



# **Marathon Oil Company Relocation Assistance Plan**

**As of July 1, 2011**

# Relocation Assistance Plan



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# Relocation Assistance Plan

## I. Purpose

1. The purpose of this Plan is to enable the Company to relocate new and transferred employees as efficiently as possible and to minimize the cost and inconvenience to such employees.

## II. Types of Employee Relocations

1. This Plan provides separate provisions for the following six types of relocating employees:
  - A. Transferred Employees
  - B. Professional and Experienced New Employees
  - C. New Employees
  - D. Transferred Hourly and Non-Exempt Employees
  - E. Temporary Assignments
  - F. Co-ops and Interns
2. Separate provisions for each type of relocating employee are outlined in **Section I — Basic Provisions**. The provisions in **Section II — Taxes** apply generally to relocating employees except that separate provisions for taxes apply to Temporary Assignments.

## III. Eligible Employees

1. Regular Full-time and Part-time employees, including new employees hired for Regular Full-time or Part-time employment.

**Note:** Regular Full-time employment means a normal work schedule with the Company of at least 40 hours per week or 80 hours on a bi-weekly basis, or 20 or more hours per week to accommodate a bona fide health problem or disability. Regular Part-time employment means the employee is a non-supervisory employee who is employed to work on a part-time basis (minimum 20 hours but less than 35 hours per week) and not on a time, special job completion, or call-when-needed basis.
2. If two or more household members are newly hired or transferred by the Company and are relocated simultaneously, the move is regarded as a single relocation and provisions apply only once. The Relocation Allowance, if any, will be based on the salary of the highest-paid employee.

## IV. Repayment Agreement

1. The experienced new employee and transferred employee must sign an Employee Reimbursement Agreement which stipulates that should the employee terminate employment voluntarily, (or be involuntarily terminated for cause) after receiving relocation benefits, the employee will be required to repay relocation expenses at a rate of 8.33% for each calendar month of service not completed during the 12 calendar months counting from the first of the month in which the relocation occurred. Repayment is not required if termination of service results from a bona fide health reason of the employee or a household member. This agreement does not apply to U.S. Expatriates or Third Country Nationals.



## **V. Third Party Relocation Company**

1. The Company has contracted with a third party relocation company (hereinafter referred to as “Relocation Company”) to assist with the Marathon Oil Company Relocation Assistance Plan.



## Section I

### Basic Provisions

#### I. Transferred Employees

##### A. Eligibility

1. Those employees who are requested by the Company to transfer and relocate are eligible for the following provisions of this Plan, provided the distance between the employee's new place of work and former residence is at least 50 miles more than the distance between the old place of work and former residence. If the employee has no old place of work, the new place of work must be at least 50 miles from the former residence.

##### B. Transfer Allowance Advances

1. Funds may be advanced to the employee by the Relocation Company.

**Note:** The following guidelines should be used when issuing advances:

- Relocation allowance — 100%
- Travel, advance trip, and temporary living expenses; lease cancellation fees; selling costs; and loss-on-sale reimbursement and purchase costs, other than loan origination fees and discount points — 90%
- Loan origination fees and discount points; duplicate expenses; home sale bonus and mortgage interest rate subsidy — 50%
- No advance for home purchase costs when a national mortgage lender, as provided through the Relocation Company, direct bills for home purchase costs.

##### C. Spousal Employment Assistance

1. The Company has contracted with a national career company to provide the spouse of a transferring employee with the necessary tools, techniques and materials needed to conduct a successful job search at the new location. Up to a maximum of \$1,500 of services will be allowed within six months of the employee's transfer date.

**Note:** This is a U.S. program. It does not cover relocations to or between overseas locations. However, the spouses of returning U.S. Expatriates and non U.S. citizen employees coming to the U.S., provided they have a U.S. work permit, are eligible.

##### D. Movement of Household Goods

1. The Plan will cover the cost of packing, moving, storing (for a maximum period of 365 days, provided the storage days fall within the one year relocation period), and unpacking the employee's household goods and personal effects and insurance on such items while in transit.

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2. The Plan will cover transportation for up to two pets from the old location to the new location if it is not practical for the animal(s) to accompany the employee in their vehicle. This includes animals that are considered pets such as dogs and cats. It does not include animals such as horses or livestock.

## ***Second Move***

3. The Plan will cover the cost of packing, moving, and unpacking the transferred employee's household goods and personal effects for a second move at the new location, if this additional move is from a temporary residence to a permanent residence and if it takes place within twelve months of the original relocation.

## ***Reimbursement for Leased Towing Equipment***

4. When there are no additional means used to move household goods, the Company will reimburse the employee for leased towing equipment rental and one-half of the current mileage allowance. In order for reimbursement to be made, the leasing and towing must qualify as the most economical method of transportation.

## ***Mobile Home***

5. The employee will be paid a \$3,000 allowance (subject to a tax allowance) to cover any costs incurred in moving the mobile home.

## ***Transportation of Automobiles and Recreational Vehicles That Can be Transported to the New Location Under Their Own Power***

6. The Company will pay the current mileage allowance for up to three (3) vehicles that can be transported to the new location under their own power by the most practical route. Shipping of one of the three automobiles at Company expense is permitted if the distance to the new location is over 400 miles. Any other van shipment of automobiles or such recreational vehicles is permitted at the employee's option and at the employee's expense less the mileage allowance.

## ***Transportation of Other Recreational Vehicles***

7. Employees are encouraged to tow their recreational vehicles (boats, horse trailers, travel trailers, snowmobiles, motorcycles, motorized golf carts, etc.) and the Company pays one-half the current mileage allowance as reimbursement for the towing.
8. The cost to ship recreational vehicles includes both weight and "weight additive" costs. (Weight additive costs are charges for the extra space used on the van.) The Company will pay for a combined maximum of 1,500 pounds for the weight and weight additive costs. Additional charges will be the employee's responsibility.

**Note:** Employees wanting to ship recreational vehicles should be advised to carefully consider the costs involved and to contact the Relocation Company to discuss their situation.



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## **E. Travel Expenses**

1. Transportation, reasonable meals and lodging expenses for the transferred employee and household members en route to the new location will be covered. It is expected that the employee and/or household members will use their personal vehicle(s) for this trip. If one vehicle is shipped, public transportation is not reimbursed and mileage reimbursement will be limited to two vehicles; otherwise reimbursement is limited to three vehicles. Compensation for automobile expenses will be at the current mileage rate. If public transportation is used, accommodations should be in the economy or tourist class for air travel and the most practical class for rail travel.

**Note:** The Plan will not cover additional expenses incurred due to failure of an automobile. If an employee's automobile has mechanical problems and cannot finish the trip, it will be assumed the automobile did finish the trip and reimbursement will be for the total miles by the most direct route from the original location to the new location at the current mileage rate.

## **F. Advance Trip Expenses**

1. The transferred employee and one other member of the household will normally be allowed one reimbursable advance trip to the new location to secure a residence. Reimbursement will be limited to the expenses of transportation for one round trip, and reasonable meals and lodging. In certain instances, where the employee is being transferred a short distance (less than 300 miles round trip), additional trips may be permitted. The employee is allowed a maximum of 45 days for the advance trip/temporary living period.

## **G. Home Site Expenses**

1. An employee who must compensate a provider for the care of dependent children, elderly parents and/or an incapacitated spouse during the house hunting trip that requires the employee to be away from home at least one night will be reimbursed according to the following provisions:
  - a. an allowance up to \$60 per day for the first dependent child and up to \$35 for each additional dependent child.
  - b. an allowance up to \$60 per day for care of an incapacitated spouse.
  - c. an allowance up to \$60 per day for care of an elderly parent and up to \$35 for each additional elderly parent.
  - d. the provider cannot reside in the employee's home.
  - e. the provider cannot be the parent of the dependent child(ren.)
  - f. the employee cannot be reimbursed for care that is normally provided while the employee is working at the home work location.
  - g. the employee must submit valid receipts from the service provider containing the following:



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- name and signature of provider,
  - statement of services provided,
  - date, time and cost of service, and
  - address and telephone number of provider.
- h. reimbursements are taxable expenses to employees.
2. An employee whose primary residence is not occupied by a household member during the Relocation will be reimbursed for expenses not normally incurred, accordingly:
- a. animal care — up to \$15 per day, per animal, for up to two animals.
  - b. house sitter or house check services — up to \$25 per week, so long as the provider of such services is not a household member and the residence is unoccupied for a period in excess of seven days.
  - c. lawn maintenance — up to \$35 per week for lawn maintenance for assignments in excess of seven days.
  - d. snow removal — up to \$30 per week for snow removal as needed.
  - e. the employee must submit valid receipts from the service provider containing the following:
    - name and signature of provider,
    - statements of services provided,
    - date, time and cost of service, and
    - address and telephone number of provider.
  - f. Reimbursements for animal care, house sitter services, lawn maintenance and snow removal are taxable expenses to employees.

### H. Temporary Living Expenses

1. When it is not possible to coordinate the day of leaving the old residence and occupancy of the new residence, reasonable meal and lodging expenses will be reimbursed for the transferred employee and, when necessary, household members. The maximum time allowed for temporary living is determined by deducting the number of days used for the advance trip from a total of 45 allowed days.

**Note:** Reimbursement for daily rental charges (excluding meals) for an employee who has arranged to move into the new residence prior to the closing will be made up to the date of closing or the expiration of the advance trip and temporary living limitation, whichever occurs first. The employee's home loan must be approved and all pre-closing agreements signed. This temporary arrangement requires approval of the Relocation Coordinator. If circumstances prevent the employee from closing on the home after taking up residence, the Company will not be responsible for moving the employee out of the residence.



# Relocation Assistance Plan

## I. Relocation Allowance

1. The Company will pay the transferred employee a lump-sum relocation allowance of 1.5 month's pay, up to a maximum of \$15,000. This allowance is to cover all expenses incurred by the employee and household members, which are not specifically covered under other provisions of the Plan. Documentation of actual expenses is not required. Examples of some, but not all, of these expenses are:
  - vehicle inspection, automobile registration, driver's licenses
  - telephone installation
  - long distance telephone charges
  - homeowner's association dues
  - club fees
  - tips to movers
  - utility hook-up charges
  - alterations of carpets or drapes
  - personal care items, such as diapers, shampoo, etc.
  - laundry/dry cleaning
  - home warranty policy
  - child and pet care not otherwise covered under Home Site Expenses
  - lawn maintenance not otherwise covered under Home Site Expenses
  - snow removal not otherwise covered under Home Site Expenses
  - any other expense not specifically covered under another provision of the Plan.

## J. Disposal of Home

### ***Postponement of Home Sale***

1. Employees who make no attempt to sell their home are permitted to select the date, within six months of their transfer, to begin the home sale process. To be eligible for reimbursement of home selling expenses, all such expenses must be incurred within one year of the employee's transfer date.

Extension of these time limits up to an additional one-year will require approval of the Organization Vice President. However, no tax allowance will be paid on non-deductible moving expenses and the loss-on-sale provision will not apply.

### ***Marketing Assistance Program***

2. Employees are expected to aggressively market their home in an attempt to arrange a sale. The Company has contracted with the Relocation Company to provide a Marketing Assistance Program to provide the employee with professional guidance in marketing their home.

# Relocation Assistance Plan



3. The employee will select two brokers from a list supplied by the Relocation Company. Each broker will supply the employee with a Broker Market Analysis (BMA), which will contain a suggested listing price and anticipated sales price. The employee will select which broker to list with. For the next 60 days, the employee tries to sell the home.

## ***Buyers Value Option***

4. If the employee secures a sale during the Marketing Assistance period, the Relocation Company will use its best efforts to determine that (1) the offer is bona fide, and (2) is in accordance with the Company's relocation policy. If these conditions are met, the Relocation Company will issue the employee a Guaranteed Offer equal to the net value of the third-party offer price.

The employee MUST NOT indicate acceptance, take any money or sign documents, which would constitute acceptance of the offer.

## ***Guaranteed Offer***

5. If after listing the home for 60 days, the home has not been sold, the Relocation Company will offer to purchase the employee's property at its Most Probable Sales Price. Most Probable Sales Price will be determined by the average of two independent appraisals. The employee will choose the appraisers from an approved list supplied by the Relocation Company. If the two appraisals are more than 5% apart, a third appraisal will be obtained. In the case of a third appraisal, the offer to purchase will be the greater of a.) the average of all three, or b.) the average of the two closest of the three appraisals.
6. The Relocation Company may disregard an appraisal with a valuation it considers to be unsupported, provided that another appraiser replaces the disregarded appraisal.

**Note:** Copies of the appraisals can be secured from the Relocation Company.

## ***Time Limitation***

7. Upon notification of the Relocation Company's offer to purchase, the employee will have 30 calendar days to accept.

## ***Amended Value Sale***

8. If the employee secures a sale after they have been issued their Guaranteed Offer based on appraisals, the Relocation Company will use its best efforts to determine that (1) the offer is bona fide, and (2) is in accordance with the Company's relocation policy. If these conditions are met, the Relocation Company will amend their offer to equal the net value of the third party offer price.

The employee MUST NOT indicate acceptance, take any money or sign documents, which would constitute acceptance of the offer.

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## ***Acceptance of Offer***

9. If the employee accepts the Relocation Company's offer, the Relocation Company will take steps to acquire the property. It may be that the employee will need to occupy the home for a period of time after accepting the offer. The employee can continue to occupy the home for up to 60 days from the date of acceptance of the offer. During this period of time, the employee must permit the real estate broker, acting for the Relocation Company, to show the home to prospective buyers.

## ***Employee Declines to Participate***

10. If the employee declines to participate in the Relocation Company's program, the time limitations for reimbursement of selling costs will begin on the date of refusal.

## ***Rejection of Offer***

11. Should the employee not accept the Relocation Company's offer, they assume responsibility for sale of the home and are entitled to such other applicable benefits provided in this Plan.

## **K. Home Selling Costs**

### ***Employee Sells Home Directly***

1. If the transferred employee sells the home directly within 90 days after declining participation in the Relocation Company's home purchase program or rejecting the Relocation Company's offer, the Company will reimburse the employee for reasonable and customary home selling costs. Selling costs include items such as reasonable and customary broker's fees, abstract or title insurance, any pre-payment penalty, revenue stamps, or such costs which normally accrue to the seller.

### ***Home Selling Costs Covered Under the Relocation Company's Home Purchase Program***

2. If the transferred employee accepts the Relocation Company's offer or secures an Amended Value or Buyer's Value Option sale, reasonable and customary home selling costs, which normally accrue, to the seller will be paid by the Relocation Company.

### ***Selling Costs Covered for a Mobile Home***

3. If the primary residence of a transferred employee is a mobile home and since the contract with the Relocation Company does not include mobile homes, the Plan will provide the employee with a \$3,000 allowance (subject to a tax allowance) to cover any costs incurred in selling the mobile home.

## **L. Home Sale Incentive**

1. A bonus equal to 3% of the negotiated sales price up to a maximum of \$10,000 will be paid on any employee-generated sale approved by the Company.



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## **Sale Within 97% of Guaranteed Offer**

2. In those instances where an employee secures a bona fide sale for at least 97% of the Guaranteed Offer prior to the expiration of the Guaranteed Offer period, the employee will be paid equity on the Guaranteed Offer amount plus a home sale bonus equal to 3% of the Guaranteed Offer amount up to a maximum of \$10,000.

**Note:** The sale of a mobile home is not eligible for the home sale incentive. Eligibility for the home sale incentive will expire when eligibility for reimbursement of home selling costs expires.

## **M. Lease Cancellation**

1. In those instances where rental expenses at the old location are involved, the Company will reimburse the transferred employee for a maximum of two month's rent in connection with a lease termination.

**Note:** This maximum includes any forfeiture of a security deposit directly attributable to terminating a lease agreement as a result of a transfer.

## **N. Equity Advance**

1. The transferred employee may request an equity advance from the Relocation Company in order to make a down payment on a home. The amount of the advance will in no case exceed the employee's equity in the home or the amount necessary to cover the down payment, whichever is less.

## **O. Home Purchase Costs**

1. The transferred employee who owned a home at the old location and purchases a home at the new location within 12 months of the original relocation will be reimbursed for reasonable and customary home purchase costs such as survey costs, home inspection costs, attorney fees, title costs, credit report fees, appraisal fee, recording costs and loan service fees. The loan origination fee is limited to \$500.
2. Employees may be eligible for one or two discount points paid by the Company. Often called "points," a discount point is a one-time charge used to adjust lower the employee's mortgage interest rate. Each "point" is equal to one percent (1%) of the employee's mortgage loan amount. Points may or may not be paid as based on the 30-year mortgage interest rate set by the Federal National Mortgage Association (FNMA) and published in *The Wall Street Journal* on the day the employee locks into a mortgage loan's interest rate. Please refer to the chart below.

Mortgage Interest Rate (Per FNMA)	Reimbursement of Discount Points
<6%	0 points
≥6%, but <8%	Up to 1 point
≥8%	Up to 2 points

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When closing through a national mortgage lender, as provided by the Relocation Company, the lender will direct bill the Relocation Company for 50% of the reimbursable loan discount points and 100% of the other reimbursable closing costs.

3. If the transferred employee was a renter at the old location and purchases a home at the new location within 12 months of the original relocation, the Company will reimburse the employee up to a maximum of \$1,000 towards these costs. Direct billing of home purchase costs does not apply to first-time buyers.

## **P. Duplicate Expenses**

1. The Company will reimburse the transferred employee for certain duplicate expenses incurred at the unoccupied residence (old or new). If the employee secures a Buyers Value Option or Amended Value Sale or accepts the Guaranteed Offer, duplicate expenses will be reimbursed until title to the property is transferred. Reimbursement of duplicate expenses would terminate upon rental of the property. These expenses will be limited to real estate taxes, mortgage interest, homeowner's insurance, and necessary utilities.
2. Duplicate expenses, for the employee who participates in the marketing assistance program, will commence no earlier than the date the home is priced and placed on the market for sale or, in the case of an employee who does not participate in the marketing assistance program, for the 60-day period beginning on the first day a duplicate expense is incurred.
3. Duplicate expenses associated with a rental at the old location will be covered on the unoccupied residence (old or new) for a maximum of 45 days from the date such expenses are incurred. If prior to moving to a new location, the employee moves from a home to a rental at the old location, only one 45-day duplicate expense period is applicable.

## **Q. Mortgage Interest Rate Subsidy**

1. An employee who purchases a home at the new location may be entitled to a mortgage interest rate subsidy (MIRS).
2. The employee will be entitled to the subsidy if a home is purchased within twelve months of the original relocation.

**Note:** Employees, who have not purchased a home at the new location and are transferred again before their twelve-month subsidy limitation period expires, will have twelve additional months from the most recent effective transfer date to buy a house at the newest location and qualify for an interest rate subsidy.

3. Annual mortgage interest rate subsidies will be based upon the following formula:

### **MIRS Formula**

- a.  $(\text{New Interest Rate} - \text{Old Interest Rate}) \times (\text{New Home Purchase Price} - \text{Old Home Equity})$ .

### **New Interest Rate Defined**

- b. The New Interest Rate for the first year is the mortgage rate in effect at the time of purchase.



## **Old Interest Rate Defined**

- c. The Old Interest Rate is the rate in effect at the time of the transfer (or hire for new employees) but in no event less than nine (9) percent.

## **No Mortgage on Old Location Home**

- d. If an employee owns their home but has no mortgage balance remaining, an interest rate of 9% will be used as the Old Interest Rate.

**Note:** In order to qualify for this provision, documentation must prove the mortgage was paid off prior to any notification of transfer or hire. Otherwise the subsidy will be based on the old interest rate or 9% whichever is higher.

## **Minimum Subsidy**

- e. If subsidy payments total less than \$500, the subsidy will be paid in lump sum.

## **Different Type of Financing Secured at New Location**

- f. A maximum interest rate differential of 2% applies if a different type of financing is secured at the new location. For example, if an employee has an Adjustable Rate Mortgage (ARM) at the old location and obtains a conventional loan at the new location, the interest rate differential used to calculate the subsidy will be capped at 2%.

## **New Home Purchase Price**

- g. New Home Purchase Price can include the cost of improvements to existing homes as discussed in (4) below and with respect to newly constructed homes as discussed in (5) below.

## **Old Home Equity Defined**

- h. Old Home Equity is the sales price (including any loss-on-sale reimbursement) minus the outstanding principal mortgage balance.

**Note:** A commercial home equity loan will not be included in this calculation unless the proceeds were used for home improvements to the primary residence.

## **Primary Residence Not Sold**

- i. If an employee chooses not to sell their primary residence upon transfer and purchases a primary residence at the new location, they will be eligible for a mortgage interest rate subsidy. The equity in the home will equal its appraised value less the outstanding principal mortgage balance. The appraised value will be determined, at Company expense, by an appraiser selected by the employee from a list supplied by the Relocation Company. The Old Interest Rate will be the mortgage rate in effect at the time of the transfer, but in no event less than nine (9) percent.

## **Home Purchase Price May Be Amended**

- 4. In some situations it is not practical or possible to have the cost of improvements included in the purchase price. Therefore, for purposes of calculating the mortgage interest rate subsidy, an employee may subsequently amend their home purchase price one time according to the following rules:





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## **Improvements or Renovations**

- a. The purchase price amendment must be the result of expenses incurred for capital improvements or renovations made to the employee's primary residence. Documentation of all expenses will be required.
- b. Expenditures for labor or materials in connection with improvements or renovations must be made or committed to, in writing, within 90 days of closing. In situations where the employee chooses to perform their own labor, no charge for such labor will be recognized.
- c. All work in connection with the improvements and renovations must be completed within one year from the date of closing.

## **Home Purchase Price for Newly Constructed Homes**

5. The purchase price for newly-constructed homes will include the cost of the lot plus any documented construction contracted for and completed within 12 months of the first documented construction contract plus:
  - a. Documented interest charges incurred on a construction loan during the construction period — after-tax costs assuming a marginal rate of 28% unless the employee can document a lower rate. The construction period will be limited to nine months.
  - b. Documented interest charges incurred on a property loan during the construction period — same after-tax calculation and construction period limitation as (a).
  - c. Documented insurance costs on the house and construction materials during the construction period — same construction period limitation as (a).
6. Personal property (mobile homes, house boats, etc.) will not be considered under this provision.

## **Payment Schedule**

7. Mortgage interest rate subsidy payments will be made as follows:

Years 1 – 3:	100% of MIRS formula amount
Year 4:	75% of MIRS formula amount
Year 5:	50% of MIRS formula amount
8. The annual subsidy will be paid at the time of purchase of the new home and on the four succeeding anniversaries. If total subsidy payments are less than \$500, the subsidy will be paid in a lump sum.

## **Employees Must Requalify Annually**

9. Employees must requalify for subsidy payments on an annual basis. The employee must verify that the property remains their primary residence and provide a statement from the lending institution to confirm the current mortgage interest rate.
  - a. The subsidy will be discontinued if the property is no longer the employee's primary residence.

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- b. The subsidy will be recalculated if the New Interest Rate has changed as of the anniversary date.
- c. The Old Interest Rate used in the MIRS formula will remain constant unless ARM financing is maintained at both the old and new locations. If ARM financing is maintained at both the old and new locations, the subsidy established for Year 1 will remain constant for each qualifying year and reimbursed in accordance with the five-year payment schedule in (7) above.

## **Payments Cease**

10. Upon a subsequent transfer, resignation, or termination without Termination Allowance Plan benefits, any remaining subsidy payments will cease.

## **Lump Sum Payment**

11. Upon death, retirement, or termination with Termination Allowance Plan benefits, the remaining subsidy payments will be paid in a lump sum.

## **Transferred Back to U.S. from Overseas**

12. If an employee is being transferred back to the U.S. from an overseas assignment and does not own a home in the U.S. but owned a home which was their principal residence at the time of expatriation, they will be eligible for the mortgage interest rate subsidy using 9% as the Old Interest Rate and the actual equity in the home at the time it was sold.

**Note:** In order to qualify for the 9% interest rate, the expatriate must provide documentation that the U.S. home was placed on the market for sale prior to any notification of transfer back to the U.S. and that the home was sold prior to or on the purchase date of a home in the U.S. Otherwise the subsidy will be based on the old interest rate or 9% whichever is higher.

## **R. Loss-on-Sale**

1. Transferred employees who participate in the Relocation Company's marketing assistance program and sell their property at an actual sales price that is within 90% of the price set by either the Relocation Company's marketing assistance program or the Guaranteed Offer, may be eligible for loss on sale assistance in accordance with the following provisions.

### ***Loss-on-Sale Defined***

2. Loss-on-sale is the documented purchase price less the sales price. The sales price will consist of the actual sales price or the Relocation Company offer, whichever is greater.

### ***Documented Purchase Price***

3. The documented purchase price for homes purchased in various stages of completion will consist of the following:



## Relocation Assistance Plan

- a. For used homes (suitable for occupancy), only the actual purchase price. If the purchase price included an allowance for repairs or decorating, receipts must be provided to document that the repairs or decorating were completed within 12 months of the purchase date. In situations where it is not possible to have the cost of improvements or repairs included in the purchase price of a used home, an employee may amend the purchase price of their home for the purposes of loss-on-sale coverage according to the following guidelines:
  - i) The purchase price amendment must be the result of expenses incurred for capital improvements or renovations made to the employee's primary residence. Documentation for all expenses will be required.
  - ii) Expenditures for labor or materials in connection with improvements or renovations must be made or committed to, in writing, within 90 days of closing. In situations where the employee chooses to perform their own labor, no charge for such labor will be recognized.
  - iii) All work in connection with the improvements or renovations must be completed within one year from date of closing.
- b. For completed new homes (of which you are the first owner), the purchase price plus any documented receipts and contracts for home improvements made within 90 days following the closing date of the home purchase.
- c. For homes being newly constructed, for partially completed new homes requiring substantial construction to make them habitable, and for used homes requiring substantial construction modification to make them habitable, the purchase price plus any documented construction contracted for and completed within 12 months of the first documented construction contract initiated by the purchasing employee.
- d. In addition to the documented construction costs, the following construction-related costs will be recognized in determining the home purchase price:
  - i) Documented interest charges incurred on a construction loan during the construction period — after-tax costs assuming a marginal tax rate of 28% unless the employee can document a lower rate. The construction period will be limited to nine months.
  - ii) Documented interest charges incurred on a property loan during the construction period — same after-tax calculation and construction period limitation as (i).
  - iii) Documented insurance costs on the house and construction materials during the construction period — same construction period limitations as (i).

### ***Loss-on-Sale Amount Reimbursed***

4. Employees incurring losses will be reimbursed based on the full amount derived from the loss-on-sale formula below.

5. Loss-on-Sale Formula:

First	\$60,000 loss	90%
Next	\$40,000 loss	75%
Next	\$100,000 loss	75%

# Relocation Assistance Plan



## ***Expiration of Eligibility***

6. Eligibility for loss-on-sale assistance as determined under the reimbursement formula described above expires when eligibility for home selling cost reimbursement expires.

## **S. Reimbursement Time Limits, Approvals, Exceptions, Coordination**

1. See **Item VII. Other Provisions** of this section.

## ***Tax Treatment/Tax Allowances***

1. See **Section II — Taxes**.

## **II. Professional and Experienced New Employees**

### **A. Eligibility**

1. The following employees are eligible for the provisions of this Plan, provided the distance between the employee's new place of work and former residence is at least 50 miles more than the distance between the old place of work and former residence. If the employee has no old place of work, the new place of work must be at least 50 miles from the former residence.
  - a. An experienced new salaried employee hired on a salary grade 10 or higher and at a salary not less than the midpoint of grade 10 who is required to relocate by reason of assignment (hereinafter referred to as Experienced New Employee), and
  - b. An employee who returns following an Educational Leave.

### **B. New Employee Advances**

1. A reasonable amount of funds may be advanced by the Relocation Company using the following guidelines when issuing allowances to experienced new employees:
  - Relocation allowance — 100%
  - Travel, advance trip, and temporary living expenses; lease cancellation fees; selling costs and purchase costs, other than loan origination fees and discount points — 90%
  - Loan origination fees and discount points; home sale bonus and mortgage interest rate subsidy — 50%
  - No advance for home purchase costs when a national mortgage lender, as provided through the Relocation Company, direct bills for home purchase costs.

### **C. Spousal Employment Assistance**

1. The Company has contracted with a national career company to provide the spouse of a transferring employee with the necessary tools, techniques and materials needed to conduct a successful job search at the new location. Up to a maximum of \$1,500 of services will be allowed within six months of the employee's transfer date.



## **D. Movement of Household Goods**

1. The Plan will cover the cost of packing, moving, storing (for a maximum period of 365 days), and unpacking the experienced new employee's household goods and personal effects and insurance on such items while in transit.
2. The Plan will cover transportation for up to two pets from the old location to the new location if it is not practical for the animal(s) to accompany the experienced new employee in their vehicle. This includes animals that are considered pets such as dogs and cats. It does not include animals such as horses or livestock.

### ***Reimbursement for Leased Towing Equipment***

3. When there are no additional means used to move household goods, the Company will reimburse the experienced new employee for leased towing equipment rental and one-half of the current mileage allowance. In order for reimbursement to be made, the leasing and towing must qualify as the most economical method of transportation.

### ***Mobile Home***

4. The experienced new employee will be paid a \$3,000 allowance (subject to a tax allowance) to cover any costs incurred in moving the mobile home.

### ***Transportation of Automobiles and Recreational Vehicles That Can be Transported to the New Location Under Their Own Power***

5. The Company will pay the current mileage allowance for up to three (3) vehicles that can be transported to the new location under their own power by the most practical route. Shipping of one of the three automobiles at Company expense is permitted if the distance to the new location is over 400 miles. Any other van shipment of automobiles or such recreational vehicles is permitted at the experienced new employee's option and at the experienced new employee's expense less the mileage allowance.

### ***Transportation of Other Recreational Vehicles***

6. Experienced new employees are encouraged to tow their recreational vehicles (boats, horse trailers, travel trailers, snowmobiles, motorcycles, motorized golf carts, etc.) and the Company pays one-half the current mileage allowance as reimbursement for the towing.
7. The cost to ship recreational vehicles includes both weight and "weight additive" costs. (Weight additive costs are charges for the extra space used on the van.) The Company will pay for a combined maximum of 1,500 pounds for the weight and weight additive costs. Additional charges will be the experienced new employee's responsibility.

**Note:** Experienced new employees wanting to ship recreational vehicles should be advised to carefully consider the costs involved and to contact the Relocation Company to discuss their situation.



## E. Travel Expenses

1. Transportation, reasonable meals, and lodging expenses for the experienced new employee and household members en route to the new location will be covered. It is expected that the employee and/or household members will use their personal vehicle(s) for this trip. If one vehicle is shipped, public transportation is not reimbursed and mileage reimbursement will be limited to two vehicles; otherwise it will be limited to three vehicles. Compensation for automobile expenses will be at the current mileage rate. If public transportation is used, accommodations should be in the economy or tourist class for air travel and the most practical class for rail travel.

**Note:** The Plan will not cover additional expenses incurred due to failure of an automobile. If the employee's automobile has mechanical problems and cannot finish the trip, it will be assumed the automobile did finish the trip and reimbursement will be for the total miles by the most direct route from the original location to the new location at the current mileage rate.

## F. Advance Trip Expenses

1. The experienced new employee and one household member will normally be allowed one reimbursable advance trip to the new location to secure a residence. Reimbursement will be limited to expenses for transportation for one round trip, reasonable meal and lodging expenses. In certain instances, where the employee is traveling a short distance (less than 300 miles round trip), additional trips may be permitted. The experienced new employee is allowed a combined maximum of 25 days for the advance trip and temporary living.

## G. Home Site Expenses

1. An employee who must compensate a provider for the care of dependent children, elderly parents and/or an incapacitated spouse during the house hunting trip that requires the employee to be away from home at least one night, will be reimbursed according to the following provisions:
  - a. an allowance up to \$60 per day for the first dependent child and up to \$35 for each additional dependent child.
  - b. an allowance up to \$60 per day for care of an incapacitated spouse.
  - c. an allowance up to \$60 per day for care of an elderly parent and up to \$35 for each additional elderly parent.
  - d. the provider cannot reside in the employee's home.
  - e. the provider cannot be the parent of the dependent child(ren.)
  - f. the employee cannot be reimbursed for care that is normally provided had the relocation, otherwise, not occurred.
  - g. the employee must submit valid receipts from the service provider containing the following:



## Relocation Assistance Plan

- name and signature of provider,
  - statement of services provided,
  - date, time and cost of service, and
  - address and telephone number of provider.
- h. reimbursements are taxable expenses to employees.
2. An employee whose primary residence is not occupied by a household member during the Relocation will be reimbursed for expenses not normally incurred, accordingly:
- a. animal care — up to \$15 per day, per animal, for up to two animals.
  - b. house sitter or house check services — up to \$25 per week, so long as the provider of such services is not a household member and the residence is unoccupied for a period in excess of seven days.
  - c. lawn maintenance — up to \$35 per week for lawn maintenance for assignments in excess of seven days.
  - d. snow removal — up to \$30 per week for snow removal as needed.
  - e. the employee must submit valid receipts from the service provider containing the following:
    - name and signature of provider,
    - statements of services provided,
    - date, time and cost of service, and
    - address and telephone number of provider.
  - f. reimbursements for animal care, house sitter services, lawn maintenance and snow removal are taxable expenses to employees.

### H. Temporary Living Expenses

1. When it is not possible to coordinate the day of leaving the old residence and occupancy of the new residence, reasonable meal and lodging expenses will be reimbursed for the experienced new employee and, when necessary, the household members. The maximum time allowed for temporary living is determined by deducting the number of days used for the advance trip from a total of 25 allowed days.

**Note:** Reimbursement for daily rental charges (excluding meals) for an employee who has arranged to move into the new residence prior to the closing will be made up to the date of closing or the expiration of the advance trip and temporary living limitation, whichever occurs first. The experienced new employee's home loan must be approved and all pre-closing agreements signed. This temporary arrangement requires approval of the Relocation Coordinator. If circumstances prevent the experienced new employee from closing on the home after taking up residence, the Company will not be responsible for moving the employee out of the residence.



# Relocation Assistance Plan

## I. Relocation Allowances

1. The Company will pay the experienced new employee a lump-sum relocation allowance of one times their monthly salary, up to a maximum of \$10,000. This allowance is to cover expenses incurred by the employee and household members, which are not specifically covered under other provisions of the Plan. Documentation of actual expenses is not required. Examples of some, but not all of these expenses are:
  - vehicle inspection, automobile registration, driver's licenses
  - telephone installation
  - long distance telephone charges
  - homeowner's association dues
  - club fees
  - tips to movers
  - utility hook-up charges
  - alterations of carpets or drapes
  - personal care items, such as diapers, shampoo, etc.
  - laundry/dry cleaning
  - home warranty policy
  - child and pet care not otherwise covered under Home Site Expenses
  - lawn maintenance not otherwise covered under Home Site Expenses
  - snow removal not otherwise covered under Home Site Expenses
  - any other expense not specifically covered under another provision of the Plan.

## J. Disposal of Home

### ***Postponement of Home Sale***

1. Experienced new employees who make no attempt to sell their home are permitted to select the date, within six months of their hire date, to begin the home sale process. To be eligible for reimbursement of home selling expenses, all such expenses must be incurred within one year of the employee's hire date.

Extension of these time limits up to an additional one year will require approval of the Organization Vice President. However, no tax allowance will be paid on non-deductible moving expenses.

### ***Marketing Assistance Program***

2. Experienced new employees are expected to aggressively market their home in an attempt to arrange a sale. The Company has contracted with the Relocation Company to provide a Marketing Assistance Program to provide the employee with professional guidance in marketing their home.



# Relocation Assistance Plan



3. The experienced new employee will select two brokers from a list supplied by the Relocation Company. Each broker will supply the employee with a BMA, which will contain a suggested listing price and anticipated sales price. The employee will select which broker to list with. For the next 60 days, the employee tries to sell the home.

## ***Buyers Value Option***

4. If the experienced new employee secures a sale during the Marketing Assistance period, the Relocation Company will use its best efforts to determine that (1) the offer is bona fide, and (2) is in accordance with the Company's relocation policy. If these conditions are met, the Relocation Company will issue the employee a Guaranteed Offer equal to the net value of the third-party offer price.

The employee MUST NOT indicate acceptance, take any money or sign documents, which would constitute acceptance of the offer.

## ***Guaranteed Offer***

5. If after listing the home for 60 days, the home has not been sold, the Relocation Company will offer to purchase the experienced new employee's property at its Most Probable Sales Price. Most Probable Sales Price will be determined by the average of two independent appraisals. The employee will choose the appraisers from an approved list supplied by the Relocation Company. If the two appraisals are more than 5% apart, a third appraisal will be obtained. In the case of a third appraisal, the offer to purchase will be the greater of a.) the average of all three, or b.) the average of the two closest of the three appraisals.
6. The Relocation Company may disregard an appraisal with a valuation it considers to be unsupported, provided that another appraiser replaces the disregarded appraisal.

**Note:** Copies of the appraisals can be secured from the Relocation Company.

## ***Time Limitation***

7. Upon notification of the Relocation Company's offer to purchase, the experienced new employee will have 30 calendar days to accept.

## ***Amended Value Sale***

8. If the experienced new employee secures a sale after they have been issued their Guaranteed Offer based on appraisals, the Relocation Company will use its best efforts to determine that (1) the offer is bona fide, and (2) is in accordance with the Company's relocation policy. If these conditions are met, the Relocation Company will amend their offer to equal the net value of the third party offer price.

The employee MUST NOT indicate acceptance, take any money or sign documents, which would constitute acceptance of the offer.

# Relocation Assistance Plan



## ***Acceptance of Offer***

9. If the experienced new employee accepts the Relocation Company's offer, the Relocation Company will take steps to acquire the property. It may be that the employee will need to occupy the home for a period of time after accepting the offer. The employee can continue to occupy the home for up to 60 days from the date of acceptance of the offer. During this period of time, the employee must permit the real estate broker, acting for the Relocation Company, to show the home to prospective buyers.

## ***Employee Declines to Participate***

10. If the experienced new employee declines to participate in the Relocation Company's program, the time limitations for reimbursement of selling costs will begin on the date of refusal.

## ***Rejection of Offer***

11. Should the experienced new employee not accept the Relocation Company's offer, they assume responsibility for sale of the home and are entitled to such other applicable benefits provided in this Plan.

## **K. Home Selling Costs**

### ***Employee Sells Home Directly***

1. If the experienced new employee sells the home directly within 90 days after declining participation in the Relocation Company's home purchase program or rejecting the Relocation Company's offer, the Company will reimburse the employee for reasonable and customary home selling costs. Selling costs include items such as reasonable and customary broker's fees, abstract to title insurance, revenue stamps, or such costs which normally accrue to the seller.

### ***Home Selling Costs Covered Under the Relocation Company's Home Purchase Program***

2. If the experienced new employee accepts the Relocation Company's offer or secures an Amended Value or Buyer's Value Option sale, reasonable and customary home selling costs, which normally accrue, to the seller will be paid by the Relocation Company.

### ***Selling Costs Covered for a Mobile Home***

3. If the primary residence of an experienced new employee is a mobile home and since the contract with the Relocation Company does not include mobile homes, the Plan will provide the employee with a \$3,000 allowance (subject to a tax allowance) to cover any costs incurred in selling the mobile home.

## **L. Home Sale Incentive**

1. A bonus equal to 3% of the negotiated sales price up to a maximum of \$10,000 will be paid on any employee-generated sale approved by the Company.



# Relocation Assistance Plan

## **Sale Within 97% of Guaranteed Offer**

2. In those instances where an experienced new employee secures a bona fide sale for at least 97% of the Guaranteed Offer prior to the expiration of the Guaranteed Offer period, the employee will be paid equity on the Guaranteed Offer amount plus a home sale bonus equal to 3% of the Guaranteed Offer amount up to a maximum of \$10,000.

**Note:** The sale of a mobile home is not eligible for the home sale incentive. Eligibility for the home sale incentive will expire when eligibility for reimbursement of home selling costs expires.

## **M. Lease Cancellation**

1. In those instances where rental expenses at the old location are involved, the Company will reimburse the experienced new employee for a maximum of two month’s rent in connection with a lease termination.

**Note:** This maximum includes any forfeiture of a security deposit directly attributable to terminating a lease agreement as a result of a relocation.

## **N. Equity Advance**

1. The experienced new employee may request an equity advance from the Relocation Company in order to make a down payment on a home. The amount of the advance will in no case exceed the employee’s equity in the home or the amount necessary to cover the down payment, whichever is less.

## **O. Home Purchase Costs**

1. The experienced new employee who owned a home at the old location and purchases a home at the new location within 12 months of the original relocation will be reimbursed for reasonable and customary home purchase costs such as survey costs, home inspection costs, attorney fees, title costs, credit report fees, appraisal fee, recording costs and loan service fees. The loan origination fee is limited to \$250.
2. Employees may be eligible for one or two discount points paid by the Company. Often called “points,” a discount point is a one-time charge used to adjust lower the employee’s mortgage interest rate. Each “point” is equal to one percent (1%) of the employee’s mortgage loan amount. Points may or may not be paid as based on the 30-year mortgage interest rate set by the Federal National Mortgage Association (FNMA) and published in *The Wall Street Journal* on the day the employee locks into a mortgage loan’s interest rate. Please refer to the chart below.

Mortgage Interest Rate (Per FNMA)	Reimbursement of Discount Points
<6%	0 points
≥6%, but <8%	Up to 1 point
≥8%	Up to 2 points

# Relocation Assistance Plan

When closing through a national mortgage lender, as provided by the Relocation Company, the lender will direct bill the Relocation Company for 50% of the reimbursable loan discount points and 100% of the other reimbursable closing costs.

3. If the experienced new employee was a renter at the old location, no home purchase costs will be reimbursed.

## **P. Mortgage Interest Rate Subsidy**

1. An experienced new employee who purchases a home at the new location may be entitled to a Mortgage Interest Rate Subsidy (MIRS).
2. The experienced new employee will be entitled to the subsidy if a home is purchased within twelve months of the hire date.

**Note:** Employees, who have not purchased a home at the new location and are relocated again before their twelve-month subsidy limitation period expires, will have twelve additional months from the most recent effective transfer date to buy a house at the newest location and qualify for an interest rate subsidy.

3. Annual mortgage interest rate subsidies will be based upon the following formula:

### **MIRS Formula**

- a.  $(\text{New Interest Rate} - \text{Old Interest Rate}) \times (\text{New Home Purchase Price} - \text{Old Home Equity})$ .

### **New Interest Rate Defined**

- b. The New Interest Rate for the first year is the mortgage rate in effect at the time of purchase.

### **Old Interest Rate Defined**

- c. The Old Interest Rate is the rate in effect at the time of hire, but in no event less than nine (9) percent.

### **No Mortgage on Old Location Home**

- d. If an experienced new employee owns their home but has no mortgage balance remaining, an interest rate of 9% will be used as the Old Interest Rate.

**Note:** In order to qualify for this provision, documentation must prove the mortgage was paid off prior to any notification of hire. Otherwise the subsidy will be based on the old interest rate or 9% whichever is greater.

### **Minimum Subsidy**

- e. If subsidy payments total less than \$500, the subsidy will be paid in a lump sum.

### **Different Type of Financing Secured at New Location**

- f. A maximum interest rate differential of 2% applies if a different type of financing is secured at the new location. For example, if an employee has an Adjustable Rate Mortgage (ARM) at the old location and obtains a conventional loan at the new location, the interest rate differential used to calculate the subsidy will be capped at 2%.



## **New Home Purchase Price**

- g. New Home Purchase Price can include the cost of improvements to existing homes as discussed in (4) below and, with respect to newly constructed homes as discussed in (5) below.

## **Old Home Equity Defined**

- h. Old Home Equity is the sales price minus the outstanding principal mortgage balance.

**Note:** A commercial home equity loan will not be included in this calculation unless the proceeds were used for home improvements to the primary residence.

## **Primary Residence Not Sold**

- i. If an experienced new employee chooses not to sell their primary residence upon hire and purchases a primary residence at the new location, they may be eligible for the Mortgage Interest Rate Subsidy. The equity in the home will equal its appraised value less the outstanding principal mortgage balance. The appraised value will be determined, at Company expense, by an appraiser selected by the employee from a list supplied by the Relocation Company. The Old Interest Rate will be the mortgage rate in effect at the time of the transfer, but in no event less than nine (9) percent.

## ***Home Purchase Price May Be Amended***

4. In some situations it is not practical or possible to have the cost of improvements included in the purchase price. Therefore, for purposes of calculating the mortgage interest rate subsidy, an experienced new employee may subsequently amend their home purchase price one time according to the following rules:

### **Improvements or Renovations**

- a. The purchase price amendment must be the result of expenses incurred for capital improvements or renovations made to the employee's primary residence. Documentation of all expenses will be required.
- b. Expenditures for labor or materials in connection with improvements or renovations must be made or committed to, in writing, within 90 days of closing. In situations where the employee chooses to perform their own labor, no charge for such labor will be recognized.
- c. All work in connection with the improvements and renovations must be completed within one year from the date of closing.

## ***Home Purchase Price for Newly Constructed Homes***

5. The purchase price for newly-constructed homes will include the cost of the lot plus any documented construction contracted for and completed within 12 months of the first documented construction contract plus:
  - a. Documented interest charges incurred on a construction loan during the construction period-after-tax costs assuming a marginal rate of 28% unless the employee can document a lower rate. The construction period will be limited to nine months.

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- b. Documented interest charges incurred on a property loan during the construction period — same after-tax calculation and construction period limitation as (a).
  - c. Documented insurance costs on the house and construction materials during the construction period — same construction period limitation as (a).
6. Personal property (mobile homes, house boats, etc.) will not be considered under this provision.

## ***Payment Schedule***

7. Mortgage interest rate subsidy payments will be made as follows:
- |              |                             |
|--------------|-----------------------------|
| Years 1 – 3: | 100% of MIRS formula amount |
| Year 4:      | 75% of MIRS formula amount  |
| Year 5:      | 50% of MIRS formula amount  |
8. The annual subsidy will be paid at the time of purchase of the new home and on the four succeeding anniversaries. If total subsidy payments are less than \$500, the subsidy will be paid as a lump sum.

## ***Employees Must Requalify Annually***

9. Experienced new employees must requalify for subsidy payments on an annual basis. The employee must verify that the property remains their primary residence and provide a statement from the lending institution to confirm the current mortgage interest rate.
- a. The subsidy will be discontinued if the property is no longer the employee's primary residence.
  - b. The subsidy will be recalculated if the New Interest Rate has changed as of the anniversary date.
  - c. The Old Interest Rate used in the MIRS formula will remain constant unless ARM financing is maintained at both the old and new locations. If ARM financing is maintained at both the old and new locations, the subsidy established for Year 1 will remain constant for each qualifying year and reimbursed in accordance with the five-year payment schedule in (7) above.

## ***Payments Cease***

10. Upon a subsequent transfer, resignation, or termination without Termination Allowance Plan benefits, any remaining subsidy payments will cease.

## ***Lump Sum Payment***

11. Upon death, retirement, or termination with Termination Allowance Plan benefits, the remaining subsidy payments will be paid in a lump sum.

## **Q. Hire of Experienced New Employees from Overseas to U.S.**

1. Professional and Experienced New Employees (U.S. citizen and non-U.S. citizen) living overseas who are hired for employment in the U.S. shall be provided with:



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- a. the same relocation assistance provided to Professional and Experienced New Employees hired within the U.S., excluding the shipment of vehicles;
- b. home sale assistance is available unless it would be imprudent for the Company to do so due to tax, legal, financial or other concerns as determined by management;
- c. a U.S. \$3,000 lump sum payment for one automobile (owned or leased by the employee) that the employee sells in conjunction with the relocation within 90 days of the hire date;
- d. temporary living for 45 days, plus an additional 25 days' coverage for arrival of household goods; and
- e. an additional U.S. \$2,000 added to the Relocation Allowance, provided the maximum Relocation Allowance (including this additional \$2,000) does not exceed U.S. \$15,000.

**Note:** If the experienced new employee owns a home in the U.S. which was the employee's principal place of residence immediately prior to going overseas and it is now available for sale and sold within one year of the date of hire, the experienced new employee will be eligible for the home sale assistance, home sale bonus and mortgage interest rate subsidy provisions in the same manner as a domestic U.S. hire.

### **R. Reimbursement Time Limits, Approvals, Exceptions, Coordination**

1. See **Item VII. Other Provisions** of this section.

### **S. Tax Treatment/Tax Allowances**

1. See **Section II — Taxes**.

## **III. New Employees (Other than Professional and Experienced New Employees)**

### **A. Eligibility**

1. The following employees are eligible for the provisions of this Plan, regardless of the distance between their work location and residence:
  - a. A new exempt employee (other than a Professional and Experienced New Employee) hired for Regular Full-time or Part-time employment and who relocates;
  - b. In limited circumstances, with the approval of the Manager, Global Mobility, a new, hourly employee (other than a Professional and Experienced New Employee) hired for Regular Full-time employment. (Union employees would be eligible only as negotiated with their representative.); and
  - c. An employee who returns following an Educational Leave and who relocates.
2. The eligible employees, as described above, may elect tax-assisted reimbursement of the relocation expenses provided in this section, or a \$5,000 taxable lump sum payment.

# Relocation Assistance Plan



## **B. New Employee Advances**

1. A reasonable amount of funds may be advanced to the new employee by the local Human Resources office or by Recruiting and Placement. For employees electing the lump sum option, the total advance cannot exceed \$3,000. For those employees electing the tax-assisted reimbursement of allowable relocation expenses, advances will be limited to no more than 70% of the total expenses.

**Note:** By limiting advances to 70%, the employee's normal net pay at the time of settlement should not be reduced.

## **C. Relocation Allowance**

1. The Company will pay the New Employee who elects the tax-assisted reimbursement option a Relocation Allowance of \$500. This allowance is to cover all expenses incurred by the employee and household members, which are not specifically covered under other provisions of the Plan.

## **D. Movement of Household Goods**

1. The Plan will cover the cost of packing, moving, storing (for a maximum period of 90 days), and unpacking the new employee's household goods and personal effects and insurance on such items while in transit.

## **E. Reimbursement for Leased Towing Equipment**

1. When there are no additional means used to move household goods, the Company will reimburse the new employee for leased towing equipment rental and one-half of the current mileage allowance. In order for reimbursement to be made, the leasing and towing must qualify as the most economical method of transportation.

### ***Mobile Home***

2. If the primary residence of the new employee is a mobile home, the Plan will cover the cost of transporting the mobile home to the new location up to the cost of shipping the contents by van.

### ***Transportation of Automobiles and Recreational Vehicles That Can be Transported to the New Location Under Their Own Power***

3. The Company will pay the current mileage allowance for up to two vehicles that can be transported to the new location under their own power by the most practical route. Shipping of one automobile at Company expense is permitted in special cases of undue hardship but requires the approval of the Manager of the employee's "receiving" organization and the Manager, Global Mobility. Any other van shipment of automobiles or such recreational vehicles is permitted at the new employee's option and at the new employee's expense less the mileage allowance.





## ***Transportation of Other Recreational Vehicles***

4. Employees are encouraged to tow their recreational vehicles (boats, horse trailers, travel trailers, snowmobiles, motorcycles, motorized golf carts, etc.) and the Company pays one-half the current mileage allowance as reimbursement for the towing.
5. The cost to ship recreational vehicles includes both weight and “weight additive” costs. (Weight additive costs are charges for the extra space used on the van.) The Company will pay for a combined maximum of 1,500 pounds for the weight and weight additive costs. Additional charges will be the employee’s responsibility.

**Note:** Employees wanting to ship recreational vehicles should be advised to carefully consider the costs involved and to contact the Relocation Company to discuss their situation.

## **F. Travel Expenses**

1. Transportation, reasonable meals, and lodging expenses for the new employee and household members en route to the new location will be covered. It is expected that the new employee and/or household members will use their personal vehicle(s) for this trip. Compensation for automobile expenses will be at the current mileage rate. If public transportation is used, accommodations should be in the economy or tourist class for air travel and the most practical class for rail travel.

**Note:** The Plan will not cover additional expenses incurred due to failure of an automobile. If an employee’s automobile has mechanical problems and cannot finish the trip, it will be assumed the automobile did finish the trip and reimbursement will be for the total miles by the most direct route from the original location to the new location at the current mileage rate.

## **G. Advance Trip Expenses**

1. The new employee and one household member will normally be allowed one reimbursable advance trip to the new location to secure a residence. Reimbursement will be limited to expenses for transportation for one round trip, reasonable meal and lodging expenses. In certain instances, where the employee is traveling a short distance (less than 300 miles round trip), additional trips may be permitted. The new employee is allowed a combined maximum of 15 days for the advance trip and temporary living.

## **H. Temporary Living Expenses**

1. When it is not possible to coordinate the day of leaving the old residence and occupancy of the new residence, reasonable meal and lodging expenses will be reimbursed for the new employee and, when necessary, the household members. The maximum time allowed for temporary living is determined by deducting the number of days used for the advance trip from a total of 15 allowed days.

# Relocation Assistance Plan



**Note:** Reimbursement for daily rental charges (excluding meals) for an employee who has arranged to move into the new residence prior to the closing will be made up to the date of closing or the expiration of the advance trip and temporary living limitation, whichever occurs first. The employee's home loan must be approved and all pre-closing agreements signed. This temporary arrangement requires approval of the Relocation Coordinator. If circumstances prevent the employee from closing on the home after taking up residence, the Company will not be responsible for moving the employee out of the residence.

## I. Home Site Expenses

1. An employee who must compensate a provider for the care of dependent children, elderly parents and/or an incapacitated spouse during the Relocation that requires the employee to be away from home at least one night will be reimbursed according to the following provisions:
  - a. an allowance up to \$60 per day for the first dependent child and up to \$35 for each additional dependent child.
  - b. an allowance up to \$60 per day for care of an incapacitated spouse.
  - c. an allowance up to \$60 per day for care of an elderly parent and up to \$35 for each additional elderly parent.
  - d. the provider cannot reside in the employee's home.
  - e. the provider cannot be the parent of the dependent child(ren.)
  - f. the employee cannot be reimbursed for care that is normally provided had the relocation, otherwise, not occurred.
  - g. the employee must submit valid receipts from the service provider containing the following:
    - name and signature of provider,
    - statement of services provided,
    - date, time and cost of service, and
    - address and telephone number of provider.
  - h. reimbursements are taxable expenses to employees
2. An employee whose primary residence is not occupied by a household member during the Relocation will be reimbursed for expenses not normally incurred, accordingly:
  - a. animal care — up to \$15 per day, per animal, for up to two animals.
  - b. house sitter or house check services — up to \$25 per week, so long as the provider of such service is not a household member and the residence is unoccupied for a period in excess of seven days.
  - c. lawn maintenance — up to \$35 per week for lawn maintenance for assignments in excess of seven days.
  - d. snow removal — up to \$30 per week for snow removal as needed.

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- e. the employee must submit valid receipts from the service provider containing the following:
  - name and signature of provider,
  - statement of services provided,
  - date, time and cost of service, and
  - address and telephone number of provider.
- f. reimbursements for animal care, house sitter services, lawn maintenance and snow removal are taxable expenses to employees.

(The home site expenses described above are offered in addition to the lump-sum payment option and the tax-assisted reimbursement of eligible expenses option.)

## **J. Reimbursement Time Limits, Approvals, Exceptions, Coordination**

1. See **Item VII. Other Provisions** of this section.

## **K. Tax Treatment/Tax Allowances**

1. See **Section II — Taxes**.

## **IV. Transferred Hourly and Non-Exempt Employees**

### **A. Eligibility**

1. Those hourly and non-exempt employees who are requested by the Company to transfer and relocate, provided the distance between their new place of work and the former residence is at least 50 miles more than the distance between the old place of work and former residence. Unionized employees will be eligible to participate only as negotiated with their representative.

### **B. Relocation Allowance**

1. The relocating employee will be provided with a one-time lump sum Relocation Allowance of \$4,000.
2. The Allowance will be paid in the employee's first paycheck after formal acceptance of a qualifying relocation.
3. The Allowance will be considered taxable income (with no tax allowance to be paid) to the employee and is non-benefits bearing.

### **C. Movement of Household Goods**

1. The plan will cover the cost of packing and moving of household goods and personal effects.
2. Company personnel specializing in the movement of household goods will coordinate the service between the employee and the appropriate vendor.

# Relocation Assistance Plan



## **D. Mobile Home**

1. If the employee's primary residence is a mobile home, at the employee's election, the Company will reimburse up to \$1,500 for the decommissioning and transport for the mobile home to the new work location. This reimbursement will be paid in lieu of the Company-arranged pack and move of household goods referenced above.

## **E. Allowed Time Off**

1. Affected employees will be allowed a maximum of 5 days of allowed time off with pay to assist in the completion of a qualifying relocation.

## **F. Home Site Expenses**

1. An employee who must compensate a provider for the care of dependent children, elderly parents and/or an incapacitated spouse during the Relocation that requires the employee to be away from home at least one night will be reimbursed according to the following provisions:
  - a. an allowance up to \$60 per day for the first dependent child and up to \$35 for each additional dependent child.
  - b. an allowance up to \$60 per day for care of an incapacitated spouse.
  - c. an allowance up to \$60 per day for care of an elderly parent and up to \$35 for each additional elderly parent.
  - d. the provider cannot reside in the employee's home.
  - e. the provider cannot be the parent of the dependent child(ren.)
  - f. the employee cannot be reimbursed for care that is normally provided had the relocation, otherwise, not occurred.
  - g. the employee must submit valid receipts from the service provider containing the following:
    - name and signature of provider,
    - statement of services provided,
    - date, time and cost of service, and
    - address and telephone number of provider.
  - h. reimbursements are taxable expenses to employees.
2. An employee whose primary residence is not occupied by a household member during the Relocation will be reimbursed for expenses not normally incurred, accordingly:
  - a. animal care — up to \$15 per day, per animal, for up to two animals.
  - b. house sitter or house check services — up to \$25 per week, so long as the provider of such service is not a household member and the residence is unoccupied for a period in excess of seven days.



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- c. lawn maintenance — up to \$35 per week for lawn maintenance for assignments in excess of seven days.
- d. snow removal — up to \$30 per week for snow removal as needed.
- e. the employee must submit valid receipts from the service provider containing the following:
  - name and signature of provider,
  - statement of services provided,
  - date, time and cost of service, and
  - address and telephone number of provider.
- f. reimbursements for animal care, house sitter services, lawn maintenance and snow removal are taxable expenses to employees.

### **G. Time Limits for Reimbursement**

1. Any cost incurred under the provisions of the Policy must be incurred within 12 months of the effective date of transfer.

### **H. Administration**

1. The Health and Welfare Benefits organization will administer the policy and notify the Relocation Company of the move.
2. The Relocation Company will arrange for payment of the Relocation Allowance and for the movement of household goods.

## **V. Temporary Assignments**

### **A. Background**

1. An employee working at a new geographic location at company request on a temporary assignment, i.e., anticipated duration of one year or less, will be eligible for certain temporary assignment allowances.

### **B. Assignments Exceeding Six Months in Duration**

1. Temporary assignments should not be made if the duration is expected to last more than one year. However, any assignment initially determined to be more than six months or any extension to an assignment in which the total duration of the assignment exceeds six months would require approval by the Vice President of the respective organization (or organizations if multiple organizations are involved). Any subsequent extension of an assignment beyond the length approved would require additional approval by the Vice President of the respective organization (or organizations).
2. Upon completion of a temporary assignment, it is expected that the employee will return to the same organization in the same geographic location where they originated.



## ***Tax Discussion***

### **Tax Treatment of Reimbursed Travel, Meal, and Lodging Expense**

3. As governed by the IRS, the “realistic expectation” of assignment duration and the maintenance of a permanent residence at the old location determine whether reimbursed travel, meal, and lodging expenses are taxable.
4. Based on “realistic expectation” of assignment duration, the tax treatment of reimbursed travel, meal, lodging expenses, and home trips is described below:
  - a. Assignment Expected to Last (And In Fact Does Last) One Year or Less — non-taxable.
  - b. Assignment Expected to Last More Than One Year — taxable, regardless of whether the assignment exceeds one year, except for reimbursements that qualify as excludable moving expenses.
  - c. Assignment Initially Expected to Last One Year or Less, but Later Expected to Last More Than One Year — reimbursements for expenses incurred before the change in expectation are non-taxable. Reimbursements for expenses incurred on or after the change in expectation are taxable, except for reimbursements that qualify as excludable moving expenses.
  - d. Reimbursed Expenses for Household Members — taxable, regardless of length of assignment, except for reimbursements that qualify as excludable moving expenses.
5. Based on maintenance of permanent residence at the old location — The tax treatment of reimbursed travel, meal, and lodging expenses incurred prior to disposal of home (rental or personal property) is in accordance with the above items 4. a., b., and c. Reimbursement of expenses incurred after disposal of home are taxable, except for reimbursements that qualify as excludable moving expenses.

### **Tax Allowance**

6. The Company will provide a tax allowance on all reimbursements considered taxable income to the employee on temporary assignment, except that no tax allowance will be paid on Company reimbursed living expenses incurred after an employee has disposed of their home at the old location.

### **State and Local Taxes**

#### **Payroll Notification**

7. Temporary assignments of less than 30 days should be ignored for purposes of changing state and local income tax withholding. If the temporary assignment will be longer than 30 days, the employee’s Human Resources office should notify Payroll prior to the start of the assignment. Payroll would then take the appropriate state and local taxes based upon the temporary assignment start date.
8. State income tax withholding will be based upon the employee’s work status except where an employee goes from a taxing state, such as Ohio or Louisiana, to a non-taxing state, such as Texas. If this situation occurs, the employee will have state income tax withheld based on the employee’s permanent residence location.



## **Advise Employees**

9. All employees who accept a temporary assignment should be notified by the employee's Human Resources office of the state and local tax withholding requirements prior to the start of the assignment.

## **Adverse Tax Situation**

10. If the temporary assignment results in an adverse state and local tax situation, the employee should contact their Human Resources office for a possible reimbursement. This request is then submitted to the Payroll Tax Coordinator.
11. The reimbursement for the state and local taxes if an adverse situation exists will be calculated at the completion of the temporary assignment. The amount of reimbursement will be charged to the area where the employee was on temporary assignment.

## **Two Types of Temporary Assignments**

12. Temporary assignments are divided by duration into two types:
  - a. Short-Term — three months or less.
  - b. Long-Term — greater than three months and less than one year.

## **Two Employee Classifications**

13. Employees on temporary assignment are classified as:
  - a. Employee Alone — single or married employee not accompanied by household members, or
  - b. Employee Accompanied — employee accompanied by household members.

**Note:** For purposes of this Plan, the term "household members" means person or persons who permanently reside with the employee at the time of the transfer offer and for whom the employee provides financial and/or familial-like support.

14. Temporary assignment allowances (described hereafter) vary by:
  - a. type of assignment (Short-term vs. Long-term), and
  - b. employee classification (Employee Alone or Employee Accompanied).

## **C. Short-Term Temporary Assignment Allowances**

### ***Duration***

1. Three months or less.

### ***Eligibility***

2. Employee only.

### ***Reimbursement Method***

3. Business Expense Report.



## ***Expenses Reimbursed***

### **Travel Expenses**

4. The Company will reimburse transportation and reasonable meal and lodging expenses for one round trip to and from the new location. The transportation may be by Company car, rental car, air or rail (economy or most practical class), or personal car. Reimbursement for personal car transportation is at the standard Company mileage rate. The reimbursable round trip need not be the first nor last trip.

### **Living Expenses**

5. Reasonable meals. The Company will also provide a motel room, furnished apartment or suitable accommodation including maintenance, cleaning, rent and utilities. The housing must be approved by the local supervisor and Human Resources supervisor.

### **Transportation at New Location**

6. For such time a personal car is not at the new location, the employee will be provided with a rental or Company car.

### **Home Trips**

7. **Employee Accompanied** — None.

**Employee Alone** — The Company will reimburse employee round trip transportation costs for one week-end home trip every two weeks. In special cases where the distance between the temporary location and the employee's home is short and travel time and costs are low, the employee's supervisor may authorize more frequent reimbursable trips. It is expected that such authorization would not involve additional time off from the temporary assignment.

### **Home Site Expenses**

8. An employee who must compensate a provider for the care of dependent children, elderly parents and/or an incapacitated spouse during the Temporary Assignment that requires the employee to be away from home at least one night, will be reimbursed according to the following provisions:
  - a. an allowance up to \$60 per day for the first dependent child and up to \$35 for each additional dependent child.
  - b. an allowance up to \$60 per day for care of an incapacitated spouse.
  - c. an allowance up to \$60 per day for care of an elderly parent and up to \$35 for each additional elderly parent.
  - d. the provider cannot reside in the employee's home.
  - e. the provider cannot be the parent of the dependent child(ren.)
  - f. the employee cannot be reimbursed for care that is normally provided while the employee is working at the home work location.
  - g. the employee must submit valid receipts from the service provider containing the following:





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- name and signature of provider,
  - statement of services provided,
  - date, time and cost of service, and
  - address and telephone number of provider.
- h. reimbursements are taxable expenses to employees.
9. An employee whose primary residence is not occupied by a household member during the Temporary Assignment will be reimbursed for expenses not normally incurred, accordingly:
- a. animal care — up to \$15 per day, per animal, for up to two animals.
  - b. house sitter or house check services — up to \$25 per week, so long as the provider of such service is not a household member and the residence is unoccupied for a period in excess of seven days.
  - c. lawn maintenance — up to \$35 per week for lawn maintenance for assignments in excess of seven days.
  - d. snow removal — up to \$30 per week for snow removal as needed.
  - e. the employee must submit valid receipts from the service provider containing the following:
    - name and signature of provider,
    - statement of services provided,
    - date, time and cost of service, and
    - address and telephone number of provider.
  - f. reimbursements for animal care, house sitter services, lawn maintenance and snow removal are taxable expenses to employees.

### ***Expenses Not Reimbursed***

10. Employees on short-term temporary assignment are not eligible for:
- Transfer Allowance Advances
  - Moving Expenses
  - Temporary Living Expenses
  - Relocation Allowance
  - Cost of Living Allowance

### ***Vacation***

11. Employees should schedule vacation before or after the assignment.

### ***Other Provisions***

12. Employees on short-term temporary assignment are not eligible for other Relocation Assistance Plan provisions unless a permanent transfer to an identified third location is approved and documented.



## D. Long-Term Temporary Assignment Allowances

### ***Duration***

1. Greater than three months and less than one year.

### ***Eligibility***

2. Employee plus household members accompanying the employee at the new location.

### ***Reimbursement Method***

3. Non-taxable expenses should be filed on a Business Expense Report.
4. Taxable expenses (including all expenses for accompanying household members and the Relocation Allowance, if any) must be submitted on the Transfer Allowances Expense Report.
5. See “Tax Discussion” in this section for more details.

### ***Transfer Allowance Advance***

6. **Employee Alone** — None.

**Employee Accompanied** — A reasonable amount of funds may be advanced to the employee through the releasing or receiving Human Resources office. Advances should be limited to 70% of the total reimbursable expenses.

### ***Expenses Reimbursed***

#### **Moving Expenses**

7. **Approved Unfurnished Housing** — The Company will pay the relocation company directly for the cost of moving the household goods (packing, moving, unpacking, and insurance in transit). The employee should coordinate the movement or shipping of household goods through the Employee Relocation Office.
8. **Furnished Housing** — The Company will reimburse the cost of shipping up to 2,100 pounds by shipment through the relocation company’s van lines. The employee should coordinate the movement or shipping of household goods through the Employee Relocation Office.

#### **Travel Expenses**

9. The Company will reimburse temporarily assigned employees for transportation and reasonable meal and lodging expenses for one round trip to and from the new location.
  - a. Employee Accompanied household members will also be reimbursed for transportation and reasonable meal and lodging expenses for one round trip to and from the new location.
  - b. The transportation may be by Company car, rental car, air, or rail (economy or most practical class), or personal car.

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- c. Reimbursement for personal car transportation at the standard Company mileage rate is limited to:

**Employee Alone** — one car.

**Employee Accompanied** — two cars.

- d. The reimbursable round trip need not be the first nor last trip.

## **Temporary Living Expenses**

- 10. **Employee Alone** — None.

**Employee Accompanied** — The Company will reimburse reasonable meals and lodging up to five days for the employee and household members at the new location.

## **Living Expenses**

- 11. **Employee Alone** — Reasonable meals.

**Employee Alone or Employee Accompanied** — The Company will provide a motel room, furnished apartment or suitable accommodation including maintenance, cleaning, rent and utilities. The housing must be approved by the local supervisor and Human Resources supervisor.

## **Transportation at New Location**

- 12. It is expected employees will use their personal car at the new location. However, if the personal car is not available, employees will be provided a rental or Company car as below:

**Employee Alone** — For the duration of the assignment if the personal car cannot be made available.

**Employee Accompanied** — For a maximum 3 months.

## **Home Trips**

- 13. **Employee Accompanied** — Round trip transportation costs for the employee for one weekend home trip every two months except that upon disposal of home at the old location, employees will not be entitled to home trips.

**Note:** Employees on long-term temporary assignments are required to disclose to the Company the disposal of their permanent residence at the old location.

**Employee Alone** — Round trip transportation costs for one weekend home trip every two weeks. In special cases where the distance between the temporary location and the employee's home is short and travel time and costs are low, the employee's supervisor may authorize more frequent reimbursable trips. It is generally assumed that the trip to visit family will be to the old location, however, if the family is at a different location, the reimbursement costs will not exceed what would have been the round trip cost involving the old location. It is expected that such authorization would not involve additional time off from the temporary assignment.



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### ***Relocation Allowance***

14. A lump-sum relocation allowance of one-third month's post-transfer pay up to a maximum of \$1,500 will be paid to:
  - a. **Employee Alone** — Only if moving into housing rented as unfurnished, or
  - b. **Employee Accompanied.**
15. An allowance will not be paid to an employee moving without household members into housing that is rented as furnished.

### ***Cost of Living Allowance***

16. The employee will receive appropriate cost of living allowance if assigned to Alaska or New York and not on an expense account.

### ***Vacation***

17. Scheduled at the discretion of management at the new location.

### ***Home Site Expenses***

18. An employee who must compensate a provider for the care of dependent children, elderly parents and/or an incapacitated spouse during the Temporary Assignment that requires the employee to be away from home at least one night, will be reimbursed according to the following provisions:
  - a. an allowance up to \$60 per day for the first dependent child and up to \$35 for each additional dependent child.
  - b. an allowance up to \$60 per day for care of an incapacitated spouse.
  - c. an allowance up to \$60 per day for care of an elderly parent and up to \$35 for each additional elderly parent.
  - d. the provider cannot reside in the employee's home.
  - e. the provider cannot be the parent of the dependent child(ren).
  - f. the employee cannot be reimbursed for care that is normally provided while the employee is working at the home work location.
  - g. the employee must submit valid receipts from the service provider containing the following:
    - name and signature of provider,
    - statement of services provided,
    - date, time and cost of service, and
    - address and telephone number of provider.
  - h. reimbursements are taxable expenses to employees.

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19. An employee whose primary residence is not occupied by a household member during the Temporary Assignment will be reimbursed for expenses not normally incurred, accordingly:
  - a. animal care — up to \$15 per day, per animal, for up to two animals.
  - b. house sitter or house check services — up to \$25 per week, so long as the provider of such service is not a household member and the residence is unoccupied for a period in excess of seven days.
  - c. lawn maintenance — up to \$35 per week for lawn maintenance for assignments in excess of seven days.
  - d. snow removal — up to \$30 per week for snow removal as needed.
  - e. the employee must submit valid receipts from the service provider containing the following:
    - name and signature of provider,
    - statement of services provided,
    - date, time and cost of service, and
    - address and telephone number of provider.
  - f. reimbursements for animal care, house sitter services, lawn maintenance and snow removal are taxable expenses to employees.

### ***Reimbursement of Tax Consulting Services***

20. Employees on long-term temporary assignments in state other than their home state are eligible for reimbursement of up to \$500 per year in tax consulting/tax preparation services that may be needed as a result of the assignment that is expected to last for more than one year or does in fact last for more than one year. This expense is taxable to the employee and a 50% tax allowance will also be provided.

### ***Other Provisions***

21. Employees on long-term temporary assignment are not eligible for other Relocation Assistance Plan provisions unless a permanent transfer to an identified third location is approved and documented.

## **VI. Co-ops and Interns**

### ***Lump Sum Payments***

1. Co-ops/Interns who relocate to any location other than the Houston office will be provided with a \$3,000 lump sum payment to assist with relocation expenses.
2. Co-ops/Interns who relocate to the Houston office will be provided with a \$4,000 lump sum payment to assist with relocation expenses.
3. In the event of unusual or extreme market conditions for locations other than Houston, the Vice President, Human Resources, is authorized to increase the lump sum payment up to a \$4,000 maximum to assist with relocation expenses.

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## **Advances**

4. Advances of up to 60% of the lump sum payment may be made to the prospective co-op/intern thirty (30) days before their start date.

## **Administration**

5. Lump sum payments under the co-op/intern provisions of this Plan will be administered by the local Human Resources office.

## **Tax Treatment**

6. Lump sum payments under this section are taxable income to the co-op/intern; no tax allowance is provided.

## **VII. Other Provisions**

### **A. Reimbursement Time Limits**

1. The following time limits apply for submitting expenses:
  - For employment dates and transfers effective January through November, reports must be submitted no later than October 1 of the year following the year of employment or transfer.
  - For employment dates and transfers effective in December, reports must be submitted no later than December 15 of the year following the year of employment or transfer.
2. **Requests for reimbursements submitted in accordance with the reimbursement time limits must be paid no later than the last day of the calendar year following the calendar year in which the expense was incurred.**
3. In the event that an employee is granted an exception and is allowed up to 18 months to complete their move, an interim report and a final report are to be filed in accordance with the Plan's normal reimbursement time limits so that all expenses are reported and reimbursements made no later than the last day of the calendar year following the calendar year in which an expense is incurred.

### **B. Approvals**

1. Unless otherwise specifically stated, all expenses paid under this Plan are the responsibility of the receiving organization and require the following approvals:
  - The Relocation Company
  - The Health and Welfare Benefits organization.

### **C. Exceptions**

1. Exceptions to the Plan may be granted if approved by the Vice President in the employee's "receiving" organization and the Manager, Global Mobility.



## **D. Coordination**

1. The Health and Welfare Benefits organization is the Central Coordinator for the Plan.
2. The Human Resources office at each Company location administers the Plan locally.

## **E. Participation by Associated Companies and Organizations**

1. Upon specific authorization and subject to such terms and conditions as it may establish, Marathon Oil Corporation may permit subsidiaries and affiliated organizations to participate in this Plan. Currently, these participating companies include Marathon Oil Corporation, Marathon Service Company, and Marathon Oil Sands USA, Inc.
2. The term “Company” and other similar words shall include Marathon Oil Corporation and such affiliated organizations. The term “employee” and other similar words shall include any eligible employee of these companies.

## **F. Approval Authority for Minor Amendments**

1. In addition to the other methods of amending the MOC employee benefit plans, practices, and policies (hereinafter referred to as “MOC Employee Benefit Plans”) which have been authorized, or may in the future be authorized, by the Marathon Oil Corporation Board of Directors, the Company’s Vice President of Human Resources may approve the following types of amendments to MOC Employee Benefit Plans:
  - i. With the opinion of counsel, technical amendments required by applicable laws and regulations;
  - ii. With the opinion of counsel, amendments that are clarifications of plan provisions;
  - iii. Amendments in connection with a signed definitive agreement governing a merger, acquisition or divestiture such that, for MOC Employee Benefit Plans, needed changes are specifically described in the definitive agreement, or if not specifically described in the definitive agreement, the needed changes are in keeping with the intent of the definitive agreement;
  - iv. Amendments in connection with changes that have a minimal cost impact (as defined below) to the Company; and
  - v. With the opinion of counsel, amendments in connection with changes resulting from state or federal legislative actions that have a minimal cost impact (as defined below) to the Company.

For purposes of the above, “minimal cost impact” is defined as an annual cost impact to the Company per MOC Employee Benefit Plan case that does not exceed the greater of:

- i. an amount that is less than one-half of the one percent of its documented total cost (including administrative costs) for the previous calendar year; or
- ii. \$500,000.

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## **G. Modification and Termination**

While the Company hopes that this Plan may be continued indefinitely, it is realized that conditions may change. The Company, therefore, reserves the right to modify or terminate this Plan, in whole or in part, in such manner as it shall determine, either alone or in conjunction with other plans of the Company under the Internal Revenue Code or to comply with applicable state or federal regulations. Such modification or termination can be applied, at the sole discretion of the Company, to any or all members.





## **Section II**

### **Taxes**

#### **I. Tax Treatment of Expenses**

1. All expenses are taxable income to the employee, except the following excludable moving expenses:
  - Household goods movement and storage of goods for up to 30 days.
  - Airfare, lodging, and mileage up to the IRS stated rate under the Travel Expenses provision. The effective date of these future changes will be the effective date of the most recent IRS change to the mileage rate.
2. The relocation must meet the following conditions for the above expenses to qualify as excludable:
  - The distance between the employee's new place of work and former residence must be at least 50 miles more than the distance between the old place of work and former residence.
  - The employee must reside and work full-time or part-time at the new location for at least 39 weeks during the twelve-month period immediately following arrival at the new location. This condition does not apply if the employee fails to satisfy it because of death, disability, involuntary separation (other than for willful misconduct), or transfer for the benefit of the Company.
3. In certain cases as determined by the IRS, an approved extension beyond the Plan's 12-month requirement for completing a transfer may result in reimbursements being taxable to employees and in such cases, these added tax costs will be borne by the employees.

#### **II. Tax Allowances**

1. The Company will provide a tax allowance to assist the employee in paying state, FICA, and federal income taxes. (The tax allowances are discussed below in the order in which they are calculated.)

##### **State Tax Allowance**

2. A state tax allowance is paid on taxable amounts except:
  - Home Sale Incentive
  - Mortgage Interest Rate Subsidy
  - FICA Tax Allowance (Except if employee is on a temporary assignment with taxable expenses, then state tax allowance is paid on FICA Tax Allowance.)



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- Federal Tax Allowance (Except if employee is on a temporary assignment with taxable expenses, then state tax allowance is paid on the Federal Tax Allowance.)
- Home Site Expenses
- \$5,000 lump sum payment in lieu of tax-assisted reimbursement expenses for New Employees, as defined in Section I — Item III.
- \$4,000 lump sum payment for Transferred Hourly and Non-exempt Employees.

### FICA Tax Allowance

3. A FICA tax allowance is paid on:
  - a. Moving expenses subject to FICA (excluding the mortgage interest rate subsidy, the home sale incentive, Home Site Expenses, the \$5,000 lump sum payment in lieu of tax-assisted reimbursement expenses for New Employees, as defined in Section I — Item III, and the \$4,000 lump sum payment for Transferred Hourly and Non-exempt employees).
  - b. Employee's state tax allowance.
4. The FICA tax allowance is calculated by using the rates and wage base in effect for the year in which the moving expenses are reported on Form W-2. (See tax charts.)

### Federal Tax Allowance

5. A federal tax allowance is paid on the FICA tax allowance and on all taxable amounts except:
  - Federal Tax Deductible Amounts (includes amounts for items such as loan origination fees, mortgage discount points, real estate taxes, mortgage interest and mortgage interest rate subsidy).
  - Home Sale Incentive
  - State Tax Allowance
  - Home Site Expenses
  - \$5,000 lump sum payment in lieu of tax-assisted reimbursement expenses for New Employees, as defined in Section I — Item III.
  - \$4,000 lump sum payment for Transferred Hourly and Non-exempt Employees

**Note:** The Taxpayer Relief Act of 1997 provides taxpayers with a child tax credit and two tax credits for payments made for qualified tuition and related expenses for post secondary education. Employees who provide documentation that eligible taxable moving expenses when added to all other taxable income results in the employee's AGI exceeding a threshold and making the employee ineligible to claim a credit will be reimbursed by the Company for the lost tax credit(s). The reimbursement is eligible for the applicable tax allowance(s).

**Note:** If the employee is not paid a tax allowance on expenses that are tax deductible, the employee may request a tax allowance be paid on these items provided such employee submits to the Company a copy of their applicable federal tax return which substantiates that the standard deduction was used in lieu of itemizing deductions.

## Relocation Assistance Plan



6. For purposes of providing the Federal Tax Allowance, modified marginal Federal tax rates will be calculated for each tax year in which rates or brackets change. The minimum modified marginal Federal tax rates will be equal to the required withholding rate under the law. These modified marginal Federal tax rates represent Federal tax rates, which are increased to negate the marginal effects of Federal taxes on the tax allowances, in effect providing a tax gross-up. (See tax charts.)
7. For determining the modified marginal Federal tax rates, the following income amounts are used:
  - a. Annualized Base Salary
  - b. Bonus
  - c. Home Sale Incentive
  - d. Taxable Moving Expenses less itemized deductible moving expenses
  - e. FICA Tax Allowance

**Note:** When a married couple (both employed by the Company) is simultaneously hired or transferred by the Company and both husband and wife are eligible for relocation benefits, the modified federal tax rates will be based on the couple's combined income.

### **Tax Allowance Computation**

8. The following tax charts will be used in computing the tax allowance.



## **Section III**

### **Interim Relocation Assistance Plan Provisions for Specific Locations as Approved by the Senior Vice President of Each Affected Operating Organization and the Vice President of Human Resources**

#### **I. Background**

The below revisions are incorporated into the Relocation Assistance Plan of Marathon Oil Company for Company locations at such time and for such time durations as recommended and approved by the Senior Vice President of the affected operating organization and the Vice President of Human Resources. The revisions are limited to those listed below, with all other provisions of the Plan remaining intact.

#### **II. Eligibility**

1. Exempt and non-exempt employees who are requested by the Company to relocate to a job assignment subject to the following: the new place of work and former residence must be at least 50 miles more than the distance between the old place of work and former residence.

#### **III. Time Frame**

1. If circumstances exist and with the support and approval of the Senior Vice President of the affected operating organization and the Vice President of Human Resources, employees will have the opportunity to extend the Plan's 12 month requirement for completing a transfer to a time period not to exceed 18 months from the transfer date. (It is important to note that in certain cases as determined by the IRS, an extension may result in reimbursements being taxable to employees and in such cases, these added tax costs will be borne by the employees.)

#### **IV. Advance Trip Expenses**

1. No. of Trips
  - If circumstances exist and with the support and approval of the Vice President of Human Resources and the Grade 16 or above Operating Manager of the affected organization, additional trips will be permitted beyond the one advance house hunting trip provided by the Plan for moves over 150 miles. (Relocations from Anchorage do not warrant an advance trip for house hunting purposes due to the distance and length of travel.)
2. No. of Days
  - Maximum of 60 days for advance trip/temp living combined. This compares to the 45 days normally provided by the Plan.



## Relocation Assistance Plan

### **V. Temporary Living Expenses**

#### 1. No. of Days

- Maximum of 60 days for advance trip/temp living combined. This compares to the 45 days normally provided by the Plan. (Employees relocating from Anchorage are permitted a maximum of 75 days.)

### **VI. Home Sale Assistance**

#### 1. Time Frame

- Home sale must be completed within the time frame permitted as defined above in this section.

#### 2. Sales Below Guaranteed Offer

- If sale is within 95% of Guaranteed Offer, employee will be paid equity based on Guaranteed Offer. This compares to the 97% rate normally offered under the Plan.

### **VII. Loss-on-Sale**

1. With substantiated market surveys and analysis giving evidence of the potential negative impact of Marathon transfers on a given local housing market, the Senior Vice President of the affected operating organization and the Vice President of Human Resources may approve a different definition and formula for loss-on-sale consideration.



# Relocation Assistance Plan

## 2012 FICA Tax Allowance

- FICA — OASDI Rate for 2012 = 4.2% of wages up to \$110,100
- FICA — Medicare Rate for 2012 = 1.45% (no wage limit)

## 2012 Modified Marginal Federal Tax Rates

*(Head of household will be included under the single rate schedule below.)*

Married		
Taxable Income for RAP*	Federal Tax Rates	Modified Marginal <sup>(1)</sup> Federal Tax Rates
Less than \$17,400	10%	25%**
\$17,400 – \$70,700	15%	25%**
\$70,700 – \$142,700	25%	33%
\$142,700 – \$217,450	28%	39%
\$217,450 – \$388,350	33%	49%
\$388,350 and over	35%	54%
Single		
Less than \$8,700	10%	25%**
\$8,700 – \$35,350	15%	25%**
\$35,350 – \$85,650	25%	33%
\$85,650 – \$178,650	28%	39%
\$178,650 – \$388,350	33%	49%
\$388,350 and over	35%	54%

<sup>(1)</sup> The Modified Marginal Federal Tax Rate for each Federal tax bracket in excess of the required withholding rate — currently 25% — will be established for each tax year as follows:

$$\frac{1}{(1 - \text{Federal Tax Rate})} - 1 = \text{Modified Marginal Federal Tax Rate for RAP}$$

\* The following Two Definitions are Income for RAP:

1. Base RAP Income = Annualized Base Salary + Bonus + Home Sale Incentive Bonus
2. Total RAP Income = Base RAP Income + Taxable Moving Expenses Less Federal Tax Deductible Amounts + FICA Tax Allowance.

For Taxable income, the above two income definitions are reduced by the standard deduction.

### Note:

- When a married couple is simultaneously transferred by the Company and both husband and wife are eligible for relocation benefits, the tax allowance will be based on the couple's combined income.
- The 2012 Standard Deduction = \$11,900 married, \$5,950 single.
- The acronym "RAP" is used to refer to the Relocation Assistance Plan.

\*\* Established as a minimum since required withholding is 25%.

# Relocation Assistance Plan

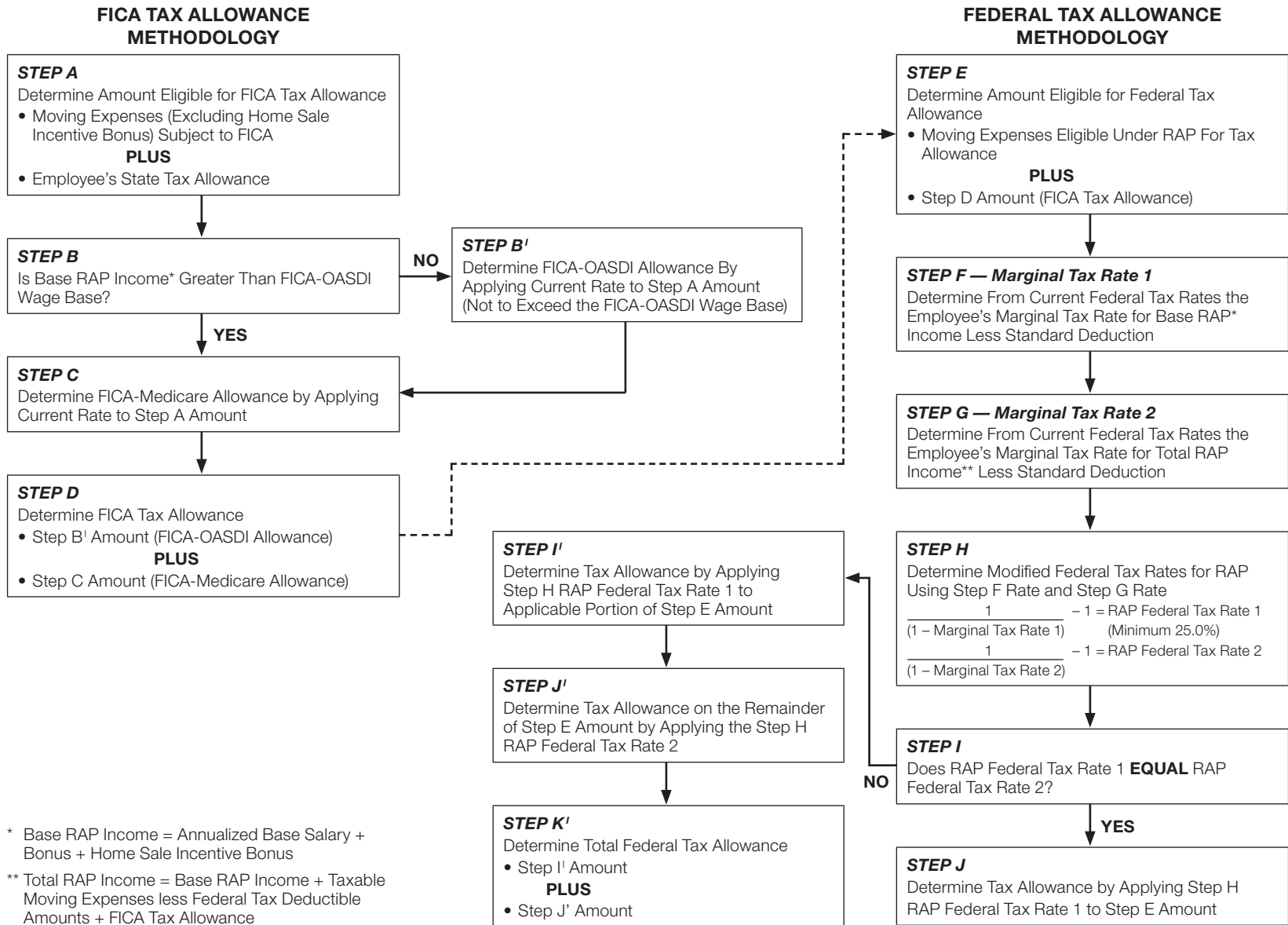


2012 State Tax Allowance Chart			
Alabama (AL)	5%	Michigan (MI)	4.35%
Arizona (AZ)	4.24%	Minnesota (MN)	7.85%
Arkansas (AR)	7%	Mississippi (MS)	5%
California (CA)	9.3%	Missouri (MO)	6%
Colorado (CO)	4.63%	Montana (MT)	6.9%
Connecticut (CT)	5.5%	Nebraska (NE)	6.84%
Delaware (DE)	6.95%	New Jersey (NJ)	6.37%
District of Columbia (DC)	8.5%	New Mexico (NM)	4.9%
Georgia (GA)	6%	New York (NY)	6.85%
Hawaii (HA)	8.25%	North Carolina (NC)	8%
Idaho (ID)	7.8%	North Dakota (ND)	3.13%
Illinois (IL)	5%	Ohio (OH)	5.93%
Indiana (IN)	3.4%	Oklahoma (OK)	5.5%
Iowa (IA)	8.98%	Oregon (OR)	9%
Kansas (KS)	6.45%	Pennsylvania (PA)	3.07%
Kentucky (KY)	6%	South Carolina (SC)	7%
Louisiana (LA)	6%	Utah (UT)	6.98%
Maine (ME)	8.5%	Virginia (VA)	5.75%
Maryland (MD)	4.75%	West Virginia (WV)	6.5%
Massachusetts (MA)	5.3%	Wisconsin (WI)	6.75%

Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming do not have state income taxes and therefore, no state tax allowance is payable in these states.

# Relocation Assistance Plan (RAP)

## Schematic of FICA and Federal Tax Allowance Calculations



\* Base RAP Income = Annualized Base Salary + Bonus + Home Sale Incentive Bonus

\*\* Total RAP Income = Base RAP Income + Taxable Moving Expenses less Federal Tax Deductible Amounts + FICA Tax Allowance