

PayPal Spending Account Benefit Program Summary

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Introduction

This is a summary of benefits (“Summary of Benefits”) for the PayPal Spending Account Benefit Program (“Program”) provided under the PayPal Section 125 Plan (“Plan”) sponsored by PayPal Holdings, Inc. (“PayPal”). The Program is comprised of:

- Two Health Care Spending Accounts (HCSAs):
 - 1) General HCSA - for employees who *do not* make or receive contributions towards a Health Savings Account; and
 - 2) Limited Use HCSA - for employees who make or receive contributions towards a Health Savings Account, including employees who are enrolled in the PayPal Consumer Directed Health Plan (CDHP);
- The Dependent Care Spending Account (DCSA)

Throughout this Summary of Benefits, these accounts are collectively called “Spending Accounts”.

This Summary of Benefits is a part of, and is meant to be read alongside, the PayPal Health and Welfare Benefits Plan Summary Plan Description (“PayPal SPD”). Note, however, that the DCSA is not subject to ERISA or ERISA’s summary plan description requirements.

What Is A Spending Account?

The HCSAs and the DCSA are PayPal-sponsored programs that allow you to pay for eligible health care and dependent care expenses. Contributions to the Spending Accounts are deducted from your paycheck on a pre-tax (tax-free) basis – before federal and Social Security taxes, and in many cases state and local taxes, are taken out.

Amounts contributed to HCSAs may be used only for eligible health care expenses. Amounts contributed to the DCSA may be used only for eligible dependent care expenses.

How Do The Spending Accounts Save Me Money?

The Spending Accounts save you money on payroll and income taxes. The tax savings are reflected in your pay and depend on your particular tax situation. See Internal Revenue Service (IRS) Publications 502 and 503 (at www.irs.gov (click on the “Forms and Publications” link)) or consult your tax advisor for more details.

The Spending Accounts save you money on your taxes if you:

- Carefully estimate your health care and/or dependent care expenses.
- Adjust your annual Spending Account election(s) during Annual Enrollment to reflect your estimated expenses for the next Plan Year (January 1 – December 31).
- Submit claims on time. The deadline for filing Spending Account claims is April 30 of the following Plan Year. See **“How Do I File Claims?”**

Example: How a Health Care Spending Account Can Help Save You Money

To illustrate how a HCSA can help save you money by reducing taxes, let's look at an example.

In this scenario, an unmarried PayPal employee named Leslie is enrolled in Kaiser and Delta Dental. She estimates that her combined out-of-pocket medical, dental and other health care expenses will be about \$200 per month in the next year. Thus, she elects to contribute \$2,400 (\$200 x 12 months) to the General HCSA in the next Plan Year in order to pay for these expenses on a pre-tax basis.

Leslie's Financials	With HCSA Contributions	Without HCSA Contributions
Monthly gross earnings	\$4,000.00	\$4,000.00
Monthly pre-tax HCSA contributions	-\$200.00	-\$0.00
Monthly taxable earnings	\$3,800.00	\$4,000.00
Monthly taxes*	\$1,544.70	\$1,626.00
Monthly earnings after taxes	\$2,255.30	\$2,374.00
Monthly after-tax expenses	-\$0.00	-\$200.00
Monthly spendable earnings	\$2,255.30	\$2,174.00
	\$81.30 per month (\$975.60 per year) more in spendable income with HCSA contributions	

*This example assumes 40.65% tax bracket (25% federal, 7.65% FICA and Medicare, and 8% California tax). Your actual tax savings amount will vary according to your tax rate and deductions.

As you can see, Leslie has more spendable income because her pre-tax Spending Account deductions lowered her taxable income and allowed her to pay for her eligible expenses with untaxed money.

How Do The Spending Accounts Affect My Social Security Benefits?

You do not pay Social Security taxes on the pre-tax dollars you use to pay for coverage under the Plan. As a result, the earnings used to calculate your Social Security benefits at retirement will not include these contributions. This could result in a small reduction in the Social Security benefit you receive at retirement. However, your savings on current taxes under the Plan will counteract any eventual reduction in Social Security benefits.

Who Can Participate In The Spending Accounts?

In general, you can participate in the Spending Accounts if you are regularly scheduled to work 20 hours or more per week for PayPal. Independent contractors, leased workers, seasonal, casual or temporary workers (e.g., individuals paid by an employment agency), and interns are not eligible to participate in the Plan. Any person who is not treated as a common law employee of PayPal for income and employment tax withholding purposes, regardless of any subsequent determination of an individual's legal employment status, shall not be eligible to participate in the Plan. For further information regarding who is eligible to participate in the Spending Accounts, please see the PayPal Section 125 Plan.

When Can I Enroll In A Spending Account?

Each year at Annual Enrollment (held in the fall), or when you otherwise become eligible to be covered under the Spending Accounts, you may enroll in a HCSA and/or the DCSA. At the time of enrollment, you decide what your annual contribution to the Spending Accounts will be, based on your personal circumstances and subject to the limitations discussed below.

Elections made during Annual Enrollment are effective the following January 1. You must re-enroll each year during the Annual Enrollment for the HCSA and/or DCSA. Under new HCSA rules, unused funds of up to \$500 will be carried over to the following year as long as you are an eligible employee on January 1 or have elected COBRA continuation coverage with respect to your HCSA.

When Does Coverage Begin?

Coverage for eligible employees will begin on their hire date (provided that they enroll within 31 days of their hire date in accordance with the procedures described in the PayPal SPD); or if an eligible employee does not elect coverage

at the time of initial eligibility, on the first day of the Plan Year or following a status change event with respect to which the eligible employee elects coverage in accordance with the procedures described in the PayPal SPD. Your first contribution will be deducted from your paycheck following the date you begin to participate in the Program.

When Does Coverage End?

Your coverage ends if one of the following events occurs:

1. Your employment with PayPal terminates or you otherwise cease to be an eligible employee (including as a result of your failure to timely submit the required contributions toward coverage).
2. You experience a status change event that allows you to cease being a participant in the Program and you elect to terminate Program participation.
3. PayPal terminates the Plan.
4. Your enrollment will automatically end at the end of the Plan Year (December 31). However, you will automatically carryover unused HCSA funds of up to \$500 to the following Plan Year as long as you are an eligible employee on January 1 or have elected COBRA continuation coverage with respect to your HCSA.

What Are The Rules For Changing My Elections?

You can generally change the amount of your annual Spending Account elections only during Annual Enrollment. In addition, certain status change events may allow you to start or stop participating or change the amount of your annual election during the Plan Year. In this circumstance, you must request an election change within 31 days (or 60 days for certain special enrollment events as described in the PayPal SPD) of the event. See the PayPal SPD for more information on changing your elections.

If approved, the election change will be effective on the date of the change or such earlier date as permitted under law. Any change in your deductions (if applicable) will be effective the first pay period following the change in election.

What If I Go On An Approved Paid Leave of Absence?

HCSA

If you go on an approved paid leave of absence, you will continue to participate in your HCSA and your pre-tax contributions will continue to be deducted from your pay for the current plan year. While on leave, you may continue to submit claims for eligible expenses to your HCSA through the claim filing deadline.

DCSA

Dependent care expenses are not eligible for reimbursement while you are on a leave. Therefore, your coverage in your DCSA will end when you begin your leave. Any expenses you incur after you begin your leave will be ineligible for reimbursement.

What If I Go On An Approved Unpaid Leave of Absence?

HCSA

If you go on an approved unpaid leave of absence, participation in your HCSA will continue unless you actively discontinue your coverage within 31 days of the commencement of the leave. If you discontinue your HCSA participation, any expenses incurred after your participation ends are not eligible for reimbursement.

You will be invoiced for any HCSA contributions due during an unpaid leave of absence. Your payments will be made on an after-tax basis. If you do not remit payment during the unpaid portion of your leave, your participation in the HCSA will end as of the date you last paid.

You will receive a letter outlining PayPal's process for administering benefits, and your options and obligations during leaves of absence when you begin a leave.

DCSA

Dependent care expenses are not eligible for reimbursement while you are on a leave. Therefore, your coverage in your DCSA will end when you begin your leave. Any expenses you incur after you begin your leave will be ineligible for reimbursement.

What Happens When I Return To Work Following A Leave of Absence If My Participation Ended?

If your participation in a Spending Account was discontinued during a leave of absence and you return to work within the same Plan Year, the following rules generally apply:

- You must re-enroll in your HCSA for the remainder of the Plan Year.
- You will be reinstated in the DCSA.

The length of your leave will affect your election options, as follows:

- If your leave is less than 31 days and you return to work during the same Plan Year, your annual election amount will remain the same.
- If your leave is more than 31 days, you may make a new annual election with a new monthly contribution amount for the remainder of the Plan Year.

In order to re-enroll in the Spending Accounts when you return from leave, you must notify Aon Hewitt Your Benefits Resources™ (YBR) within 31 days of your return to active employment status, or you will not be able to re-enroll until the next Annual Enrollment.

If you experience certain status change events (e.g., you gain or lose a dependent) during your leave of absence, you may change your annual election under certain circumstances. For more information, refer to "Making Changes to Your Elections" in the PayPal SPD.

Who Administers The Spending Account Program?

The PayPal Spending Accounts are administered by an outside claims administrator, Aon Hewitt Your Spending Account (YSA).

Aon Hewitt Your Spending Account

P.O. Box 785040

Orlando, FL 32878-5040

1-844-474-6641

Fax: 1-888-211-9900

<http://www.ybr.com/benefits/paypal>

When Can I Expect My Reimbursement?

Generally, you can expect reimbursement within 7 business days of the date the claims administrator receives your reimbursement request. Please refer to the "**Health Care Spending Account**" and "**Dependent Care Spending Account**" sections for reimbursement methods.

How Do I Keep Track Of My Spending Account Claims?

You can check your Spending Account claims activity on the claims administrator's website as well as sign up for email notification of all claims activity, including reimbursement status.

If The Spending Account Claims Administrator Accepts My Claims, Does This Assure The IRS Will, Too?

No. Although the Spending Account claims administrator makes an initial determination on eligibility for reimbursement, it is your responsibility to make sure that expenses you submit for reimbursement are eligible under

the Spending Accounts. You are responsible for taxes and penalties associated with any ineligible expenses that may be discovered as a result of an IRS audit.

Note that eligible expenses reimbursed from your Spending Accounts cannot be included in itemized deductions on your income tax return.

Nondiscrimination Requirements

In order to prevent the Program from being characterized as discriminatory under the Internal Revenue Code of 1986, as amended ("Code") and therefore ineligible for favorable tax treatment, PayPal may reject any elections or may reduce contributions or benefits during the Plan Year with respect to highly compensated individuals. This means payroll deductions may be reduced or stopped as needed. You will be notified if your election requires an adjustment as a result of the Plan's required nondiscrimination testing.

What If I Have Questions?

If you have questions, contact the Spending Account claims administrator. Note that individual account information – contribution amounts, reimbursements, account balance, and claim status – is confidential. This information is available only to PayPal employees who are the account participants.

Important Note

This Summary of Benefits is not a guarantee of benefits. In particular:

- You may forfeit any Spending Account funds that remain in your account at the end of the Plan Year for which you have not submitted claims in accordance with the requirements described in this Summary of Benefits (subject to a carryover of up to \$500 with respect to the HCSAs). Please refer to the "**Health Care Spending Accounts**" and "**Dependent Care Spending Account**" sections of this Summary of Benefits.
- PayPal may change the terms and conditions of the Spending Accounts at any time.
- The Spending Accounts may be terminated by PayPal at any time.

Health Care Spending Accounts

This section describes information specific to the Health Care Spending Accounts (HCSAs). There are two types of Health Care Spending Accounts:

- General HCSA
- Limited Use HCSA

The *General HCSA* allows you to pay on a pre-tax, salary reduction basis for eligible health care expenses not covered by your medical, dental, or vision plans. Note that expenses for over-the-counter drugs and medicines, except insulin, are not eligible for reimbursement without a prescription.

The *Limited Use HCSA* is available to Consumer Directed Health Plan (CDHP) medical plan participants and allows for reimbursement of eligible dental and vision expenses not payable under the CDHP.

What Exclusions Apply To The General HCSA?

Due to federal rules, employees are not eligible to make or receive contributions to a Health Savings Account (HSA) if:

- they are enrolled in another “low deductible” plan that covers *medical* expenses such as a General HCSA, or
- they are covered by another plan, including a spouse’s medical plan or General HCSA, that would cover or reimburse their medical expenses before the CDHP deductible is met.

Therefore, if you enroll in the CDHP with HSA, you may not enroll in the PayPal General HCSA, however, you may enroll in the Limited Use HCSA. Note: you may not participate in both the General HCSA and the Limited Use HCSA.

Before electing between the General HCSA and Limited Use HCSA, you should evaluate whether you are eligible to make contributions to an HSA. These rules are complex and this Summary of Benefits does not include all the information you may need to consider in connection with HSA participation. For additional information, refer to IRS Publication 969 available at www.irs.gov (click on the “Forms and Publications” link) or consult your personal tax advisor.

What Laws Govern The HCSAs?

The HCSAs are established under Code §§ 105 and 125, and the PayPal Section 125 Plan. The HCSAs are also group health plans under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). It is the intention of PayPal that the HCSAs qualify as self-insured medical reimbursement plans within the meaning of Code § 105(h) and that the reimbursements which an employee receives under the HCSAs be eligible for exclusion from the employee’s income under Code §§ 105(b) and 125(a).

This document, together with the PayPal SPD, constitutes a summary plan description for the HCSAs as required under ERISA.

How Do The HCSAs Work?

After you enroll, the HCSAs work like this:

- The annual election that you specify when you enroll is deducted from your paychecks in equal amounts throughout the calendar year and credited to your HCSA.
- When you have an eligible health care expense, unless you use a debit card, you submit a claim form and an Explanation of Benefits (EOB) or detailed receipt of services rendered to the claims administrator. See “**How do I File Claims?**” for more information. The claims administrator sends you a reimbursement payment, either by direct deposit to your bank account or by check.

What Are The Minimum And Maximum Contributions To A HCSA?

You may contribute up to \$2,500 to a HCSA per Plan Year; if both you and your spouse are PayPal employees, you may each contribute up to \$2,500 per Plan Year (each, as adjusted from time to time for inflation). The maximum contribution is not reduced by any carryover amounts (up to \$500). Although unused amounts of up to \$500 may be carried over, it is still important that you estimate your health care expenses carefully. **You forfeit any contributions**

in excess of the carryover amount that you don't claim for reimbursement. See "Carryover And What Happens To HCSA Funds I Don't Use."

To participate in a HCSA, you must contribute a minimum of \$25 per year. A minimum carryover amount is not required to carryover funds to your account.

Carryover And What Happens To HCSA Funds I Don't Use?

For active employees or employees who have elected COBRA continuation coverage with respect to the current year HCSA, any HCSA balances as of the end of the Plan Year up to a maximum of \$500 will be carried over to your HCSA for the following year. For this purpose, the amount remaining unused as of December 31 is the amount unused after medical expenses have been reimbursed at the end of the plan's run-out period (April 30). This carryover does not count towards the maximum annual HCSA salary reduction election.

Unspent HCSA amounts of more than \$500 will not carryover and will be forfeited.

If you have unspent General HCSA funds as of December 31 that would be carried over to the next Plan Year but elect to participate in the CDHP with HSA plan for that subsequent Plan Year, the carryover amount will be automatically credited to a Limited Use HCSA.

In accordance with the Code, PayPal may use forfeited funds to help pay administrative costs. Uncashed checks will also be treated as forfeitures after 6 months.

You may not use money in your HCSA to pay dependent day care expenses and vice versa. You may not switch money between the Spending Accounts.

Which Dependents' Expenses Are Eligible For Reimbursement?

HCSA reimbursement is available for the expenses of your eligible dependents as follows:

- Your legal spouse, unless legally separated.
- Your children up to age 26 or of any age if totally disabled (see PayPal SPD for more information on disabled children) including adopted children, children placed for adoption, stepchildren, and eligible foster children, if such individuals are eligible to receive tax-favored health benefits.

What General Rules Apply To The HCSAs?

Health care expenses must generally meet the statutory requirements for deductible medical expenses under Code § 213(d). Information about eligible expenses also can be found in IRS Publication 502 available at the IRS Website at www.irs.gov (click on the "Forms and Publications" link).

Some basic guidelines for eligible HCSA expenses are:

- Expenses must be incurred during the Plan Year (January 1 through December 31) during which you have a HCSA account except as otherwise described in the section titled "**Carryover And What Happens To HCSA Funds I Don't Use**". You generally incur expenses when the care is provided, rather than when you are billed or when you pay for the care.
- If you enroll in a HCSA mid-year, expenses incurred before your effective date are not eligible for reimbursement.
- Expenses incurred after your participation in the HCSA ends aren't eligible, unless you have continued your HCSA coverage under COBRA. (See "**What If I Go on An Approved Unpaid Leave of Absence**" or "**What if I Terminate from PayPal**".)

What Expenses Are Eligible Under The HCSAs?

HCSAs are generally used for health care expenses not paid by insurance including deductibles, coinsurance, copays and expenses for drugs and medicines *with a prescription*. Information about eligible expenses can be found in IRS Publication 502 available at the IRS Website at www.irs.gov (click on the "Forms and Publications" link).

What HCSA Expenses Are Not Eligible For Reimbursement?

Health care expenses that do not meet the statutory requirements for deductible medical expenses under Code § 213(d) are not eligible for reimbursement. General information about ineligible (non-tax deductible) expenses can be

found in IRS Publication 502 available at the IRS Website at www.irs.gov (click on the “Forms and Publications” link). **However, insurance premiums, including long-term care premiums, are not reimbursable under a HCSA.** Expenses for over-the-counter drugs and medicines, except insulin, are not eligible for reimbursement without a prescription.

If your health care expenses are not clearly eligible, the claims administrator may ask you to submit additional information to help determine whether the reimbursement is allowed. In some cases, you may need a statement from your tax advisor verifying that the expense in question is eligible for reimbursement.

Note that there are differences in expenses that are eligible for tax deductions and expenses that are eligible under a HCSA. For additional information, consult your tax advisor. **You are responsible for making sure all expenses submitted for reimbursement under the HCSAs are eligible for reimbursement.**

How Do I File Claims?

You have access to your entire annual election amount and carryover amount regardless of your contributions to date.

When you have incurred an eligible health care expense, you have two options:

1. You can use a General HCSA debit card to pay for your eligible expense if you participate in the General HCSA.
2. You can submit eligible claims to the claims administrator using a Health Care Claim Form, including a detailed receipt of services rendered.

Once your claim form has been received and approved, the claims administrator will send you a reimbursement payment, either by direct deposit to your bank account or by check – depending on the reimbursement option you’ve selected. For more information, visit www.ybr.com/benefits/paypal.

What If I Terminate From PayPal?

Your contributions to your HCSA continue as long as you remain on active pay status with PayPal unless you have a status change event that would permit you to discontinue your coverage. If you terminate employment with PayPal, participation in your HCSA ends as of the last day of the month in which you terminate from PayPal, unless you continue participation under COBRA. See “**Can I Elect COBRA for a HCSA If I Stop Working for PayPal?**”

You may submit claims for HCSA eligible expenses incurred through the last day of the month in which you terminate. Expenses incurred after this date are not eligible for reimbursement unless you continue participation under COBRA.

For example, if you leave PayPal in August, your last contribution to your HCSA is taken from your final August paycheck. You can submit claims for HCSA eligible expenses incurred through August 31 (the date your participation ends).

What If I Return to Work at PayPal After Termination?

If you are rehired by PayPal and choose to re-enroll in a HCSA for the remainder of the Plan Year, you may do so within 31 days of your return to employment.

If you return to work within the same Plan Year, the length of your break in service from PayPal will affect your re-enrollment options, as follows:

- If you were terminated from PayPal less than 31 days prior to your re-hire date, your monthly contribution must be the same as before your break in service*.
- If you were terminated from PayPal for 31 days or more prior to your re-hire date, you may select a new annual contribution (or elect not to participate in the HCSA for the remainder of the Plan Year).

**If you experience certain status change events during your break in service that allow for a change in election (e.g., gain a new dependent) you may increase or decrease your election in accordance with the status change event.*

Can I Elect COBRA for a HCSA If I Stop Working for PayPal?

If your employment with PayPal terminates during the Plan Year, you may continue participation in a HCSA until the end of the Plan Year (December 31) if: (1) you have not filed claims against your entire annual elected contribution amount, and (2) you elect to continue coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Note, however, that if you have elected COBRA continuation coverage with respect to your HCSA and

have a carryover balance as of December 31 of the year in which you terminate, you may continue to seek reimbursement from such carryover balance until such balance is depleted.

With COBRA, you make direct, after-tax payments to your HCSA. This provides the opportunity to be reimbursed for expenses incurred over the entire Plan Year.

You might consider COBRA if, for instance, you have a HCSA balance when you leave PayPal employment and you have surgery planned for later in the year. Remember, you can only claim expenses incurred while participating in a HCSA. So, for example, continuing participation through COBRA in this circumstance would allow you to claim eligible surgery-related expenses from a HCSA.

Following your termination of employment, the claims administrator will send you a COBRA election notice explaining the procedure for continuing your participation under COBRA. If you don't receive this notice, please contact the claims administrator.

For more information about COBRA, please see the PayPal SPD.

HCSA Debit Card (General HCSA only)

The General HCSA features a debit card that you can use to pay for eligible health care expenses if you've chosen to contribute. The debit card is issued to participants who elect an annual election of \$100 or greater. As you use your prepaid debit card, eligible health care expenses will be deducted automatically from your account.

The debit card is not available to participants enrolled in the Limited Use HCSA or the DCSA.

How the Debit Card Program Works

If you're eligible, you'll receive a package containing one debit card issued in your name, and information explaining the approved ways to use your card. You may request additional cards for your spouse and/or eligible dependent(s).

The debit card remains active for up to three years as long as you are eligible to participate, you continue to participate in the General HCSA (including when you have carryover funds available in the General HCSA), and you remain actively employed by PayPal.

Your card will be cancelled upon termination of employment or if you otherwise lose eligibility to participate, if you do not re-enroll in the General HCSA the following year and do not have any funds eligible for carryover to the General HCSA, or if your card has expired.

Important: Save your itemized receipts!

Because all HCSA debit card transactions must be verified as eligible health care expenses, you may be required to produce supporting documentation to validate your expenses. Make sure that you save all of your itemized receipts (including documentation evidencing the date of service, the name of the service provider, the name of the person receiving the service, the name of the product or service, and any amount paid by other coverage).

Validation of Debit Card Transactions

All debit card transactions must be validated electronically at the point of sale or by submitting paper documentation afterward. This process involves requesting itemized receipts or other supporting documentation from you to verify that the card transaction is for an eligible health care expense. You should retain your itemized receipts for all transactions, as they may be required for validation purposes.

Any ineligible items must be paid for with another form of payment. For a complete listing of eligible expenses and approved merchants, visit the Aon Hewitt Your Benefits Resources™ (YBR) website.

Manual Claim Submission & Supporting Documentation

Manual claim submission and supporting documentation are sometimes required for the purchase of prescription drug or health care services or items that aren't validated automatically. These types of purchases are conditionally reimbursed, pending validation of the expenses.

What is the Claim and Appeal Process for Denied HCSA Claims?

After you submit your claim for reimbursement, the claims administrator will decide if the claim is eligible for reimbursement within a reasonable time. The administrator will determine whether your claim is payable or will be denied. The HCSA claims administrator will provide you with information about the appeals process if a claim is denied. You may also want to refer to general claim and appeal procedures described in the PayPal SPD. All decisions and interpretations of the claims administrator shall be final, conclusive and binding upon all persons and shall be given the greatest deference permitted by law.

Dependent Care Spending Account (DCSA)

This section describes information specific to the PayPal Dependent Care Spending Account (DCSA).

What Is The DCSA?

The DCSA allows you to pay on a pre-tax, salary reduction basis for eligible dependent care expenses, as described below.

The DCSA is established under Code §§ 129 and 125 and the PayPal Section 125 Plan. It is the intention of PayPal that the DCSA qualify as a self-insured dependent care assistance program within the meaning of Code § 129 and the reimbursements which an employee receives from the DCSA be eligible for exclusion from the employee's income under Code §§ 129(a) and 125(a).

How Does The DCSA Work?

After you enroll, the DCSA works like this:

- The amount you specify when you enroll is deducted from your pay in equal amounts throughout the calendar year and credited to your DCSA.
- When you have an eligible expense, you submit to the claims administrator a Dependent Care Claim Form and a detailed receipt of services rendered. See **“How Do I File Claims?”** for contact information.
- The claims administrator sends you a reimbursement payment, either by direct deposit to your bank account or by check.

What Is The Minimum Annual Contribution To The DCSA?

To participate in the DCSA, you must contribute a minimum of \$25 per year.

How Much Can I Contribute To My DCSA?

Your maximum annual contribution to the DCSA depends on your marital and income tax filing status, as indicated below. For single participants, the maximum contribution is generally \$5,000 per year. For married participants, the maximum contribution is generally \$5,000 per year if filing tax returns jointly, and \$2,500 per year if filing tax returns separately. See the chart below for more details. *Note that spouses who both work (for PayPal or another employer) may contribute no more than \$5,000 per year in the aggregate to the DCSA and to any dependent care spending account maintained by another employer.*

If You Are....	You May Contribute <i>the lesser of ...</i>
Single	\$5,000; or your annual income
Married, filing a joint tax return	\$5,000; or your annual income; or your spouse's annual income
Married, filing separate tax returns	\$2,500; or your annual income; or your spouse's annual income
Married and your spouse is physically or mentally incapable of caring for him/herself <i>or</i> is a full-time student for at least 5 calendar months per year	\$250 per month (up to \$3,000 per year) for one qualifying dependent; or \$500 per month (up to \$5,000 per year) for <i>two or more</i> qualifying dependents

It's important that you estimate your dependent care expenses carefully, as you will forfeit any contributions you can't claim as described in the **“What Happens To DCSA Funds I Don't Use”** section below.

Who Can Participate In The DCSA?

In addition to the eligibility criteria outlined under “**Who Can Participate In The Spending Accounts?**”, to participate in the DCSA you must be:

- Single and working (or looking for work); or
- Married and:
 - Both you and your spouse work (or are looking for work);
 - You work and your spouse is a full-time student and attends classes outside the home at least five months a year; or
 - You work and your spouse is mentally or physically disabled and unable to care for himself/herself.

Which Dependents’ Expenses Are Eligible For Reimbursement?

The DCSA provides reimbursement for the eligible expenses of dependents who are, in general, your tax dependents and who:

- Live with you most of the time; and
- Do not provide more than one-half of their own support; and
- Are under age 13, or are physically or mentally unable to care for themselves, regardless of age and live with you for more than half the tax year. This could include care for a disabled spouse or parent living with you that you are able to claim as a dependent on your tax return.

Special rules apply to children of divorced or separated parents. You can find more information about the rules relating to children of divorced or separated parents in IRS Publication 503, available at www.irs.gov (click on the “Forms and Publications” link).

Which Expenses Are Eligible For Reimbursement?

Dependent care expenses must meet the statutory requirements of Code § 129. More information about eligible expenses also can be found in IRS Publication 503 available at the IRS Website at www.irs.gov (click on the “Forms and Publications” link). Some basic guidelines for eligible DCSA expenses are:

- Expenses must be incurred during the Plan Year (January 1 through December 31).
- You incur expenses when the care is provided, rather than when you are billed or when you pay for the care.
- If you enroll in the DCSA mid-year, expenses incurred before your effective date are not eligible.
- Expenses incurred after your participation ends aren’t eligible. Note, however, that if you have funds remaining in your DCSA, you may continue to submit claims for reimbursement of eligible dependent care expenses incurred through the last day of the Plan Year in which you terminate employment, up to the amount you contributed. In order to be reimbursed, you must continue to meet the criteria listed under “**Who Can Participate In The DCSA?**”. Additionally, please see “**What If I Go On An Approved Unpaid Leave of Absence**” above with regards to dependent care expenses when you are on an approved leave of absence.

NOTE: Expenses reimbursed under the DCSA may not be deducted on your income tax return.

Eligible Expenses

The primary purpose of the DCSA is to provide assistance for the well-being and protection of one or more eligible dependents so that you can work.

Some specific examples of eligible expenses are:

- In-home services provided by a babysitter;
- The allocable portion of services provided by a housekeeper or maid, in conjunction with the care of an eligible dependent during the day;
- Services provided by a day care facility for children, including summer day camp (the facility must be licensed if it provides care for more than six individuals who do not normally reside there);

- Services provided by a day care facility for adults (the facility must be licensed if it provides care for more than six individuals who do not normally reside there);
- Care provided outside your home (if the eligible dependent is age 13 or older, he or she must be unable to care for himself or herself and spend at least eight hours per day in your home); and
- Any taxes you pay as the employer of a dependent care provider.

Ineligible Expenses

Examples of ineligible DCSA expenses are:

- Payments to any individual who is your or your spouse's dependent under the age of 19 at the end of the calendar year in which the expense is incurred or paid;
- Payments to the parent of your dependent child;
- Expenses for which you have claimed the dependent care tax credit under Code § 21;
- Expenses incurred before you became a participant in the DCSA;
- Amounts paid to provide food, clothes or education (certain exceptions may apply);
- Services outside your home at a camp where your child, disabled spouse or dependent stays overnight;
- Transportation to and from the place where care is provided unless the transportation is provided by the dependent care provider;
- Expenses where the provider does not list their Social Security Number or Tax Identification Number;
- Educational expenses for dependent children in kindergarten or above; and
- Expenses incurred for care of your domestic partner or domestic partner's child unless such person is a tax dependent.

Be aware that expenses submitted for reimbursement to the DCSA must meet Code regulations. If your dependent care expenses are not clearly eligible, the claims administrator may ask you to submit additional information to help determine whether the reimbursement is allowed. In some cases, you may need a statement from your tax advisor verifying that the expense in question is eligible for reimbursement. For additional information, consult your tax advisor.

You are responsible for making sure all expenses submitted for payment under the DCSA are eligible for reimbursement.

Should I Use the Federal Tax Credit or the Dependent Care Spending Account?

Eligible expenses under the DCSA generally are the same expenses that may permit a dependent care tax credit on your federal income tax return. You cannot use the DCSA and the dependent care tax credit for the same expenses. It is up to you to decide which one would be more advantageous based on your personal situation. To help determine whether the federal child and dependent care tax credit or the DCSA would be more advantageous to you, you may wish to consult a qualified tax advisor.

How Do I File Claims?

With the DCSA, you have access to the total amount you have contributed year-to-date, less reimbursements previously made. *This is different from the HCSAs, which permit you to access your entire annual election amount regardless of your contributions to date.* To file a claim, go to www.ybr.com/benefits/paypal. Claims may also be post-marked or faxed to the claims administrator.

What Happens to DCSA Funds I Don't Use?

You must file claims for reimbursement for dependent care expenses incurred during the Plan Year no later than April 30 following the end of the Plan Year, or you will forfeit any funds remaining in your DCSA from the previous Plan Year.

With this “use or lose” rule, it is important that you carefully plan your contributions to your DCSA. Set aside only as much as you expect to claim during the Plan Year or you will forfeit your contributions.

In accordance with the Code, PayPal may use forfeited funds to help pay administrative costs. Uncashed checks will also be treated as forfeitures after 6 months.

You may not use money in your HCSA to pay dependent day care expenses and vice versa. You may not switch money between a HCSA and a DCSA.

What If I Terminate From PayPal?

If your employment with PayPal terminates for any reason, contributions to your DCSA will stop with your final paycheck. Your participation will end as of the end of the month of your date of termination.

However, if you have funds remaining in your DCSA, you may continue to submit claims for reimbursement of eligible dependent care expenses incurred through the last day of the Plan Year in which you terminate employment, up to the amount you contributed. In order to be reimbursed, you must continue to meet the criteria listed under “**Who Can Participate In The DCSA?**”

What If I Return To Work At PayPal After Termination?

If you are rehired by PayPal and choose to re-enroll in the DCSA for the remainder of the Plan Year, you may do so within 31 days of your return to employment.

If you return to PayPal within the same Plan Year, the length of your break in service from PayPal will affect your re-enrollment options, as follows:

- If you were terminated from PayPal less than 31 days, your monthly contribution must be the same as before your break in service.*
- If you were terminated from PayPal for 31 days or more, you may select a new annual contribution (or elect not to participate in the DCSA for the remainder of the Plan Year).

**If you experience certain status change events during your break in service that allow for a change in election (e.g., gain a new dependent), you may increase or decrease your election in accordance with the status change event.*

Can I Elect COBRA Continuation For DCSA If I Stop Working For PayPal?

No. You cannot continue your participation in the DCSA through COBRA.

However, you may be reimbursed for unused amounts in your DCSA for eligible expenses incurred post-termination (for example, care to enable you to work for a new employer or actively look for work) through the remainder of the calendar year during which you terminated (no additional contributions to your account will be permitted).

What Is The Claim And Appeal Process For DCSA Claims?

After you submit your claim for reimbursement, the claims administrator will decide if the claim is eligible for reimbursement within a reasonable time. The claims administrator will provide you with information about the appeals process if a claim is denied. You may also want to refer to general claim and appeal procedures described in the PayPal SPD. All decisions and interpretations of the claims administrator shall be final, conclusive and binding upon all persons and shall be given the greatest deference permitted by law.

Appendix A

This Appendix A applies to participants in the eBay Inc. Spending Account Benefit Program (“eBay Program”) under the eBay Inc. Section 125 Plan as of the day before eBay Inc. and PayPal separated (“Separation”) who were employees of PayPal as of the date of the Separation (“Transferred Employee”).

What Happened to My Spending Accounts under the eBay Inc. Section 125 Plan In Connection With The Separation of eBay Inc. and PayPal?

If you were a participant in the eBay Program under the eBay Inc. Section 125 Plan as of the day before Separation, and you were a Transferred Employee, your spending account balances and elections under the eBay Program were automatically transferred to the Plan on the date of the Separation. Continued eligibility and participation in the Plan will be subject to the terms and conditions described in this Summary of Benefits and the Plan.

If you are a Transferred Employee, you are not required, or permitted, to change your elections under the eBay Program or make new elections under the Program for the 2015 Plan Year and your pre-tax contributions to the Spending Accounts will be in the same amount as those you made to the spending accounts under the eBay Program through the end of the 2015 Plan Year, unless you experience certain status change events. If you experience such a status change event occurring on or after the Separation date, you may be eligible to change your elections under the Program. Please refer to the **“What Are the Rules For Changing My Elections?”** section for more information.

If you are a Transferred Employee and you are on a leave of absence on the date of the Separation, please refer to the sections addressing the rules for participation in the Program during a paid or unpaid leave of absence. Note that if you were invoiced for any HCSA contributions due on an after-tax basis during an unpaid leave of absence under the eBay Program, you will continue to be invoiced for such amounts by Aon Hewitt, the claims administrator for the Program.

How do Transferred Employees Receive Reimbursement for Eligible Expenses?

If you are a Transferred Employee, you should submit your eligible claim to the PayPal claim administrator, Aon Hewitt, and Aon Hewitt will process your claim.

Once your claim form has been received and approved, the claims administrator will send you a reimbursement payment, either by direct deposit to your bank account or by check – depending on the reimbursement option you’ve selected. If you are a Transferred Employee, the same reimbursement option you chose under the eBay Program will apply under the Program as of the date of the Separation.

For more information, visit www.ybr.com/benefits/paypal.

HCSA Debit Card (General HCSA only) For Transferred Employees

If you are a Transferred Employee, you will receive a new debit card that you may use to pay for eligible expenses up to the amount of your HCSA balance under the eBay Program as of the date of the Separation.