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PREMIUM ONLY PLAN DOCUMENT

AND

PLAN DESCRIPTION

Wesleyan Homes, Inc.

Wesleyan Homes, Inc.

PREMIUM ONLY PLAN DOCUMENT

TABLE OF CONTENTS

ARTICLE I: INTRODUCTION 1

SECTION 1.1 ESTABLISHMENT 1

SECTION 1.2 PURPOSE..... 1

SECTION 1.3 RULES OF CONSTRUCTION..... 1

SECTION 2.1 CHANGE IN STATUS..... 2

SECTION 2.2 CODE..... 2

SECTION 2.3 COMPENSATION..... 2

SECTION 2.4 DEPENDENT..... 2

SECTION 2.5 EFFECTIVE DATE..... 2

SECTION 2.6 ELECTION 2

SECTION 2.7 ELIGIBLE CHILD..... 2

SECTION 2.8 EMPLOYEE 3

SECTION 2.9 EMPLOYER 3

SECTION 2.10 HIGHLY COMPENSATED INDIVIDUAL..... 3

SECTION 2.11 HIGHLY COMPENSATED PARTICIPANT..... 3

SECTION 2.12 KEY EMPLOYEE..... 3

SECTION 2.13 OPTIONAL BENEFIT 3

SECTION 2.14 PARTICIPANT..... 3

SECTION 2.15 PERIOD OF COVERAGE..... 4

SECTION 2.16 PLAN 4

SECTION 2.17 PLAN ADMINISTRATOR..... 4

SECTION 2.18 PLAN YEAR 4

SECTION 2.19 QUALIFIED EMPLOYEE..... 4

ARTICLE III: PARTICIPATION 4

SECTION 3.1 COMMENCEMENT OF PARTICIPATION 4

SECTION 3.2 TERMINATION OF PARTICIPATION 4

ARTICLE IV: CONTRIBUTIONS 5

SECTION 4.1 SALARY REDUCTION CONTRIBUTIONS 5

SECTION 4.2 NON-ELECTIVE EMPLOYER CONTRIBUTIONS 5

SECTION 4.3 MAXIMUM EMPLOYER CONTRIBUTIONS..... 5

ARTICLE V: BENEFITS 6

SECTION 5.1 BENEFIT OPTIONS..... 6

SECTION 5.2 BENEFIT DESCRIPTIONS..... 6

SECTION 5.3 FORFEITURE 6

ARTICLE VI: ELECTION PROCEDURES 6

SECTION 6.1 ELECTION FORM AND TIMING 6

<u>SECTION 6.2 ELECTIONS IRREVOCABLE</u>	6
<u>SECTION 6.3 FAILURE TO ELECT</u>	7
<u>SECTION 6.4 AUTOMATIC TERMINATION OF ELECTION</u>	7
<u>ARTICLE VII: ADMINISTRATION</u>	7
<u>SECTION 7.1 PLAN ADMINISTRATOR</u>	7
<u>SECTION 7.2 POWERS OF THE PLAN ADMINISTRATOR</u>	7
<u>SECTION 7.3 ACTIONS OF THE PLAN ADMINISTRATOR</u>	7
<u>SECTION 7.4 INFORMATION TO BE FURNISHED</u>	8
<u>SECTION 7.5 DISCRIMINATION PROHIBITED</u>	8
<u>SECTION 7.6 CHANGES BY ADMINISTRATOR</u>	8
<u>SECTION 7.7 NOTICE TO PARTICIPANTS</u>	8
<u>ARTICLE VIII: MISCELLANEOUS</u>	9
<u>SECTION 8.1 AMENDMENT AND TERMINATION</u>	9
<u>SECTION 8.2 PLAN NOT A CONTRACT OF EMPLOYMENT</u>	9
<u>SECTION 8.3 FUNDING</u>	9
<u>SECTION 8.4 PLAN BENEFITS MAY NOT BE ASSIGNED</u>	9
<u>SECTION 8.5 GOVERNING LAW</u>	9

Wesleyan Homes, Inc.

PREMIUM ONLY PLAN

ARTICLE I: INTRODUCTION

Section 1.1 Establishment

Wesleyan Homes, Inc., a Texas Not-for-Profit Corporation, establishes Wesleyan Homes, Inc. Premium Only Plan, effective April 1, 2014.

Section 1.2 Purpose

The purpose of the Plan is to provide Participants with a choice between cash and certain qualified nontaxable benefits as defined in Section 125 of the Internal Revenue Code. The Plan is intended to qualify as a “Cafeteria Plan” under Section 125 of the Code so that Optional Benefits a Participant elects to receive under the Plan will be eligible for exclusion from the Participant’s gross income under Section 125(a) of the Code. Only Qualified Employees are eligible to participate in the Plan. Plan provisions apply uniformly to all Participants.

Section 1.3 Rules of Construction

The Plan shall be interpreted in accordance with the following rules:

- (a) Headings at the beginning of articles and sections are provided for convenience of reference and shall not influence construction of the Plan.
- (b) Capitalized words and phrases shall have the meaning defined in the Plan unless a different meaning is plainly required by the context.
- (c) Except as otherwise indicated by context, the singular shall include the plural, and vice versa.

ARTICLE II: DEFINITIONS

Section 2.1 Change in Status

Change in Status means any of the events described in Code Section 125 and the regulations issued under that section, as well as any subsequent changes to Code Section 125 or its regulations that the Plan Administrator, in its sole discretion, recognizes on a uniform and consistent basis.

Section 2.2 Code

Code means the Internal Revenue Code of 1986 and the amendments thereto.

Section 2.3 Compensation

Compensation means the total wages and salary, including salary reduction amounts, overtime payments and bonus payments, which are paid by the Employer to a Participant during the Plan Year.

Section 2.4 Dependent

Dependent means for purposes of the Plan, any individual who is a spouse, tax dependent (as defined in Code Section 152 without regard to Code Section 152(b)(1), 152(b)(2), and 152(d)(1)(B), or Eligible Child of Participant.

Section 2.5 Effective Date

The effective date of this Plan is April 1, 2014.

Section 2.6 Election

Election shall mean the allocation by the Participant of elective contributions made on the Participant's behalf among Optional Benefits available under the Plan.

Section 2.7 Eligible Child

Eligible Child means any individual who (a) is the son, daughter, stepson, or stepdaughter (including an eligible foster child, as defined in Section 152(f)(C) of the Code, or an adopted child) of an Employee, and (b) will not attain age 27 by the end of the calendar year; provided, however, that such individual shall be an Eligible Child only if he or she is eligible for coverage as the Employee's dependent under the applicable Welfare Benefit Plan(s) offered by the Employer, and listed in Section 2.13, Optional Benefits

Section 2.8 Employee

Employee means an individual that the Employer classifies as a common law employee and who is on the Employer's W-2 payroll, but does not include (a) any leased employee (including, but not limited to, those individuals defined in Code Section 414 (n) or any individual classified by the Employer as a contract worker, independent contractor, temporary employee, or casual employee, whether or not any such persons are on the Employer's W-2 payroll or are determined by the IRS or any other regulatory agency or body to be common law employees of the Employer, (b) any individual who performs services for the Employer and who is paid by a temporary or other employment or staffing agency whether or not such individuals are determined by the IRS or any other regulatory agency or body to be a common law employees of the Employer, or (c) any employee covered under a collective bargaining agreement.

Section 2.9 Employer

Employer shall mean Wesleyan Homes, Inc. a Texas Not-for-Profit Corporation or any successor that agrees to continue the plan.

Section 2.10 Highly Compensated Individual

A Highly Compensated Individual is any person who is a "highly compensated individual" as defined in Section 125 of the Code and the regulations issued thereunder.

Section 2.11 Highly Compensated Participant

A Highly Compensated Participant is any person who is a "highly compensated participant" as defined in Section 125 of the Code and the regulations issued thereunder.

Section 2.12 Key Employee

Key Employee means any person who is a key employee as defined in Section 416 (i)(1) of the Code.

Section 2.13 Optional Benefit

Optional Benefit means the following employee benefit plan(s) offered by the Employer:

Dental, Critical Illness & Accident

Section 2.14 Participant

Participant means any individual who participates in the Plan in accordance with Article III.

Section 2.15 Period of Coverage

Period of Coverage means the Plan Year except for:

- (a) A new or re-qualifying Participant who satisfies the participation requirements of Article III after the Effective Date, or
- (b) A Participant who has a Change in Status during a Plan Year,

in which case the Period of Coverage shall be the time period commencing on the first day of the payroll period following receipt by the Plan Administrator of an Election by the Participant and ending on the last day of such Plan Year.

Section 2.16 Plan

Plan means the Wesleyan Homes, Inc. Premium Only Plan as set forth herein, and as amended from time to time.

Section 2.17 Plan Administrator

The Plan Administrator means the Employer.

Section 2.18 Plan Year

The Plan Year means the period beginning on the Effective Date, and ending on the subsequent March 31, and the 12-month period ending each March 31 thereafter.

Section 2.19 Qualified Employee

Qualified Employee means an Employee who has been employed full time by the Employer for 30 consecutive days, normally works at least 30 hours per week and who receives Compensation.

ARTICLE III: PARTICIPATION

Section 3.1 Commencement of Participation

A Qualified Employee will become a Participant in the Plan on the later of (a) the Effective Date, or (b) the first of the month following 30 days of full time employment with the Employer, or (c) the date the Employee satisfies the eligibility requirements set forth in the Welfare Benefit Plan(s) offered by the Employer, and listed in Section 2.13, Optional Benefits.

Section 3.2 Termination of Participation

A Participant will cease to be a Participant in the Plan on the earlier of (a) the date on which the Plan terminates, or (b) the date the Participant is no longer a Qualified Employee. Termination

of participation in this Plan shall not prevent a former Participant from continued coverage or benefits under respective Optional Benefit plans if and to the extent provided by such plans. If the Participant revokes the Elections when the Participant is no longer a Qualified Employee due to a separation of service and later becomes a Qualified Employee in the same Plan Year, the Participant may not make new Elections for the remaining portion of the Plan Year.

ARTICLE IV: CONTRIBUTIONS

Section 4.1 Salary Reduction Contributions

A Participant may elect, in accordance with the election procedures described in Article VI, to receive his or her full Compensation for any Period of Coverage in cash, or to have a portion of such Compensation applied by the Employer toward the Participant's share of the cost of Optional Benefits available under Article V. If so elected, the Participant's Compensation will be reduced, and an amount equal to the reduction will be allocated by the Employer to the cost of the Optional Benefits designated by the Participant. If the cost of the Optional Benefits elected by the Participant increases or decreases during the Plan Year, the Participant's share of the cost of the Optional Benefit shall, on a reasonable and consistent basis, automatically increase or decrease, as the case may be, to reflect the change in Optional Benefit costs. If the cost of the Optional Benefits significantly increases or decreases, the Participant may commence participation in the Plan (in the case of an option with a decreased cost), or, in the case of an option with an increased cost, make a corresponding change in the amount of the election or revoke the election and, in lieu thereof, receive on a prospective basis, coverage under another available plan with similar coverage, or drop the coverage if no other option providing similar coverage is available.

Section 4.2 Non-Elective Employer Contributions

The balance of the Employer's share of the cost for each Optional Benefit in excess of the Participant's allocated salary reduction contribution described in Section 4.1 shall be paid by the Employer under this Plan with non-elective Employer contributions.

Section 4.3 Maximum Employer Contributions

The maximum amount of Employer contributions under this Plan for any Participant for a Plan Year shall be the sum of (a) the maximum salary reduction contributions and (b) the non-elective Employer contributions.

ARTICLE V: BENEFITS

Section 5.1 Benefit Options

A Participant may allocate elective contributions as provided in Article IV between cash and the Optional Benefits defined in Section 2.13.

Section 5.2 Benefit Descriptions

While the election to receive one or more of the Optional Benefits may be made under this Plan, the benefits will be provided in accordance with the plan documents or contracts governing the respective Optional Benefits. The governing documents which describe the types and amounts of benefits available, the requirements for participation, procedures for submitting claims, and other terms and conditions of coverage for each Optional Benefit plan are incorporated into this Plan by reference.

Section 5.3 Forfeiture

Any portion of a Participant's allocated elective contributions under this Plan which cannot be distributed by the Employer to cover the Participant's share of the cost of Optional Benefits for a Period of Coverage shall be forfeited by the Participant. This forfeiture requirement shall be applied individually for each Optional Benefit.

ARTICLE VI: ELECTION PROCEDURES

Section 6.1 Election Form and Timing

Elections must be in writing, and shall specify the Optional Benefits to which elective contributions will be allocated. The Plan Administrator will provide all Qualified Employees with a form on which to make benefit elections prior to the commencement of each Period of Coverage. The designated election form must be received by the Plan Administrator prior to the first day of the Period of Coverage. Elections received after the first day of the Period of Coverage shall be void. Elections become effective on the first day of the next succeeding Period of Coverage.

Section 6.2 Elections Irrevocable

Once an Election becomes effective, such Election shall be irrevocable for the remainder of the Plan Year unless one of the following exceptions applies: (a) the events described in Section 4.1 occur, (b) a Change in Status event occurs, or (c) the Plan Administrator recognizes any other exception, under Code Section 125 or the regulations thereunder, that would permit a change. Pursuant to Section 7.2, the Plan Administrator shall, in its sole discretion, determine the applicability of the above-described exceptions on a uniform and consistent basis. A Participant must make any new Election within 30 days after the date the event occurred which prompted

the change, and the new Election will be effective on the first day of the payroll period following receipt by the Plan Administrator of the new Election.

Section 6.3 Failure to Elect

A Participant who fails to return the required Election form for an initial Period of Coverage to the Plan Administrator before the first day of such Period of Coverage, shall be deemed to have elected to receive his or her full Compensation in cash. A Participant who fails to return an Election form to the Plan Administrator in a timely manner for any subsequent Period of Coverage shall be deemed to have made the same Election as was in effect immediately prior to the end of the preceding Period of Coverage.

Section 6.4 Automatic Termination of Election

Elections made under this Plan shall automatically terminate on the date on which the Participant ceases to be a Participant in the Plan, although coverage under Optional Benefits may continue if and to the extent provided by such plans.

ARTICLE VII: ADMINISTRATION

Section 7.1 Plan Administrator

The Employer is hereby designated as the Plan Administrator and Fiduciary. The Employer may delegate in writing its duties under the Plan to one or more officers or employees, or to individuals or entities independent of the Employer.

Section 7.2 Powers of the Plan Administrator

The Plan Administrator shall have all powers which are necessary to administer the Plan, including but not limited to the following:

- (a) To interpret the provisions of the Plan.
- (b) To establish and revise the method of accounting for the Plan and to maintain the accounts.
- (c) To establish rules and prescribe any forms necessary or desirable for the administration of the Plan.

Section 7.3 Actions of the Plan Administrator

All determinations, interpretations, rules and decisions of the Plan Administrator shall be conclusive and binding upon all persons having or claiming to have any interest or right under the Plan. No individual entity other than the Plan Administrator or its delegates under Section

7.1 of the Plan shall exercise any discretion, authority or discretionary control respecting management of the Plan, or have any discretionary authority or discretionary responsibility in the administration of the Plan.

Section 7.4 Information to be Furnished

Participants shall provide the Plan Administrator with such information and evidence, and shall sign such documents as may reasonably be requested from time to time for the purpose of administration of the Plan. The Plan Administrator may, to the extent provided by law, rely on information provided by Participants.

Section 7.5 Discrimination Prohibited

The Plan shall not discriminate in favor of Highly Compensated Individuals as to eligibility to participate nor shall it discriminate in favor of Highly Compensated Participants as to the contributions and benefits. In no case shall Optional Benefits provided to Key Employees under the Plan exceed 25% of the aggregate of such benefits provided for all Participants in any Plan Year. If the Plan is discriminatory, Highly Compensated Participants or Key Employees receiving benefits under the Plan shall be treated as though they received taxable benefits in an amount equal to the greatest aggregate value of Optional Benefits which could have been elected. In addition, Optional Benefits shall comply with any nondiscrimination rules which apply to plans separately. Whenever, in the administration of the Plan, any discretionary action by the Plan Administrator is required, the Plan Administrator shall exercise its authority in a nondiscriminatory manner so that all persons similarly situated will receive substantially the same treatment.

Section 7.6 Changes by Administrator

If the Plan Administrator determines, before or during any Plan Year, that the Plan may fail to satisfy for such Plan Year any non-discrimination requirement imposed by the Code or any limitation on benefits provided to Key Employees, the Plan Administrator shall take such action deemed appropriate, under rules uniformly applicable to similarly situated participants, to assure compliance with such requirement or limitation. Such action may include, without limitation, a modification of elections by Highly Compensated Participants or Key Employees with or without the consent of such employees.

Section 7.7 Notice to Participants

Promptly after the Plan is adopted, the Plan Administrator will notify all Qualified Employees of the availability and terms of the Plan.

ARTICLE VIII: MISCELLANEOUS

Section 8.1 Amendment and Termination

The Employer may amend or terminate the Plan at any time after the initial Plan Year, by a duly adopted resolution of its board of directors or written instrument executed by its President. Unless otherwise specifically provided, amendments shall be only prospective in impact.

Section 8.2 Plan Not a Contract of Employment

The Plan is not an employment agreement and does not assure the continued employment of any employee or Participant for any period of time. Nothing contained in the Plan shall interfere with the Employer’s right to discharge an employee or Participant at any time, regardless of the effect such discharges will have upon that individual as a Participant in this Plan.

Section 8.3 Funding

Benefits under the Plan will be paid solely from the general assets of the Employer. Nothing contained in the Plan shall require the Employer to maintain a separate fund for the benefit of Participants. No Participant shall, by virtue of this Plan, have any right or interest in the assets of the Employer.

Section 8.4 Plan Benefits May Not Be Assigned

The Plan is maintained for the exclusive benefit of Qualified Employees of Wesleyan Homes, Inc.. No Participant may assign, pledge, or otherwise dispose of any benefit under the Plan prior to actual receipt thereof.

Section 8.5 Governing Law

This Plan is legally enforceable by Qualified Employees of Wesleyan Homes, Inc. and shall be construed and enforced according to the laws of the State of Texas except to the extent preempted by federal law.

Signed this _____ day of _____, 2014

Wesleyan Homes, Inc.

Officer

Title

Wesleyan Homes, Inc.

PREMIUM ONLY PLAN DESCRIPTION

INTRODUCTION

In the past you may have thought of the salary you are paid for the work you do and the benefit plans available to you as two separate programs. Actually, your salary and benefits together form your total compensation program.

Under the more traditional programs of the past, companies provided both a salary and a benefit program. Part of the cost of the benefits was paid for by the company and part by the employee, using payroll deduction.

Under the Premium Only Plan (the Plan), the company can offer you more flexibility in how to pay for your benefits. Under the Plan, you can use before-tax salary dollars to pay for your share of the cost of certain qualified benefits.

The advantage of the Plan is that it allows you to elect certain nontaxable benefits as alternatives to cash compensation, which would be taxable. The amounts applied to your share of the cost of the benefit plan are not subject to federal income or Social Security taxes and can also be excluded for purposes of state and local income taxes in most jurisdictions.

ELIGIBILITY

Any employee of the Company who normally works at least 30 hours per week, and who receives compensation qualifies for the Plan. A qualified employee who is employed when the Plan begins is immediately eligible to participate. Employees whose dates of hire are after the effective date of the Plan will begin participation the later of (a) the first of the month following 30 consecutive days full time employment with the employer, or (b) the date the employee satisfies the eligibility requirements set forth in the Welfare Benefit Plan(s) offered by the Employer.

CONTRIBUTIONS and BENEFITS

Money to fund the plan comes from salary reduction. Under the Plan, you may choose to receive your full compensation in cash, as you have prior to this Plan, and pay for your (Dental, Critical Illness & Accident) Plan on an after tax basis. Or you may agree to have your salary reduced by your share of the (Dental, Critical Illness & Accident) Plan before taxes are deducted from your salary. The employer, just as in the past, will pay the remainder of the cost. If there is an increase or decrease in your share of the cost, the amount of salary reduction will be adjusted automatically.

The amount of your salary reduction is not subject to FICA taxes, and it is not included in determining your average wages for Social Security benefit purposes. For example, if you reduce your salary in one year from \$20,000 to \$18,000 through the use of this Plan, the salary included in your Social Security wage history for that year would be \$18,000 rather than \$20,000. The exact effect this will have on your Social Security benefits is difficult to estimate, since your benefits are based on your salary history throughout your working career, your marital status, and other factors. Your Social Security benefits may be reduced.

ENROLLMENT AND ADMINISTRATION

ELECTION PROCESS

Each year you will have the opportunity to revoke a prior year's election. Revocations must be made in writing on the form provided and received **prior** to the first day of the coverage period. A participant shall be deemed to have made the same Election as was in effect immediately prior to the end of the preceding Period of Coverage if no revocation is received.

Once an election becomes effective, it stays in effect until the following plan year. You **may not** change the total amount of salary reduction except in cases of a change in status, a significant increase or decrease in the cost of elected benefits as described herein, or a significant curtailment of coverage. A change in status means a change in your legal marital status, a change in the number of your tax dependents, a change in your employment status or that of your spouse /dependent, a dependent satisfying/ceasing to satisfy eligibility, or a change in residence that affects availability of benefits. The Plan Administrator may determine other events

described in Code Section 125 that permit an election change. If you feel a particular event qualifies for a change, contact your Plan Administrator. You must revoke your old election and make the new election within 30 days after the date the event occurred which prompted you to change your election, and the new election must be due to and consistent with the event.

If the cost of benefits increases significantly during the Plan Year, you may pay the additional amount, revoke the election and in lieu thereof, elect coverage under another available plan with similar coverage, or drop coverage if no other benefit option providing similar coverage is available. If you are a new employee, you may file an election prior to the date you are eligible for benefits.

TERMINATION

Your participation in the plan will cease upon termination of your employment, when you no longer meet the qualification requirements (i.e. your work week changes to less than 30 hours per week), or when the plan terminates. If you revoke your election for the remaining period of coverage when you terminate employment and later become re-employed by the Company during the same Plan Year, you may not make new elections for the remaining portion of the Plan Year.

The Plan has been designed to comply with all current laws regarding premium only plans. The plan, however, may be changed, amended or terminated at any time.

EMPLOYEE ANNOUNCEMENT LETTER

Dear Employee:

We invite you to participate in a new employee benefit that will increase your take-home pay and lower your taxes.

The pre-tax benefit plan lets you pay your portion of the employee group term life, medical, dental, and/or disability income coverage costs with **pre-tax dollars**. Note that you may not pay for the cost of dependent life insurance under this plan. With this plan, payments are deducted from your paycheck before state, federal and Social Security taxes.

Currently, your portion of the cost of life, medical, dental, and/or disability income coverage is deducted from your check **after taxes**, leaving less take-home pay for you. Using pre-tax dollars, you will reduce your taxable income and **take home a larger portion of your paycheck!**

Here are a few additional facts you should know before enrolling in the pre-tax plan:

Participation in the plan does not affect your current life, medical, dental, and/or disability income or the cost for these benefits. It simply allows you to pay for these benefits on a pre-tax basis.

Your future W-2 (tax withholding) statements will reflect your net taxable income (gross income minus your pre-tax payments).

Because you'll be paying less in Social Security taxes, participation in the pre-tax plan could slightly reduce your future Social Security benefits.

Your portion of the cost of life, medical, dental, and/or disability income coverage paid for with pre-tax dollars will automatically increase or decrease, as the case may be, to reflect the change in plan costs.

If you pay disability income plan costs with pre-tax dollars, any benefits that you receive from the disability policy will be taxable.

Once you have made an election, it stays in effect until the following plan year. You **may not** change the total amount of salary reduction except in the case of a change in status or a significant change in the cost or coverage of elected benefits. **SEE YOUR PLAN DESCRIPTION FOR DETAILS.**

Because of the tax advantages involved, we think you will agree that this is an important addition to Wesleyan Homes, Inc.'s employee benefit program. Of course, participation is voluntary. Please complete and sign the brief Employee Election Form.