
Reimbursement Procedure

The following procedure provides direction for obtaining reimbursement from the Adoption Assistance Plan for adoption expenses. **To qualify for reimbursement, the adoption expense must be INCURRED on or after January 1, 2002.**

Request Submittal

Employees should complete and submit the Adoption Assistance Plan Reimbursement Request to the BAE SYSTEMS BenefitCenter. By signing the request, the employee confirms that he/she has complied with all conditions of the Adoption Assistance Plan.

Supporting Documentation

Requesting employee must attach the following documentation to the Adoption Assistance Reimbursement Request:

1. Copy of the Writ or Certificate of Adoption (or other documents related to an adoption proceeding). When an adoption involves a child who is not a citizen or resident in the United States, copies of documentation shall include orders of any court or administrative agency for the country with jurisdiction over that child.
2. Copies of Receipts for Adoption Expenses (total value of your receipts may exceed the \$2,000 maximum amount reimbursed by the Adoption Assistance Plan)
3. Copy of the Eligible Child's birth certificate (in English language or with translation into English language)

HR/Payroll Processing

1. Plan Administrator will review the Adoption Assistance Reimbursement Request and supporting documentation. If the request and attached documentation satisfy Plan provisions, Plan Administrator will approve the request, make necessary copies for the Plan (copy also forwarded to HR for employee records) and forward the original request to payroll for processing. ***Plan Administrator will designate on each request, based on information provided by employee, whether the reimbursement payment qualifies for exclusion from income tax under Section 137 of IRC. That tax-designation is not conclusive as to any determination made by the United States Department of Treasury pertaining to a particular employee.***
2. Payroll will review documentation and issue a check for reimbursement of approved adoption expenses.

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- a. As an allowable cost, expenses will be charged based on the employee's business unit business practices.
 - b. Qualified adoption expenses will be reported on the employee's W2 but will *not* be included in his/her Federal Gross Income (Tax Code 137) for Federal Tax purposes. Qualified and Non-Qualified adoption expense amounts are subject to FICA and MEDICARE taxation.
 - c. Non-Qualified adoption expenses will be reported on the employee's W2 and will be included in his/her federal gross income for federal tax purposes. Non-Qualified and Qualified adoption expense amounts are subject to FICA and MEDICARE taxation. Expenses acceptable under the Plan but not-qualified for tax benefits *include* those expenses connected with the adoption of a child of a taxpayer's spouse, and payments related to a foreign adoption not yet finalized. Reimbursements for Expenses acceptable under the Plan but not-qualified for tax benefits will be subject to all normal payroll taxation.
 - d. Most states follow Federal guidelines: (i) Qualified Reimbursements -- will typically *not* be included in State Gross Income and (ii) Non-Qualified Reimbursements -- will typically not be included in State Gross Income.
3. Any deviation from this procedure requires the prior approval of the Corporate Vice President Human Resources BAE SYSTEMS, NA, or designee.

Reimbursement Request Form

Employee Name: _____ Employee Social Security Number: _____

Home Address: _____

City/State/Zip Code: _____

Employee ID Number: _____ Business Unit Name: _____ Work Location: _____

Phone: _____ (Home) _____ (Work)

Home Cost Center or Performing Organization Number: _____

Child's Name: _____

Child's Date of Birth: _____

Child's City/State/Country of Birth: _____

If Non-USA Birth, Date of Adoption in Child's Country of Birth: _____

Finalization Date of U.S.A. Adoption: _____

Enclosed/Required Documentation:

_____ (1) Writ or Certificate of Adoption (see Reimbursement Procedure for details)

_____ (2) Copies of Receipts Supporting Requested Reimbursement

_____ (3) Copy of Child's Birth Certificate (in English language or with translation into English language)

Plan Limitation: Expenses Incurred On or After January 1, 2002.

ANSWER > Each expense presented for reimbursement is for services resulting in expenses incurred on or after Jan. 1, 2002:

Circle > Yes No

Other Limitations on Non-Taxability of Reimbursements:

ANSWER > The adoption has been finalized/completed: Circle > Yes No

ANSWER > The child is a citizen or resident in the United States: Circle > Yes No

ANSWER > The child is a "child with special needs": Circle > Yes No

ANSWER > This adoption [Circle > Is Is Not] for a child of my spouse.

ANSWER > By Year the Expenses for this Adoption Were:

\$ _____ (2002) \$ _____ (2003) \$ _____ (2004) \$ _____ (2005) \$ _____ (2006)

ANSWER > Please Estimate - -Adjusted Gross Income of Employee and Spouse combined for each calendar year (above) is:

Circle <\$150,000 \$150,001-\$190,000 >\$190,000

{over}

Adoption Expenses (attach all support documents in US Dollars)

- (1) Public and private adoption agency fees \$ _____.
- (2) Foreign court costs _____.
- (3) Domestic court costs _____.
- (4) Legal fees _____.
- (5) Medical/physical exams for the adopted child (*) _____.
- (6) Transportation and Lodging expenses _____.

Total Expenses \$ _____.

(*) *Includes medical/physical examinations during adoption process and within 30 days following final adoption.*

Non-Qualified/Taxable Payments by the Adoption Assistance Plan

I understand that reimbursements under the Adoption Assistance Plan of adoption expenses may include (1) those connected with the adoption of a child of a taxpayer's spouse, and (2) payments related to a foreign adoption not yet finalized. I understand that those (and other payments under the Adoption Assistance Plan) may not qualify to be excluded from income taxation under Section 137 of IRC. I am aware that the taxability of the reimbursement-payment by the Adoption Assistance Plan and other allowable tax credits are phased-out or eliminated at certain Adjusted Gross Income levels. Reimbursements for Adoption Assistance Plan acceptable but non-qualified adoption expenses will be subject to all payroll (income) taxes.

Determinations by the Plan Administrator on any reimbursement, as to whether a payment qualifies for exclusion from income tax under Section 137 of IRC, is not conclusive as to any determination made by the United States Department of Treasury pertaining to a particular employee. Plan Administrator's determination only addresses the issue of employee qualification for reimbursement and does not address any issues regarding qualification for or under any provision of any state or federal tax code. It is each person's responsibility to determine the tax implications and issues that may apply to the adoption. You should obtain tax advice and assistance from your own advisors.

As an employee at BAE SYSTEMS, NA, I confirm that this request is in compliance with all conditions stated in the BAE SYSTEMS, North America Adoption Assistance Plan. I certify that I have not and will not receive reimbursement for these expenses from any other source, and I will not claim a tax credit for these expenses.

I agree to pay back to the Adoption Assistance Plan the funds I receive if (1) at any time I (or my spouse) receive reimbursement for these expenses from any other source, or (2) at any time I (or my spouse) claim a tax credit for these expenses.

Employee Signature

Date

Plan Administrator, Adoption Assistance Plan

Date

Reimbursement Payment Instructions:

_____ **Qualified for Tax Exemption**

_____ **Not Qualified for Tax Exemption**

Reimbursement Amount: \$ _____