

## HOOD COLLEGE HEALTH AND WELFARE BENEFITS PLAN

### SUMMARY OF MATERIAL MODIFICATIONS

TO: Participants in the Hood College Health and Welfare Benefits Plan

FROM: Plan Administrator

DATE: July 1, 2008

RE: Summary of Material Modifications

This Summary of Material Modifications ("SMM") amends certain provisions of your Summary Plan Description ("SPD") for the Hood College Health and Welfare Benefits Plan (the "Plan").

Please review this SMM carefully to familiarize yourself with the changes, and please attach this SMM to the front of your SPD.

Effective July 1, 2008, the following changes have been made to the Plan:

1. The Plan's definition of "dependent" has been amended:

#### Dependent Eligibility

Please note that, for purposes of any insured coverage offered under the Plan, the terms of the insurance contract, instead of this "Dependent Eligibility" section, will determine whether any person is your dependent for purposes of that benefit. The Benefits Booklets provided to you will include any additional or different dependent eligibility requirements that apply for any insured coverage.

For Plan purposes, your eligible dependent is anyone who is (*italicized* terms are defined below):

- (1) your *spouse* or *domestic partner*;
- (2) for purposes of this Plan's dental and vision benefits:
  - your unmarried *child* who is your *dependent for federal income tax purposes* for the applicable tax year if he or she is:
    - under age 19; or
    - a full-time student who is at least 19 but under age 25 (to be a full-time student, the child must regularly attend an educational institution that normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on); or
    - physically or mentally incapable of self-support, regardless of the child's age, but only if the physical or mental incapacity commenced before the child reached age 19, or while the child was 19 or over but under age 25 and enrolled as a

full-time student.

(3) for purposes of this Plan's medical benefits:

- your unmarried *child* who is your *dependent for federal income tax purposes* for the applicable tax year if he or she is:
  - under age 25; or
  - physically or mentally incapable of self-support, regardless of the child's age.

The following definitions apply for purposes of this Dependent Eligibility section:

*Child* means a natural child, a legally adopted child who is under age 18 at the time of the adoption, a child placed with you for adoption who is under age 18 at the time of the placement, a foster child (if the child is an "eligible foster child", as defined in the Internal Revenue Code, and the child is not a ward of the state), or a stepchild or a child of your domestic partner. *Child* also includes any other person whose welfare is your legal responsibility under a legal guardianship, written divorce settlement, written separation agreement or a court order. For purposes of the above definition of eligible dependent, a child of your domestic partner will be treated as if he or she is your child and your *dependent for federal income tax purposes* if the child is your domestic partner's *dependent for federal income tax purposes*, but note that the child may not actually be your dependent for federal income tax purposes in such cases, so the tax consequences of coverage provided to such a child will be determined based on the actual tax dependent status of the child.

*Spouse* means a person of the opposite sex who is treated as the spouse of the employee under applicable law. The Plan Administrator will determine if a person is an employee's spouse by referring to (and interpreting, in its discretion, as needed) applicable law of the State in which the employee resides. Notwithstanding the preceding, for purposes of determining if someone is eligible for coverage as a spouse, the Plan does not recognize common law marriages, regardless of whether the marriage is recognized in any State.

*Domestic partner* means an individual of the same sex as a Plan participant who has a relationship with the participant that satisfies the following requirements (as determined by the Plan Administrator or Insurer, as applicable):

(a) If the couple resides in a jurisdiction that recognizes domestic partnerships, the domestic partnership is registered with a governmental body pursuant to state or local law authorizing such registration;

(b) The Participant and his or her domestic partner are both eighteen (18) years of age or older and have the legal capacity to contract;

(c) The Participant and his or her domestic partner are not parties to a legally recognized marriage either to each other or to anyone else;

(d) The Participant and his or her domestic partner share no blood or familial relationship that would bar marriage under the laws of the state in which the couple resides, and neither the Participant nor his or her domestic partner is a member of another domestic

partnership or substantially similar arrangement;

(e) The Participant and his or her domestic partner share a close, committed and exclusive personal relationship that is meant to be of lasting duration;

(f) The Participant and his or her domestic partner have shared a common legal residence continuously for at least six (6) months and have submitted documentary evidence of such cohabitation that is satisfactory to the Plan Administrator or Insurer, as applicable;

(g) The Participant and his or her domestic partner are financially interdependent and submit documentary evidence of such interdependence to the Plan Administrator or Insurer as applicable, including an agreement to notify the Plan Administrator or Insurer as applicable, in writing of the termination of the domestic partnership within thirty (30) days of the date of termination;

(h) The Participant and his or her domestic partner have not been a member of another domestic partnership or substantially similar relationship within the past six (6) months.

For purposes of the preceding paragraph, financially interdependent means the parties are jointly responsible for the financial obligations of the domestic partnership. The Participant and his or her domestic partner can establish that they are financially interdependent by submitting to the Plan Administrator or Insurer as applicable, the following documents:

(a) Joint mortgage or lease on place of residence;

(b) Agreement establishing joint bank or credit card account;

(c) Agreement with a third party lender for joint repayment of indebtedness;

(d) Designation of one partner as the other partner's beneficiary with respect to life insurance or retirement benefits;

(e) A joint will, or reciprocal wills, in which each partner designates the other as executor or primary beneficiary;

(f) Durable powers of attorney by each partner in favor of the other;

(g) Health care directives or living wills in which each partner gives the other the authority to make health care decisions; or

(h) Other documentation, determined by the Plan Administrator or Insurer as applicable to be sufficient to establish, under the circumstances of the particular case, that the Participant and his or her domestic partner are financially interdependent.

See your SPD for information relating to benefits available under the Plan to domestic partners of employees.

*Dependent for Federal Income Tax Purposes*

As described above, in most cases, one of the requirements for a dependent child to be

covered under the Plan is that the child must be your *dependent for federal income tax purposes*. Whether someone is your dependent for federal income tax purposes is determined under IRS rules. You must determine whether your child qualifies as your tax dependent at the time that you enroll the child based on whether you reasonably expect (after reviewing the IRS requirements) that the child will be your dependant for tax purposes for the period for which you are electing coverage. As always, the Employer has the final authority regarding eligibility and may require proof that a child meets this eligibility requirement. Also, if, at any time, you determine that the child no longer qualifies as your dependent for tax purposes, you must promptly notify the Employer of that change in eligibility.

For details on the requirements for someone to be your federal income tax dependent, see IRS Publication 501 (available online at [www.irs.gov/pub/irs-pdf/p501.pdf](http://www.irs.gov/pub/irs-pdf/p501.pdf)). Anyone you can claim as your dependent on a federal income tax return will qualify as your *dependent for federal income tax purposes* under the Plan. However, for purposes of this Plan's medical, dental and vision benefits, note that even if your child would not qualify as your dependent for federal income tax purposes under the IRS rules solely because (a) you are a dependent of someone else, or (b) the child files a joint income tax return with another person for the current year, or (c) the child has gross income for the year greater than the IRS personal exemption amount (this amount is \$3,500 for 2008 and is subject to adjustment for inflation each year), that child is still considered to be your *dependent for federal income tax purposes* for purposes of the Plan's dependent eligibility requirements.

Also, a special rule applies in cases of divorce or separation or if you and your child's other parent live apart for the last 6 months of the calendar year. In those cases, as long as at least half of the child's support for the applicable tax year is being provided by you and the other parent (and your current spouses, if any) together and the custodial parent has made a written declaration (using IRS Form 8332 or some other method acceptable to the IRS) that gives the non-custodial parent the right to claim the child as a dependent for the current calendar year, the child can be considered your *dependent for federal income tax purposes* for purposes of the Plan's medical, dental and vision benefits, whether you are the custodial parent or the non-custodial parent.

A person otherwise qualifying as your eligible dependent will not be covered for any coverage providing benefits to dependents unless you have elected to pay and have paid the required additional contributions, if any, for dependent coverage. Also, note that your spouse, domestic partner or child will not qualify as an eligible dependent while on active duty in the armed forces of any country.

You are responsible for determining if someone qualifies as your spouse or dependent for purposes of the Plan's dependent eligibility rules, subject to the Employer's final approval. The Employer may require you to provide proof that an individual satisfies all of the Plan's eligibility requirements. Also, if at any time during a Plan Year your eligible spouse or dependent becomes ineligible for coverage, you are responsible for notifying the Employer of that change in eligibility.

If you and your eligible spouse or dependent are both employees of the Employer and each of you meets the Plan's eligibility requirements to participate in the Plan's health benefits as employees, you may elect employee-only coverage or one of you may elect family (or employee and spouse or dependent) coverage. However, no employee can be covered under the Plan as another employee's spouse or dependent at the same time that he or she is also covered under the Plan as an employee/participant.

For coverage purposes of the Plan, if a child would otherwise be a dependent of more than one participant, the child may be treated as the dependent of only one participant.

2. The following additional benefits are available under the Plan:

Health Savings Account (for HSA-Related Medical Plan Participants Only). If you are eligible to participate in the Plan and you have elected to participate in one of the high deductible medical benefit options which are associated with the Health Savings Account (“HSA-Related Medical Plan”), you may receive reimbursement, in cash, for certain health-related medical expenses from your HSA.

If you are eligible to participate in the HSA component plan, you may elect to have salary reduction contributions credited to your HSA in an amount per Plan Year determined by the Employer and communicated to you in writing.

Distributions from your HSA for eligible medical expenses are tax-free. Generally, eligible medical expenses are expenses for you, your spouse or your dependent (for federal tax purposes) that are not covered under any plan or employer-provided medical coverage, that meet the Internal Revenue Code's definition of medical expenses (including legally obtained prescription drugs and over-the-counter medicine), and that have not been taken as a deduction in any tax year. If you take a distribution from the HSA for any other reason before you are 65, the distribution will be subject to income taxes plus a 10% penalty.

Amounts in your HSA will be invested in any manner permitted by the trustee or custodian and are completely portable. If your participation in the HSA-Related Medical Plan ends, your participation in the HSA will end as well. However, any amount remaining in your HSA can be used for future eligible medical expenses or any other purpose (subject to the penalty discussed above).

Limited-Purpose Health Care Flexible Spending Account ("FSA"). These spending accounts are identical to those described under "Health Care Flexible Spending Account" in your SPD with the following exceptions:

(1) Participants enrolled in the HSA-Related Medical Plan and the HSA Component Plan are not eligible for a Health Care FSA, but are eligible for a Limited-Purpose Health Care FSA.

(2) If you are eligible for a Limited-Purpose Health Care FSA, you may elect to make salary reduction contributions each Plan Year (or period of coverage, if applicable), which will be credited to your Limited-Purpose Health Flexible Spending Account.

(3) Reimbursements are limited to expenses that would have been reimbursable under "Health Care Flexible Spending Account" (as described in your SPD) and which are expenses permitted under IRS guidance for Limited-Purpose Health Care FSAs including dental or vision care, preventive care and post-deductible expenses (as determined by the Administrator).

If you have questions about these Plan changes, this SMM, or your SPD, please contact the Plan Administrator at the following address or phone number:

Hood College

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