STARLING PHYSICIANS, P.C.

AUTOMOBILE BUSINESS EXPENSE REIMBURSEMENT POLICY

This Automobile Business Expense Reimbursement Policy (this "*Policy*") of Starling Physicians, P.C. (the "*Company*") sets forth the Company's methods for reimbursing physician shareholders (partners) for the business use of their personal vehicles. The actual cost reimbursement method described below is not available to employees who are not shareholders (partners) of the Company. The effective date of this Policy is ____________, 2019.

This Policy describes the Company's methods for reimbursing partners for the business use of personal vehicles, including the costs of maintenance, insurance, gas and other operating costs, but not tolls, which are separately reimbursable. Partners who use their personal vehicles for business purposes must obtain and maintain third party liability insurance coverage with coverage limits that meet the applicable legal requirements. Insurance coverage for physical damage to a partner's vehicle (e.g. comprehensive and collision coverage) are at the partner's option. Unless an election is made by a partner to be reimbursed based on actual costs, the Company will not separately reimburse a partner for repairs (or related insurance deductibles) to his or her personal vehicle if it is damaged while operating it for business purposes. Partners should consult IRS Publication 463 for an explanation of the rules governing the deduction of business expenses, including car expenses. IRS Publication 463 is available at https://www.irs.gov/pub/irs-pdf/p463.pdf.

Standard Mileage Rate Reimbursement Method -- Default Method

Unless a partner elects otherwise, reimbursement for business use of a partner's personal vehicle will be based upon the reported business mileage and the mileage rate set annually by the Internal Revenue Service ("*IRS*") (typically referred to as the standard mileage rate). A partner who wishes to use the standard mileage rate must use that method in the first year that the vehicle is available for business use but may later elect to use the actual cost reimbursement method. A partner who uses the standard mileage rate for a leased vehicle must use it for the entire lease period.

Business mileage is the distance traveled beyond a partner's normal commuting distance (from home to his or her primary office and home again) on a typical workday. Mileage should be calculated from either the partner's home or a Company office to the business destination. If a partner does not report to his or her primary office location during a business day, the mileage incurred between home and the alternate business location is reimbursable to the extent that it exceeds the mileage from the partner's home to the partner's primary office location (i.e., the partner's typical daily commute mileage must be subtracted, and if the drive to the alternate business location is shorter, it is not considered business mileage). All requests for mileage reimbursement must be made by the end of the calendar quarter in which the business travel took place.

Actual Cost Reimbursement Method -- Elective

Under the actual cost reimbursement method, the Company will reimburse an electing partner for the actual costs (subject to certain limitations) related to the business use of his or her personal vehicle. Only business use of a single personal vehicle will qualify for reimbursement. Vehicle costs will be reimbursed based on the ratio of business mileage to total mileage. Reimbursable costs include fuel (electricity charges for electric cars), oil, repairs and maintenance (including car washes, tires, brakes, etc.), insurance premiums, taxes on the vehicle, registration fees, lease payments (or depreciation on partner-owned vehicles), interest expense and any other costs incurred in operating and maintaining the vehicle in a proper and safe manner. Partners who elect this method will be individually responsible for record keeping, calculating costs (including depreciation), and timely providing all necessary records to the Company to support allowable costs. Costs will generally be reimbursed monthly with certain costs being reimbursed biannually, and with cost true-ups occurring biannually as well. Please review Appendix A for a more detailed explanation of the actual cost reimbursement method.

The maximum business usage percentage that will be allowed for actual cost reimbursement is 65% of the total substantiated and allowable vehicle costs for a single vehicle, as determined by the Company in its discretion, not to exceed a monthly average of $1,000 in any calendar year.

General Terms and Conditions

The Company reserves the right to adjust reimbursement limits from time to time and to modify or cancel this Policy at any time. Any reimbursement to a partner for vehicle costs will be attributed directly to the partner's financials for compensation purposes.

Each partner who wishes to seek reimbursement for business use of his or her personal vehicle must sign the Election and Reimbursement Agreement attached as Exhibit A and submit it to the Company's finance department. The Company's finance department will answer any questions regarding IRS rules and this policy upon request.

Partner Reimbursement Obligations

Each partner is responsible for reimbursing the Company for any taxes, interest and penalties paid or payable by the Company as a result of disallowances or adjustments made by any federal, state or local taxing authority (including, but not limited to, the IRS and the Connecticut Department of Revenue Services) arising out of an audit. Taxes with respect to vehicle cost reimbursements are the sole responsibility of the partner receiving the reimbursement as provided in the attached Election and Reimbursement Agreement.

Appendix A

STARLING PHYSICIANS, P.C.

ACTUAL COST REIMBURSEMENT METHOD

At the commencement date of this Policy and annually thereafter, each partner electing the actual cost reimbursement method will be required to submit to the Company's finance department a copy of the vehicle lease (or bill of sale and a depreciation schedule for partner-owned vehicles), an estimate of annual business mileage as a percentage of total mileage and the estimated annual insurance premiums, property taxes, fuel costs (or electricity charges) and other operating costs for the vehicle, other than maintenance expenses which will be reimbursed semi-annually based on the actual maintenance expenses and appropriate supporting documentation. Only business usage of a single personal vehicle qualifies for reimbursement. Vehicle costs will be reimbursed based on the ratio of business mileage to total mileage.

Generally speaking, the Modified Accelerated Cost Recovery System (MACRS) is the only depreciation method that can be used to depreciate a personal vehicle, but the appropriate deprecation method will be selected based on guidance from the Company's tax advisors.

Reimbursement will be based upon the percentage of business usage and total mileage and will be paid monthly based on the most recent estimates provided to the Company's finance department. Each partner electing actual cost reimbursement must keep a written record of the actual business mileage and total mileage for his or her vehicle and business mileage as a percentage of the total mileage, by tracking the starting location, destination and mileage of each business trip on a daily basis and reporting the business percentage, the actual business and total mileage and the actual costs incurred to the Company's finance department on a semi-annual basis. The deadlines for reporting the business mileage percentage and the actual business and total mileage and the actual operating costs will initially be in June and November, but are subject to change. Reconciliation of the amount reimbursed on an estimated basis against the actual mileage and percentage of business usage and the actual operating costs will done semi-annually based upon the information reported to the finance department. Each partner is required to keep detailed expense records (receipts, contracts, cancelled checks, credit card statements, etc.) substantiating all lease payments and the actual costs of all maintenance, insurance, fuel and other operating costs for at least six years and make those records available to IRS auditors in the event of an IRS audit. Hypothetical illustrations of the actual cost reimbursement method for leased vehicles and owned vehicles is attached as Exhibits B and C.

To participate in the actual cost reimbursement program, a partner must make the appropriate election and sign the Election and Reimbursement Agreement attached as Exhibit A and submit it to the Company's finance department. The Company reserves the right to deny reimbursement and recover any prior reimbursement that is not supported by adequate documentation.

The actual cost reimbursement method has certain technical rules that may require consultation with the Company's tax advisors to determine the appropriate expense amounts in the individual case. For example,

1. If an employee previously used a personal vehicle for business purposes and was reimbursed under the standard mileage rate and subsequently became a partner and elected the actual cost reimbursement method, the partner will be treated as if he or she has depreciated the vehicle from the time it was first used for business purposes (i.e., from the time when the standard mileage reimbursement method was first used). In such case, the partner may be required to use the second (or later) year amount from the vehicle depreciation table.

2. If a partner owns a vehicle (and has not previously claimed any standard mileage reimbursements for the vehicle) and then uses it for business purposes, the depreciable basis of the vehicle will be the lesser of the adjusted basis (purchase price, sales tax, etc.) or the vehicle's fair market value on the date it was first used for business purposes.

3. If a vehicle is purchased within the last three months of the year, depreciation generally must be calculated using the mid-quarter convention. The mid-quarter convention is an available option in most depreciation calculators under the "IRS Convention" input.

<u>Exhibit A</u>

STARLING PHYSICIANS, P.C.

<u>ELECTION AND REIMBURSEMENT AGREEMENT</u>

I, the undersigned physician shareholder (partner) of Starling Physicians, P.C. (the "*Company*"), have read and understand the Company's Automobile Business Expense Reimbursement Policy (the "*Policy*") in its entirety and have been given an opportunity to discuss the Policy with representatives of the Company and my personal tax advisor.

By signing below I hereby agree to abide by the terms and conditions of the Policy and elect to be reimbursed by the Company for the business usage of my personal vehicle as follows (please check one box):

[ ] Standard mileage rate reimbursement method; or

[ ] Actual cost reimbursement rate method.

If no election is made, the standard mileage rate reimbursement method will be used by the Company.

If any business expenses paid or reimbursed by the Company to the undersigned are disallowed, in whole or in part, as a deductible expense to the Company by any federal, state or local taxing authority, the undersigned shall pay to and reimburse the Company for such taxes, interest and penalties paid or payable by the Company on such disallowed expenses in the fiscal period in which such taxes, interest and penalties are due and payable by the Company.

IN WITNESS WHEREOF, the undersigned physician shareholder (partner) of Starling Physicians, P.C. has signed this Election and Reimbursement Agreement as of the day and year written below intending to be legally bound hereby.

Signature: ______________________________

Printed Name: ______________________________

Date: ______________________________

Exhibit B

STARLING PHYSICIANS, P.C.

NON-BINDING ILLUSTRATION OF THE ACTUAL COST REIMBURSEMENT METHOD -- LEASED VEHICLE

Dr. Smith estimates the business usage of her personal vehicle is 50% based on the following:

> Dr. Smith drives a total of 2,000 miles per month and works a total of 20 days in the month. Each day Dr. Smith works she drives from her home in West Hartford to her office in Glastonbury, which is 15 miles away. These 15 miles are not business miles. After working in Glastonbury for several hours she drives to location that is not her primary office, an ambulatory surgical center, in Wallingford which is 30 miles away. These 30 miles are business miles. After working at the ASC she drives home to her residence in West Hartford which is 35 miles away. Because she would typically drive home 15 miles from Glastonbury, 15 of the 35 miles are not business miles, but 20 miles are. Dr. Smith's total business miles are 50 for the day. She does this all 20 working days in the month resulting in 1,000 business miles for the month and the 50% business usage percentage discussed above.

Dr. Smith signed an Election and Reimbursement Agreement in which she elected the actual cost reimbursement method and agreed to reimburse the Company for any taxes, interest and penalties for any reimbursed expenses that are disallowed by any taxing authority.

Dr. Smith provided Starling with the following required documentation:

> Submits a monthly lease statement of $975/month
>
> Submits a statement from insurance company for auto insurance of $150/month
>
> Submits a bill for local automobile property taxes of $1,200/year = $100/month
>
> Estimated gasoline expense $150/month
>
> Estimated registration $180/year = $15/month
>
> Total monthly expenses prior to maintenance costs: $1,390

The Company reimburses Dr. Smith at the estimated business usage percentage of 50%: $695 pre-tax per month based on her estimates.

On June 1st and November 1st of each year Dr. Smith will re-certify the level of 50% business usage or request changes based on actual data. The June and November payments will then be adjusted accordingly (trued up) to her actual expenses and business usage percentage. Maintenance costs can also be submitted in June and November and reimbursed at the business usage percentage as long as total reimbursements for the year average no more than $1,000/month ($12,000) in the calendar year.

Exhibit C

STARLING PHYSICIANS, P.C.

NON-BINDING ILLUSTRATION OF THE

ACTUAL COST REIMBURSEMENT METHOD -- OWNED VEHICLE

Dr. Jones Buys a car in February 2019. The car is a 2018 model.

Car is purchased for $35,000

Sales Tax 6.35% = $2,223

New Car Registration and fees: $117

The car is purchased outright (no loan)

Dr. Jones estimates business usage of 65%. Dr. Jones works at three satellite offices in addition to her primary office, two nursing homes she rounds at, a second hospital where she rounds at, and she serves on the Starling 401K and Finance committee. All of these are separate locations from her primary office. These other locations are "second job" locations and travel to these locations from her primary office is considered business use of her vehicle.

Dr. Jones signed an Election and Reimbursement Agreement in which she elected the actual cost reimbursement method and agreed to reimburse the Company for any taxes, interest and penalties on reimbursed expenses that are disallowed by any taxing authority.

Dr. Jones records the following information for her records and submits to the Company's finance department:

MACRS depreciation calculation to depreciate the value of the car (https://goodcalculators.com/macrs-depreciation-calculator/) as follows:

Basis: $37,223 (cost of the car + sales tax)

Business use: 65%

Recovery period: 5 yrs.

Depreciation method: 200% declining balance

IRS convention: Half year

Date in service: February 1, 2019

MACRS 5-Year Depreciation Schedule	
Year	**Depreciation**
2019	$4,839 = $403/month

2020	\$7,742 = \$645/month
2021	\$4,645 = \$387/month
2022	\$2,787 = \$232/month
2023	\$2,787 = \$ 232/month

The car may only be depreciated if it is less than 5 years old. These figures represent 65% of the full depreciation amount.

The following figures represent 100% of the expenses, and only 65% of the expense is reimbursable;

Statement from car insurance company of \$160/month.

Purchases an extended warranty for the car (\$3,000) = \$250/month for year 1.

Local/town/county automobile property taxes of \$1,500/year = \$125/month

CT Registration \$120 x 1 = \$10/month for year 1

Estimated gasoline expense \$150/month

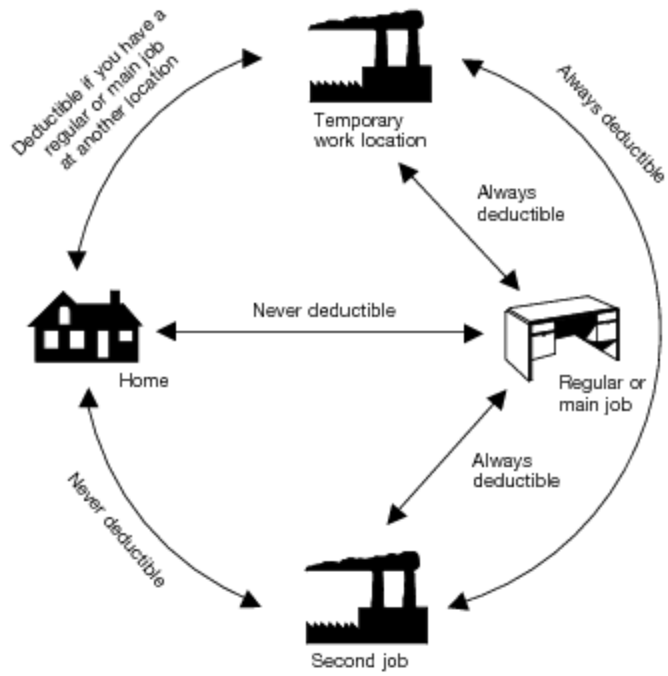
65% of expenses prior to maintenance costs for year 1: \$859/month

65% expenses prior to maintenance costs for year 2: \$928 /month (follow depreciation calculator to figure years 3, 4 and 5)

The Company issues an expense reimbursement check for \$855/month in year 1

The Company issues an expense reimbursement check for \$1,000/month in year 2 (\$1,000 cap is hit, full reimbursement would have been \$1,096/month)

On June 1st and November 1st of each year Dr. Jones will re-certify the level of 65% business usage or request changes based on actual data. The June and November payments will then be adjusted accordingly (trued up) to actual expenses and business usage percentage. Maintenance costs can also be submitted in June and November and reimbursed at the business usage percentage as long as total disbursement for the fiscal year averages no more than \$1,000/month (\$12,000) in any calendar year.



Home: The place where you reside. Transportation expenses between your home and your main or regular place of work are personal commuting expenses.

Regular or main job: Your principal place of business. If you have more than one job, you must determine which one is your regular or main job. Consider the time you spend at each, the activity you have at each, and the income you earn at each.

Temporary work location: A place where your work assignment is realistically expected to last (and does in fact last) one year or less. Unless you have a regular place of business, you can only deduct your transportation expenses to a temporary work location outside your metropolitan area.

Second job: If you regularly work at two or more places in one day, whether or not for the same employer, you can deduct your transportation expenses of getting from one workplace to another. If you don't go directly from your first job to your second job, you can only deduct the transportation expenses of going directly from your first job to your second job. You can't deduct your transportation expenses between your home and a second job on a day off from your main job.

Per IRS, actual car expenses include depreciation, lease payments, license fee, registration fee, gas, insurance, repairs, oil, garage rent, tires, tolls, parking fees.