

**SUMMARY OF MATERIAL MODIFICATIONS TO THE  
SECTION 125 PLAN (the “Plan”)**

*This document summarizes important changes to your 125 Flexible Benefits Plan (the “Plan”). Keep a copy of this SMM with your Summary Plan Description for future reference.*

A 125 Plan allows an employer to offer a choice between taxable cash and pre-tax qualified benefits. Premium cost for individual owned and employer-sponsored group plans are generally considered qualified benefits. However, Health Care Reform changes specifically codified in Public Law 111-48 Section 1515(c) amended Section 125(f) of the internal revenue code to exclude the cost incurred by an individual that purchases “individual” insurance from the public Health Insurance Marketplace commonly referred to as the public “Exchange”.

This amendment for all practical purposes provides that an individual that goes to a public Exchange to purchase individual insurance for himself/herself or a family member shall not be able to pay the premium for that insurance policy on a pre-tax basis through the 125 plan nor get reimbursed for cost of that insurance policy through the 125 Plan (specifically through the Outside Health Insurance Flexible Spending Account).

However, small employers (fewer than 50 employees) can purchase group health insurance through the Exchange through the Small-Business Health Options Program Plan (SHOP plan) and allow employees to pay their share of the SHOP plan premium pre-tax through the 125 plan.

The prohibition on the use of 125 Plan dollars on a pre-tax basis does not apply to individuals that purchase individual health insurance from the insurer directly, or through a private Exchange.

The public Exchange is expected to be up and running by October 1, 2013 providing insurance coverage that may begin covering the purchased as soon as January 1, 2014.

In summary, if you purchase insurance from the public Exchange your incurred cost shall not be submitted for reimbursement or paid through the Premium Only Plan on a pre-tax basis through the employer-sponsored 125 Plan.