MEMORANDUM

TO: NMC Employees
FROM: Steve Buelow, CEO
DATE: 06/21/18
SUBJECT: Adoption of an Accountable Plan

PART I: ACCOUNTABLE PLAN REQUIREMENTS

It is the policy of the NMC, Inc. (NMC) to reimburse any officer or employee (and in certain cases non-employees) for company expenses paid for by such individuals from their own personal funds on the NMC’s behalf, in the pursuit of NMC business. It is the intent of this policy to satisfy requirements of the Internal Revenue Service in regard to having an “accountable plan” in place, which allows for providing reimbursement for travel or other business-related expenses without including such payments as income on an employee’s W-2 or contractor’s 1099 (1042 for non-resident aliens) and withholding applicable taxes from the reimbursement.

The information listed below summarizes NMC requirements to reimbursement payments to meet the “accountable plan” rules. Any and all reimbursement payments that are made, that do not meet these requirements will be included on the individual’s W-2, 1099 or 1042 as additional compensation, and applicable taxes will be withheld.

1. Except as otherwise noted in Part II below, Employees of the NMC (and in certain cases non-employees) shall be reimbursed for any ordinary and necessary business and professional expenses incurred on behalf of NMC only if the expenses are adequately substantiated as required by the NMC policy on expense reimbursements as stated in the Employee Manual and Travel Guidelines.

2. NMC will not reimburse individuals for business or professional expenses incurred on behalf of the NMC that are not properly substantiated. This requirement is necessary to prevent our expense reimbursement plan from being classified as a “non-accountable” plan. The substantiation requirements of this policy apply to employees and nonemployees (e.g., independent contractors) conducting NMC business.

3. All expenses must be substantiated within 60 days or less after the expense is paid or incurred.

4. All charges to company credit cards must be substantiated in the same manner as the above-mentioned reimbursements.

5. Any excess reimbursement is returned within 120 days after the expense was paid or incurred.

6. Mileage logs: employees that regularly incur this type of expenses are expected to turn in receipts or mileage logs on a quarterly basis.
PART II: EXCEPTIONS TO ACCOUNTABLE PLAN

Occasionally, exceptions to policy will be granted by the CEO. Such exceptions will indicate the reason the transaction in question cannot be properly substantiated or does not have a valid NMC business purpose.

Any reimbursements authorized and approved, that do not have a valid NMC business purpose or cannot be substantiated in accordance with IRS requirements for a “accountable plan”, will be treated as additional taxable compensation.