

Sample Educational Assistance Plan

1. Plan. On January 1, 20XX, the Company established an Educational Assistance Plan (the Plan) to provide educational benefits under Section 127 of the Internal Revenue Code to all full-time and part-time employees of the Company. This document sets forth the Plan.

2. Employment status. Employees qualify for the Plan and earn the benefits when they work 500 hours or more during a calendar year. One year of qualification entitles the employee to one year of reimbursement. Time off for school does not count toward the 500 hours of work effort. Employees may take courses of instruction during active employment, during an approved leave of absence, or after termination of employment. Employees who do not use the benefits within two years of earning the benefits, or within two years of termination of service, shall forfeit their entitlement to any benefits.

3. Plan benefits. The Company will reimburse the employee no more than \$5,250 a year for qualified educational programs. Should lawmakers enact an increase or decrease to the \$5,250 ceiling, this Plan automatically adopts the new ceiling on its effective date. Under Section 127 of the Internal Revenue Code, the employee receives the reimbursements under this Plan as tax-free fringe benefits.

4. Plan termination. The Company reserves the right to change or terminate the Plan without prior notice. If the Company does end the Plan, the Company will reimburse all courses in process prior to termination, but it will not reimburse any classes that begin after Plan termination and notification.

5. Funding. The Company will pay educational benefits out of its general assets. The Company does not maintain a special fund to cover the benefits. Further, the Company does not require participants to make contributions as a condition of receiving benefits.

6. Prohibited payments. This Plan prohibits payment of more than 5 percent of the amounts paid or incurred by the Company for educational assistance during the year for the class of individuals who are shareholders or owners (or their spouses or dependents), each of whom (on any day of the calendar year) owns more than 5 percent of the stock, capital, or profits interest in the Company. After application of the previous sentence, this Plan then prohibits payments to those in the highly compensated group when such payments violate the discrimination clause as set forth in Internal Revenue Code Section 127(b)(3).

7. Prohibited choices. This Plan prohibits the Company from offering eligible employees a choice between educational assistance and other compensation.

8. Covered educational expenses. This Plan reimburses costs for tuition, fees, and books for college and university classes. The Plan does not reimburse costs for tools, supplies, meals, lodging, or transportation. Further, the Plan does not reimburse costs for any education that involves sports, games, or hobbies.

9. Notification to Employer. Employees who plan to take advantage of the Educational Assistance Plan shall notify the Company in writing of such plan, course of study, and expected reimbursement amounts and dates no later than 30 days after the educational activity begins (earlier is better in this case).

10. Reimbursements. Upon completion of the courses, the participant must provide an official transcript of grades and original receipts for all items for which he or she seeks reimbursement. Further, the Company will not reimburse any amounts already reimbursed by any financial assistance, scholarship, or any other financial benefit derived from public or private programs. The participant must also attain a grade of "C" or better to qualify for benefits under the Plan. The Company shall reimburse the participant within 45 days of request and proper submission of the supporting documents.

The Company has explained this Plan to me, an eligible employee, and I have read this Plan document. With this signature, I verify that I have read this Plan document and understand the Plan.

By the Employee

Printed Name _____ Signature _____ Date _____

On behalf of the Company, I explained this Plan to the employee above. Further, I furnished the employee with a copy of the Plan and observed as he or she read the Plan. I hereby affix my signature in verification of these facts.

For the Employer

Printed Name _____ Signature _____ Date _____

(As a Tax Reduction Letter subscriber, you have our permission to copy this plan and use it to help support your medical plan and reimbursements.)

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