Flexible Spending Account

Flexible Spending Accounts (FSAs) allows you set aside a portion of your annual earnings on a before-tax basis to pay for many of the out-of-pocket health and dependent care expenses that you incur during the year. Lowe’s offers spending accounts through its Health Flexible Spending Account (Health FSA) and Dependent Care Spending Account (DCSA), for its regular full-time employees and their dependents.

You can use the Health FSA for expenses not covered by the medical, vision care and dental options, including:

- Your deductibles and co-payments;
- Charges that exceed reasonable and customary levels;
- Over-the-counter (OTC) medications taken for medical care with a doctor’s prescription; and
- Expenses not covered by Lowe’s medical or dental options, such as routine eye exams.

The DCSA lets you save on the cost of day care. You can use your Dependent Care Account to pay for care for your eligible dependents while you and your spouse, if you’re married, are at work or attend school.

How Spending Accounts Work

The Health FSA and DCSA are administered by WageWorks. You may enroll in both the Health FSA and the DCSA. Your enrollment elections will be in effect during the entire calendar year. The amount you choose to contribute to your spending account(s) will be deducted from your regular pay in equal amounts throughout the year.

All eligible Health FSA and DCSA expenses must be incurred during the year for which you make your account deposits. An expense is considered incurred when the service is provided, not when you are billed or when you pay for it.

Unused Account Balance

Before you enroll in either the Health FSA or DCSA, you must estimate carefully your health and dependent care expenses for the next year because the Internal Revenue Service (IRS) requires that you forfeit any account balance not used to pay eligible expenses incurred during the year. In addition, you cannot:

- Receive a refund of any unused balances;
- Transfer your funds from one account to the other;
- Carry funds over from one year to the next; or
- Stop making deposits until the following January 1 unless an eligible family status change occurs.

Changing Your Elections

In exchange for the tax advantages provided by the Health FSA and DCSA, the IRS limits your ability to make changes during the year. As a result, you can only change your Health FSA and DCSA elections during the course of
the year if you have an eligible change in status. The type of change you can make must be consistent with your change in status. See "Change in Status Events" of the Plan Overview section for more details about changing your election.

**Spending Account Tax Advantages**

You don't pay federal or Social Security (FICA) taxes, and, in most locations, state or local income taxes, on the portion of your pay that is credited to your spending accounts.

If you're a highly compensated employee (as defined by the IRS), the maximum amount you can contribute to the DCSA may be limited. You'll be notified by Group Benefits if these limits apply to you.

**Health FSA**

The Health FSA lets you pay for eligible health care expenses with before-tax dollars, thereby reducing your taxable income.

**How Much Can You Deposit**

You may deposit a minimum of $250 and up to $2,500 a year in your Health FSA. The amount will be deducted on a pre-tax basis in equal amounts from each paycheck you receive during the year.

**Eligible Dependents**

For the Health FSA, you may claim eligible health care expenses for anyone you claim as a dependent on your federal income tax return (e.g., dependent children or elderly parents). These dependents do not have to be covered by the Lowe's Companies, Inc. Group Medical or Dental Plan Options. See the "Plan Overview" section for more information on eligible dependents. Domestic partners and/or domestic partner children are not eligible dependents for the Health FSA or Dependent Care FSA.

**How the Health Flexible Spending Account Works**

You can use your Health FSA to pay on a pre-tax basis for healthcare expenses incurred by you and your eligible dependents if the expenses are not reimbursable or covered by any medical, vision care or dental insurance option. The IRS specifies the kinds of expenses that may be paid through a healthcare spending account. You cannot take a deduction on your federal income tax return for any healthcare expenses for which you have been reimbursed through your Health FSA.

The following general listings of eligible -and ineligible- healthcare expenses are based, in part, on Internal Revenue Service information. Call the IRS toll-free at 1-800-829-3676, or visit the IRS website at www.irs.gov for more information. You can also find an extensive list of eligible and ineligible expenses on the Health FSA portion of the

To be eligible for reimbursement from your Health FSA, expenses must be incurred during a coverage period (see "When Coverage Starts" Section in the Plan Overview section and "End of Year Claims" section in this booklet for more information). Payment timing rules and IRS guidelines are not the same for when expenses are incurred for purposes of a Healthcare FSA.

**Eligible Healthcare Expenses**

You may receive reimbursement from your Health FSA for healthcare expenses that have not been reimbursed from other sources. Here are some examples of eligible healthcare expenses:

- Your deductibles and co-payments (including those from other employers' plans);
- Fees for doctors, dentists, and hospital services not covered by a medical or dental option (e.g., routine eye exams);
- Charges that exceed usual and customary amounts. See Definitions for an explanation of the terms usual and customary, usual, customary and reasonable, and allowed amount;
- Medical equipment and supplies (must be prescribed and not available over the counter);
- Reconstructive cosmetic surgery (surgery that is medically necessary to correct a deformity from a hereditary abnormality, a personal injury resulting from an accident or trauma, or a disfiguring disease);
- Birth control pills or other birth control items prescribed by your doctor (if not covered by your health plan option);
- Infertility treatment(s);
- Capital expenses to install special equipment or make home improvements if the main purpose is medical care (such as installing entrance and exit ramps);
- Equipment and materials required for using contact lenses, such as saline solution and enzyme cleaners;
- Over-the-counter (OTC) drugs taken for medical care with a doctor's prescription. An OTC drug is for medical care if it is taken to treat a medical condition or to affect a function or structure of the body. Due to IRS rules, OTC drugs are not eligible for FSA reimbursement without a prescription.

You can also find an extensive list of eligible expenses on the Health FSA portion of the WageWorks spending accounts website, accessible via the employee portal at www.myloweslife.com (My Lowe's Life > Benefit Choices Guide > Full Time Employees> Benefit Contacts> Flexible Spending Account).

**Ineligible Healthcare Expenses**

You may not receive reimbursement from your Health FSA for expenses that are not considered deductible for income tax purposes. Following are some examples of ineligible expenses:

- Payroll deduction amounts and/or premiums for you or your spouse's coverage;
- Athletic club expenses to keep physically fit (even if suggested by a doctor);
- Cosmetic surgery of a nonreconstructive nature (i.e., not necessary to correct a deformity arising from, or directly related to, a hereditary abnormality, a personal injury resulting from an accident or trauma, or a disfiguring disease);
- Work-related transportation costs of a disabled person;
Medical/dental expenses of a former spouse and former dependent;
• OTC drugs taken only for the person’s general health (e.g., multivitamins and toiletry items (toothpaste, shampoo, etc.)
• OTC Drugs without a doctor's prescription;
• Any medicine or drug that is not legally procured or that violates the Federal Food, Drug and Cosmetic Act.

You can also find an extensive list of eligible expenses on the Healthcare FSA portion of the WageWorks spending accounts website, accessible via the employee portal at www.myloweslife.com (My Lowe's Life > Benefit Choices Guide >Full Time Employees>Benefit Contacts>Flexible Spending Account).

Child (Dependent) Care Spending Account

The DCSA lets you deduct money from your pay before taxes to cover your eligible dependent care expenses.

How Much Can You Deposit

Generally, you may contribute a minimum of $250 and up to $5,000 a year to your DCSA. The amount will be taken in equal amounts from each paycheck you receive during the year.

If you're married and you and your spouse file separate tax returns, the maximum you can set aside for DCSA reimbursement is $5,000. If you file a joint tax return, the amount you can contribute to your DCSA cannot exceed the lesser of your earned income or your spouse's earned income.

"Earned income" means your annual gross earnings (less certain pretax deductions) less your annual deposit to the DCSA. Your earned income and your spouse's earned income must each be greater than the DCSA contribution.

If your spouse doesn't work, you cannot use the DCSA unless your spouse is disabled; is a full-time student for at least five months of the year, or is looking for work. In these cases, the law assumes that your spouse has a monthly income of $250 if you have one dependent, or $500 if you have two or more dependents. If your spouse works part-time, you can be reimbursed for dependent care expenses, but only for work-related time, such as the time he/she spends at work and commuting to and from work.

How the Dependent Care Spending Account Works

You can use the DCSA to pay for eligible dependent care expenses necessary for you—and your spouse, if married, to work. DCSA expenses are often regular, budgeted expenses, such as the cost of daycare while you and your spouse work. By being reimbursed for these expenses through the DCSA, you can increase your take-home pay.

Eligible Dependent Care Expenses
The following general listing of eligible dependent care expenses is based on Internal Revenue Service information. Call the IRS toll-free at 1-800-829-3676, or visit the IRS website at www.irs.gov for more information. You can also find an extensive list of eligible and ineligible expenses on the Dependent Care portion of the WageWorks spending accounts website, accessible via the employee portal at www.myloweslife.com (My Lowe’s Life > Benefit Choices Guide >Full Time Employees>Benefit Contacts>Flexible Spending Account).

Expenses eligible for payment through your DCSA include expenses for:

- Wages or salary paid to a care provider (whether inside or outside your home) who is not a dependent and who is age 19 or older;
- Household services, such as preparing meals, related to the care of an eligible dependent;
- FICA and other taxes you pay on behalf of the care-service provider; and
- Nursery schools, prekindergartens, day camps, and daycare centers that meet state or local regulations, provide care for more than six nonresident people and receive fees for services provided.

You can also find an extensive list of eligible expenses on the Dependent Care portion of the WageWorks spending accounts website, accessible via the employee portal at www.myloweslife.com (My Lowe’s Life > Benefit Choices Guide >Full Time Employees>Benefit Contacts>Flexible Spending Account).

**Ineligible Dependent Care Expenses**

Services that do not qualify for reimbursement through your DCSA include:

- Dependent care provided by a spouse, by a dependent under age 19, or by anyone you list as a dependent on your federal income tax return;
- Dependent care for nonwork-related reasons;
- Dependent care provided if your spouse does not work or works different hours than you, unless your spouse is disabled or a full-time student;
- Any expense you plan to take as a credit on your income tax return;
- Transportation to and from a dependent care location if care is provided in a full-time residential institution;
- Overnight care expenses, unless the parents work nights;
- Late payment fees;
- Expenses for a provider's food, clothing, and entertainment;
- Expenses that are primarily educational, such as kindergarten;
- Expenses for family members other than your children under age 13, when that family member has a gross income over $3,100 (as indexed) per year.

You can also find an extensive list of ineligible expenses on the Dependent Care portion of the WageWorks spending accounts website, accessible via the employee portal at www.myloweslife.com (My Lowe’s Life > Benefit Choices Guide >Full Time Employees>Benefit Contacts>Flexible Spending Account).

To receive reimbursements from the DCSA, you must provide written receipts showing the caregiver's name and taxpayer identification number or Social Security number. However, if the provider is a charitable organization, such
as the YMCA, a church or similar organization, it is not necessary to provide the organization's taxpayer identification number.

**Tax Credit vs. Dependent Care Spending Account**

Your participation in the FSAs can affect the way you calculate your federal income tax at the end of the year. For every dollar of reimbursement you receive through the DCSA, your dependent care tax credit is reduced by one dollar. So if you elect to participate in the DCSA, you are making a decision NOT to take the federal dependent care tax credit for those expenses.

In many cases, the DCSA will offer you the greater tax savings—especially if you only have one dependent. However, be aware that in some cases your tax savings may be greater if you take the dependent care tax credit rather than your DCSA for part or all of your dependent care expenses.

The following table compares the use of a DCSA versus taking the federal income tax credit. You may want to consult your personal tax advisor to see which method makes the most sense for you.

<table>
<thead>
<tr>
<th>Using the DCSA</th>
<th>Using the Federal Income Tax Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum annual contribution of $250</td>
<td>No minimum annual expenses</td>
</tr>
<tr>
<td>Maximum annual contribution is $5,000 ($2,500 if married, filing separately)</td>
<td>Maximum annual expense applicable toward credit is $3,000 for one child and $6,000 for two or more children</td>
</tr>
<tr>
<td>Contribution excluded from taxable income</td>
<td>A percentage of expenses is applied as a credit against taxes owed</td>
</tr>
<tr>
<td>Contributions free from Social Security taxes</td>
<td>Tax credit doesn't affect Social Security taxes</td>
</tr>
<tr>
<td>You must decide on a contribution amount before expenses are incurred and you forfeit any unused amount</td>
<td>You determine tax credit at the end of the year after all expenses are incurred, so there's no risk of forfeiture</td>
</tr>
</tbody>
</table>

**Impact on Other Benefits**

Your spending account participation has no effect on your Lowe's-sponsored benefit amounts. Although spending account contributions lower your pay for tax purposes, your other company benefits under the Plan, such as disability insurance, are based on your earnings before spending account deposits have been withheld.

Please keep in mind that if you pay less Social Security (FICA) tax because of your participation election, then your Social Security benefits at retirement, death, or disability may also be lower. You will pay less FICA tax if your pay is at or below the wage base for Social Security taxes. However, whether your Social Security benefits will actually be lower depends on a number of factors, such as your current age, your earnings before participation in the accounts, and future pay levels.

**Account Statements**
You can find information regarding your spending account claims and account balances at any time on the Health FSA and DCSA portions of the Wage Works spending accounts website, accessible via the employee portal at [www.myloweslife.com](http://www.myloweslife.com) (My Lowe’s Life > Benefit Choices Guide >Full Time Employees>Benefit Contacts>Flexible Spending Account). You can also telephone WageWorks at 1-877-924-3967.

### Filing Claims

The easiest and fastest way to receive reimbursement of your healthcare FSA expenses is to use your WageWorks debit card to pay for eligible products and services. You should retain a copy of the receipts you receive at the time of purchase in the event WageWorks requires you to provide additional documentation.

The card is not available for use for dependent care FSA expense reimbursement.

You can submit Health FSA and DCSA reimbursement claims online at the Health FSA and DCSA portions of the Wage Works spending accounts website, accessible via the employee portal at [www.myloweslife.com](http://www.myloweslife.com) (My Lowe’s Life > Benefit Choices Guide >Full Time Employees>Benefit Contacts>Flexible Spending Account). You can also file a paper claim or authorize a "pay my provider" payment. You can authorize a "pay my provider" payment at the Health FSA and DCSA portions of the Wage Works spending accounts website, accessible via the employee portal at [www.myloweslife.com](http://www.myloweslife.com) (My Lowe’s Life > Benefit Choices Guide >Full Time Employees>Benefit Contacts>Flexible Spending Account).

If you wish to submit a paper claim, claim forms for the Health FSA and DCSA are on the Health FSA and DCSA portions of the Wage Works spending accounts website, accessible via the employee portal at [www.myloweslife.com](http://www.myloweslife.com) (My Lowe’s Life > Benefit Choices Guide >Full Time Employees>Benefit Contacts>Flexible Spending Account). You can also obtain a claim form by contacting the WageWorks Customer Service Center at 1-877-924-3967. Complete and submit the form, together with written proof of payment of the expenses, online at the Health FSA and DCSA portions of the Wage Works spending accounts website, accessible via the employee portal at [www.myloweslife.com](http://www.myloweslife.com) (My Lowe’s Life > Benefit Choices Guide >Full Time Employees>Benefit Contacts>Flexible Spending Account) or return the form and written proof of payment of the expenses to:

WageWorks
Claims Administrator
P.O. Box 14053
Lexington, KY 40511

Or, fax your claim to 1-877-353-9236.

### Health FSA

Use your WageWorks debit card to pay for your eligible nonreimbursed health care expenses. You can also authorize a "pay my provider" payment at the Health FSA portion of the Wage Works spending accounts website, accessible via the employee portal at [www.myloweslife.com](http://www.myloweslife.com) (My Lowe’s Life > Benefit Choices Guide >Full Time Employees>Benefit Contacts>Flexible Spending Account). Or send a completed Health FSA claim form and proof of payment, including an Explanation of Benefits (EOB) form or itemized receipt for nonreimbursed expenses, to WageWorks at the address or fax number above. Reimbursements from the Health FSA will equal the lesser of:
The actual amount of your claim*, or

The total amount you've elected to put in the account for the year, less any reimbursement you've already received.

* If you submit claims by mail for less than $25, WageWorks will hold them until they total $25 before making a payment, except at the end of the year when you can submit smaller claims in order to clear the funds in your account.

WageWorks processes Health FSA reimbursement checks on a daily basis, provided that there are sufficient deposits in the employee's account. If there are not sufficient deposits, the payment will be pended until notification of deposit.

**DCSA**

You can authorize a "pay my provider" payment at the DCSA portion of the Wage Works spending accounts website, accessible via the employee portal at www.myloweslife.com (My Lowe's Life > Benefit Choices Guide >Full Time Employees>Benefit Contacts>Flexible Spending Account) or send a completed DCSA claim form and proof of payment to WageWorks at the address or fax number above. Reimbursement from the DCSA will equal the lesser of:

- The actual amount of your claim*, or
- The amount of your account balance at the time the reimbursement is made.

* If you submit claims for less than $25, WageWorks will hold them until they total $25 before making a payment, except at the end of the year, when you can submit smaller claims in order to clear the funds in your account.

WageWorks processes DCSA reimbursement checks on a daily basis, provided that there are sufficient deposits in the employee's account. If there are not sufficient deposits, the payment will be pended until notification of deposit.

**End of Year Claims**

You'll have until May 31 of the following year to file a claim for Health FSA claims, including Health FSA expenses you incur during the period January 1 to March 15 of the following calendar year. You'll have until March 31st of the following year to file a claim for DCSA expenses incurred during the prior year. After those dates, you will forfeit any amounts left in your Health FSA or DCSA. These moneys will be used to offset future costs of administering the FSAs, and then according to applicable rules and regulations of the plan.

By January 31st of each year, after you participate in the DCSA, you'll receive a statement showing the amount of assistance you received during the prior calendar year. You will have to file a Form 2441 and attach it to your 1040 federal income tax return if you participate in the DCSA.

**Termination of Employment and Spending Account Benefits**
When you terminate employment from the Company, you will have until May 31st of the year following the termination of your employment to submit for reimbursement eligible Health FSA expenses incurred prior to your termination date. You will have until March 31st of the year following the termination of your employment to submit for reimbursement eligible DCSA expenses incurred prior to the termination date. You may elect, through COBRA, to continue your Health FSA participation on an after-tax basis through the end of the calendar year in which you terminate employment. If you do so, you will have until May 31st of the year following the termination of employment to submit for reimbursement eligible Health FSA claims for expenses incurred prior to your COBRA termination date.

Reimbursement checks that are not cashed within 120 days from the date that the check was printed will be voided.