

**SUMMARY OF MATERIAL MODIFICATIONS
for the**

Specialized Bicycle Components, Inc
Flexible Benefits Plan

**I
INTRODUCTION**

This is a Summary of Material Modifications regarding the Employer Name Flexible Benefits Plan (the "Plan"). This is merely a summary of the most important changes to the Plan and information contained in the Summary Plan Description ("SPD") previously provided to you. It supplements and amends that SPD so you should retain a copy of this document with your copy of the SPD. If you have any questions, contact the Administrator. If there is any discrepancy between the terms of the Plan, as modified, and this Summary of Material Modifications, the provisions of the Plan will control.

**II
SUMMARY OF CHANGES**

Continuation of the Grace Period Through December 31, 2020.

Effective as of the effective date, the Employer amends their plan to allow for the extension of the Grace Period through December 31, 2020.

On May 12, 2020, the Internal Revenue Service released guidance impacting section 125 cafeteria plans. This guidance is designed to provide temporary flexibility for employers and employees and assist with the National response to the 2019 Novel Coronavirus outbreak (COVID-19). These changes permit participants to use funds from a prior plan year for expenses incurred through December 31, 2020.

Specifically, for the plan year or grace period ending in 2020, the employer hereby amends the plan to allow employees to use dollars remaining in that plan as of the last day in the plan year for claims incurred through December 31, 2020. Health FSA amounts must still be used for medical expenses and dependent care FSA amounts must still be used for dependent care expenses.

The extension of the period for incurring claims under this guidance is an extension of coverage that is not HSA compatible, consequently any employee with unused amounts remaining at the end of a plan year or grace period ending in 2020 will not be eligible to contribute to an HSA during the extend period (unless the FSA is a limited FSA).

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SUMMARY OF CHANGES**

COBRA Election and Payment Deadlines Extended to after the "Outbreak Period"

On April 29, 2020, the Department of Labor, Revenue, and Treasury (the "Departments") issued guidance extending certain timeframes for group health plans during the COVID-19 National Emergency.

As background, on March 13, 2020, President Trump issued the Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak and by separate letter declared a national emergency under the Stafford Act effective March 1, 2020.

As a result of the National Emergency, the Departments recognized that participants may find it difficult to meet or comply with certain pre-established timeframes, specifically the health and day care FSA claims run out and the FSA appeals timeline.

The guidance announced that plans, "must disregard the period from March 1, 2020 until sixty (60) days after the announced end of the National Emergency or such other date announced by the Agencies [Departments] in a future notice (the 'Outbreak Period') for all plan participants, beneficiaries, qualified beneficiaries, or claimants wherever located in determining the following periods and dates—".

Pursuant to this guidance the Employer amends the plan to extend the following timeframes:

COBRA Continuation Coverage. The Outbreak Period is disregarded in applying the time limits for an individual to notify the Plan of certain qualifying events, to elect COBRA continuation coverage and to timely pay the applicable COBRA premiums. The following examples illustrate the application of the guidance to these COBRA time limits:

Notification of Certain Qualifying Events. The employee or ex-spouse must notify the Plan within 60 days of a divorce in order for the ex-spouse to be eligible to elect COBRA continuation coverage. The couple's judgment of divorce is entered on March 31, 2020. The 60 day notice period would otherwise end on May 30, 2020. However, if the Outbreak Period ends on July 30, 2020 (see above example), notice will be timely if provided by no later than September 28, 2020 (60 days after the Outbreak Period ends).

Electing COBRA. The employee experiences a qualifying event and is provided an election notice on February 23, 2020. The 60 day notice period would otherwise end on April 23, 2020. However, the Outbreak Period started on March 1, 2020 and if it ends on July 30, 2020 (see above example), the first 6 days of the 60 day election period occurred before the Outbreak Period began and the remaining 54 days occur after the Outbreak Period ends. As a result, the employee has until September 22, 2020 to timely elect COBRA continuation coverage.

COBRA Premium Payments. The employee experiences a qualifying event in 2019 and elects COBRA continuation coverage. Monthly payment for March, April, May and June 2020 are due on the first day of the applicable month, with a 30 day grace period for timely payment. The Outbreak Period began on March 1, 2020 and assuming it ends on July 30, 2020 (see above example), the employee has 30 days until after July 30, 2020 (August 29, 2020) to timely make the monthly premiums for these four months.

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SUMMARY OF CHANGES**

Section 125 Change in Status under the Health or Dependent Care FSA.

Effective as of the effective date, the Employer amends their plan to allow for the below change in status flexibility. This is a temporary change effective only for the plan year beginning in 2020.

On May 12, 2020, the Internal Revenue Service released guidance impacting section 125 cafeteria plans. This guidance is designed to provide temporary flexibility for employers and employees and assist with the National response to the 2019 Novel Coronavirus outbreak (COVID-19). These changes permit, under certain circumstances, prospective changes to health and dependent care FSA elections as follows:

- a) employees may revoke a health FSA election, make a new election, or decrease or increase an existing election on a prospective basis; and
- b) employees may revoke a dependent care FSA election, make a new election, or decrease or increase an existing election on a prospective basis.

Employers are not required to allow unlimited election changes but may determine the extent to which such changes are permitted and applied. Any change allowed shall not permit a revocation or decrease in election below the amount already disbursed.

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SUMMARY OF CHANGES**

Health and Day Care FSA Claims Run-Out Extensions.

The employer hereby amends the Plan as follows:

On April 29, 2020, the Department of Labor, Revenue, and Treasury (the “Departments”) issued guidance extending certain timeframes for group health plans during the COVID-19 National Emergency.

As background, on March 13, 2020, President Trump issued the Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak and by separate letter declared a national emergency under the Stafford Act effective March 1, 2020.

As a result of the National Emergency, the Departments recognized that participants may find it difficult to meet or comply with certain pre-established timeframes, specifically the health and day care FSA claims run out and the FSA appeals timeline.

The guidance announced that plans, “must disregard the period from March 1, 2020 until sixty (60) days after the announced end of the National Emergency or such other date announced by the Agencies [Departments] in a future notice (the “Outbreak Period”) for all plan participants, beneficiaries, qualified beneficiaries, or claimants wherever located in determining the following periods and dates— ”

Pursuant to this guidance the Employer amends the plan to extend the following timeframes that apply to Employer’s Health and Day Care FSA. Specifically, any claims run-out or appeals timeframes that fall within the outbreak period shall be tolled (paused or suspended) and added onto the end of the outbreak period to create the new applicable deadline. The following examples are illustrative.

- 1) **The Health and Day Care FSA Claims Timeframes.** The date within which individuals must file a claim under the plan’s claims procedures.

The following examples illustrate the application of the guidance to the claims run-out deadline.

January 1st – December 31st Plan Year.

Employer’s plan runs January through December with a ninety-day claims run-out period ending March 31, 2020. The national emergency is effective March 1, 2020. Assume the end of the national emergency is May 31, 2020, thus the end of the outbreak period is 60 days after May 31, 2020, or July 30, 2020. Since the time is tolled during the outbreak period beginning March 1, 2020, until March 31, 2020 (the end of the original claims filing period), those days are added to the end of the outbreak period. The new claims runout deadline is **August 29, 2020.**

February 1st – January 31st Plan Year.

Employer’s plan runs February 1st through January 31st with a ninety-day claims run-out period ending April 30, 2020. The national emergency is effective March 1, 2020. Assume the end of the national emergency is May 31, 2020, thus the end of the outbreak period is 60 days after May 31, 2020, or July 30, 2020. Since the time is tolled during the outbreak period beginning March 1, 2020, until April 30, 2020 (the end of the original claims filing period), those days are added to the end of the outbreak period. The new claims runout deadline is **September 28, 2020.**

March 1st – February 29th Plan Year.

Employer's plan runs March 1st through February 29th with a ninety-day claims run-out period ending May 29, 2020. The national emergency is effective March 1, 2020. Assume the end of the national emergency is May 31, 2020, thus the end of the outbreak period is 60 days after May 31, 2020, or July 30, 2020. Since the time is tolled during the outbreak period beginning March 1, 2020, until May 29, 2020 (the end of the original claims filing period), those days are added to the end of the outbreak period. The new claims runout deadline is **October 27, 2020**.

- 2) **Appeal Deadlines.** The date within which claimants may file an appeal of an adverse benefit determination under the plan's claims procedure. Participants typically have 180 days to appeal a Health FSA denial. This extension does not apply to the day care FSA.

The following example illustrates the application of the guidance to the appeals deadline.

Assume the end of the outbreak period is July 30, 2020. FSA participant receives a denial of her FSA claim on March 15, 2020. She normally has 180 days from March 15, 2020, to file an appeal. Since the timeframe beginning March 15, 2020, (the date of the denial) through the end of the Outbreak period (July 30, 2020) is disregarded, she now has until June 12, 2021, to file her appeal. In this example we add the 137 days tolled from March 15, 2020, through July 30, 2020, to the end of the outbreak period plus the 180 days to appeal.

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Amendment Allowing Over-the-Counter Expenses Without a Prescription.

Section 3702 of the CARES Act lifts the prescription requirement for certain Over-the-Counter (“OTC”) medical products.

Specifically, the Cares Act includes certain OTC medical products as qualified medical expenses. The law allows FSAs to reimburse over-the-counter medicines and drugs without a prescription and permits menstrual care products as a permitted expense.

This amendment clarifies and amends any contrary language in the plan document or summary plan description as of the Effective Date to permit OTC medical expenses without a prescription and menstrual care products as eligible expenses.