Date: January 27, 1998

To: Human Resources Directors

From: Cathy Robinson
Senior Director
Human Resources Administration

Subject: Transportation Incentive Program

Please note the 1998 exclusion rates for qualified transportation fringe benefits are as follows:

<table>
<thead>
<tr>
<th>Qualified Transportation Fringe Benefit</th>
<th>1997 Rate</th>
<th>1998 Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation in a commuter highway vehicle</td>
<td>$65/month</td>
<td>$65/month</td>
</tr>
<tr>
<td>Transit passes</td>
<td>$65/month</td>
<td>$65/month</td>
</tr>
<tr>
<td>Qualified parking</td>
<td>$170/month</td>
<td>$175/month</td>
</tr>
</tbody>
</table>

Please note the 1998 exclusion rates for transportation in a commuter highway vehicle and for transit passes remain the same as the 1997 rates at $65/month. However, the 1998 rate for qualified parking has increased from $170/month to $175/month. Any amounts exceeding these exclusion rates are reportable as taxable income.

If you have any questions, please contact Human Resources Administration at (562) 985-2672.

CR/lb

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