of your earned income or your spouse's earned income. If your spouse is a full time student or disabled, special rules apply.



IMPORTANT CONSIDERATIONS

Election Changes

You can only change the amount of your payroll deduction at the beginning of each plan year unless one of the following events occur:

- Marriage
- Divorce
- Birth or Adoption
- Death in Immediate Family
- Change in Employment Status of Employee or Spouse

Use-It-Or-Lose-It Rule

The IRS allows your employer to offer this tax advantage through the Employee Reimbursement Accounts, but does have several imposed restrictions. IRS regulations require that all money contributed to the FlexPlan, both for your Dependent Care Accounts and Medical Reimbursement Accounts, may only be used to reimburse qualified expenses incurred during the plan year. Money not used to reimburse eligible expenses is forfeited.

The unused portion of a flexible spending account may not be paid to participants in cash or other benefits, including transferring money between flexible spending accounts. For this reason, it is critical for you to consider your annual out-of-pocket expenses carefully. Generally, accounts should be used for predictable expenses. Reference your records from last year when completing the attached work-sheet to help determine how much of your income should be deposited through your payroll deduction. Choose a conservative election amount to reduce the risk of forfeiture.

In May of 2005, the IRS began offering employers the choice to allow a 2 1/2 month extension to spend Flex elections. This may be offered by your employer.

You cannot pay for services through a reimbursement account and also take the tax advantage available for those same services at income tax time. In other words, if you pay for medical expenses through a FlexPlan account, you cannot also itemize those expenses as deductions on your tax return.

MEDICAL EXPENSE REIMBURSEMENT WORKSHEET

This worksheet will help you estimate your annual medical costs which may not be reimbursed by a health or dental plan. This list is not intended to be comprehensive, but it contains some of the more common medical expenses. Please review the attached list for additional qualifying healthcare expenses.

List all costs that are not reimbursed by other coverage incurred by you, your spouse or qualified dependents:

ESTIMATED ANNUAL EXPENSE

Medical doctors' fees

Annual physical examinations

Dental expenses

Eye examinations

Eyeglasses

Contact lenses

Prescription drugs

X rays

Lab fees

Hospital services

Chiropractors

Hearing aids

Surgery

Ambulance service

False teeth

Psychiatrists

Psychologists

Acupuncturists

Orthodontists

Over the Counter Medicine

TOTAL ESTIMATED ANNUAL EXPENSES

NUMBER OF PAY PERIODS

AMOUNT OF REDUCTION PER PAY PERIOD (A/B)

QUALIFYING EXPENSE

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____ (A)

\$ _____ (B)

\$ _____

NEED MORE INFORMATION?

If you have any questions about the FlexPlan, please contact our **FlexPlan Participant Hotline toll-free at (800) 720-4460 or access account information online at www.teamcornerstone.com**

ELIGIBLE EXPENSES COMMONLY PURCHASED UNDER AN FSA

- Co-payments (Physicians, Rx, Physical therapy, ER, etc.)
- Blood pressure cuffs
- Diabetic test strips & supplies
- Dental expenses (Crowns, Dentures, Night guards, etc.)
- Eyeglasses
- Hearing aids / batteries
- Insurance deductibles
- Laser eye surgery
- Over-the-counter medications (Cough syrup, Asperin, Allergy medicine, etc.)
- Prescription Sunglasses
- Nicotine gum or patches
- Thermometers





QUALIFYING MEDICAL & DENTAL CARE EXPENSES

Under the Plan, you will be reimbursed only for medical and dental expenses. They include, for example, expenses you have incurred for:

1. Co-pays and deductibles for medical and mental health services.
2. Medicine or drugs treating a medical condition, birth control pills and vaccines.
3. Medical doctors, dentists, eye doctors, chiropractors, osteopaths, podiatrists, psychiatrists, psychologists, physical therapists, acupuncturists and psychoanalysts (medical care only).
4. Medical examination, X ray and laboratory services, insulin treatment and whirlpool baths the doctor prescribed.
5. Nursing help. If you pay someone to do both nursing and housework, you can be reimbursed only for the cost of the nursing help.
6. Hospital care (including meals and lodging), clinic costs and lab fees.
7. Medical treatment at a center for substance abuse.
8. Medical aids such as hearing aids (and batteries), false teeth, eyeglasses, contact lenses, braces, orthopedic shoes, crutches, wheelchairs, guide dogs and the cost of maintaining them.
9. Ambulance service and other travel costs to get medical care. If you used your own car, you can claim what you spent for gas and oil to go to and from the place you received the care; or you can claim 19 cents per mile. Add parking and tolls to the amount you claim under either method.

YOU CANNOT OBTAIN REIMBURSEMENT FOR:

1. The basic cost of Medicare insurance (Medicare A).
2. Life insurance or income protection policies.
3. Accident or health insurance for you or members of your family.
4. The hospital insurance benefits tax withheld from your pay as part of the Social Security tax or paid as part of Social Security self employment tax.
5. Nursing care for a healthy baby.
6. Illegal operations or drugs.
7. Travel your doctor told you to take for rest or change.
8. Cosmetic Surgery.
9. Long-term care expenses.

Qualifying medical expenses include only those expenses incurred for:

1. Yourself.
2. Your spouse.
3. All dependents you list on your federal tax return.

IRS Publication 502, Medical and Dental Expenses, has a checklist of most of the medical expenses that can be deducted and are therefore reimbursed under this Plan. Some other medical expenses are also reimbursable. However, regardless of any statements in Publication 502 to the contrary, expenses under this Plan are treated as being "incurred" when you are provided with the care that gives rise to the expenses, not when you are formally billed or charged, or you pay for the medical care. Also, no reimbursement will be allowed for any privately held insurance policies or long-term care expenses.

SAMPLE OF ACCEPTABLE OVER-THE-COUNTER ITEMS*

ANTISEPTICS

Antiseptic wash or ointment for cuts, scrapes or burns
Benzocaine swabs
Boric acid powder
First aid wipes
Hydrogen peroxide
Iodine tincture
Rubbing alcohol
Sublimed sulfur powder

ASTHMA MEDICATIONS

Bronchodilator tablets
Expectorant tablets
Bronchial asthma inhalers

COLD, FLU & ALLERGY MEDICATIONS

Allergy medications
Cold relief syrup
Cold relief tablets
Cough drops
Cough syrup
Flu relief tablets or liquid
Medicated chest rub
Nasal decongestant inhaler
Nasal decongestant spray or drops
Nasal strips to improve congestion
Sinus & allergy homeopathic nasal spray
Sinus medications
Vapor patch cough suppressant

NOT ACCEPTABLE*

Aromatherapy
Baby bottles and cups
Baby oil
Baby wipes
Breast enhancement system
Cosmetics
Cotton swabs
Dental floss
Deodorants

DIABETES

Diabetic lancets
Diabetic test strips
Glucose meters

EAR/EYE CARE

Ear drops
Ear water-drying aids
Ear wax removal drops
Eye drops
Contact lens solutions

HEALTH AIDS

Band-Aids, gauze and tape
Sleeping aids
Thermometers
Anti-fungal treatments
Denture adhesives
Diuretics and water pills
Hemorrhoid relief
Incontinence supplies
Lice control
Medicated bandages
Motion sickness tablets

PAIN RELIEF

Arthritis pain reliever
Bunion and blister treatments
Orajel
Pain relievers, aspirin and non-aspirin
Throat pain medications

Diabetic replacement foods
Facial care
Feminine care
Fragrances
Hair re-growth
Low "carb" and calorie foods
Oral care (mouth wash/plaque rinse)
Petroleum jelly

PERSONAL TEST KITS

Cholesterol tests
Colorectal cancer screening tests
Home drug tests
Ovulation indicators
Pregnancy tests

SKIN CARE

Acne medications
Anti-itch lotion
Bunion and blister treatments
Cold sore and fever blister medications
Corn and callus removal medications
Diaper rash ointment
Eczema cream
Medicated bath products
Wart removal medications
Sunblock SPF 30 & above

STOMACH CARE

Acid reducers
Antacid gum
Antacid liquid
Antacid tablets
Anti-diarrhea medications
Gas prevention food enzyme dietary supplement
Gas relief drops, tablets or chewable
Ipecac syrup
Laxatives

Shampoo and conditioner
Spa salts
Sun tanning products
Teeth whitening treatments or products
Tooth brushes
Tooth Paste

DUAL USE - REQUIRES DOCTOR LETTER*

Foot spa	Leg or arm braces	Multivitamins
Gloves and masks	Massage Therapy	Special supplements
Herbs	Minerals	Vitamins

*Plan restrictions may apply. Check with plan administrator.
Please note: This is a "sample" listing and all items are subject to review by plan administrator.