

**MATERIAL MODIFICATION TO THE
FLEXIBLE SPENDING ACCOUNT PLAN
SUMMARY PLAN DESCRIPTION**

Employer Name	Willamette University
Employer Federal ID Number	93-0386972
Plan Number	
Plan Administrator	Willamette University
Effective Date of Modification	April 1, 2006

The Flexible Spending Account Plan (Plan) has been amended to extend the time you have to use your Plan benefits before they become subject to the “use it or lose it” rule discussed in the Summary Plan Description you previously received.

General Description of the Grace Period. You now have a two month and fifteen day “Grace Period” after the end of a Plan Year in which to incur expenses that can be reimbursed from your prior Plan Year accounts under the Uninsured Health Expense Reimbursement Program (UHER) and the Dependent Care Assistance Program (DCAP). Under the prior “use it or lose it” rule, amounts in your UHER and DCAP accounts that were not used by the end of the Plan Year were forfeited to the Plan. Now amounts that are not used by the end of the Plan Year may be used for expenses incurred during the Grace Period. Amounts that are not used by the end of the Grace Period are forfeited to the Plan. The effect of the Grace Period is that you now have 14 months and 15 days (the 12 months in the current Plan Year plus the Grace Period) to use Plan funds before they are forfeited under the “use it or lose it” rule. The following example illustrates this rule:

Example 1. Pat contributes \$500 to the UHER for the Plan Year beginning in 2005 (the “2005 Plan Year”), but only incurs \$300 of qualified expenses by the end of the 2005 Plan Year. \$200 of Pat’s 2005 contribution remains available for use during the Grace Period. If Pat incurs \$200 of qualified expenses during the Grace Period and requests reimbursement of those expenses before the end of the run-out period described below, then none of the 2005 Plan Year contributions are forfeited to the Plan. If Pat incurs less than \$200 of qualified expenses during the Grace Period, then the unused portion of Pat’s 2005 Plan Year contribution is forfeited to the Plan.

Funds available during the Grace Period under your UHER and DCAP accounts may only be used to pay or reimburse expenses qualified under the UHER and DCAP, respectively. For example, if you have not used a portion of your UHER account by the end of the Plan Year, funds in that account remain available to pay or reimburse Medical Expenses incurred during the Grace Period. However, such funds could not be used to pay DCAP expenses or provide any other taxable or non-taxable benefit. A similar rule applies under the Dependent Care Assistance Plan.

Ordering Rules—Old Money Used First. UHER and DCAP funds contributed during one Plan Year will be used first to pay or reimburse qualified expenses incurred during that Plan Year before they will be used to pay or reimburse qualified expenses incurred during the Grace Period following that Plan Year. The following example illustrates this rule:

Example 2. Pat contributes \$500 to the UHER for the 2005 Plan Year. Pat incurs a \$100 expense during the first month of the 2005 Plan Year, a \$200 expense during the last month of the 2005 Plan Year, and a \$400 expense during the Grace Period following the end of the 2005 Plan Year. Pat is billed and submits a claim for the \$400 expense incurred during the Grace Period before receiving and submitting the bill for the \$200 expense actually incurred during the 2005 Plan Year. Pat will receive reimbursement from the 2005 UHER account for both the \$100 expense and \$200 expense incurred during the 2005 Plan Year. Pat will also be allowed to receive reimbursement from the 2005 UHER account for \$200 of the expense Pat incurred during the Grace Period.

If the expenses incurred during the Grace Period exceed the amount of unused benefits or contributions that are available from the preceding Plan Year, then the balance of the expense may be paid from contributions, if any, made for the Plan Year in which the expense is actually incurred. The following example illustrates these rules:

Example 3. Same facts as in *Example 2*, except Pat also contributes \$500 to the UHER for the 2006 Plan Year. Only \$200 of the \$400 expense incurred during the Grace Period following the 2005 Plan Year can be reimbursed from Pat's unused 2005 UHER account (\$300 was used to reimburse expenses actually incurred in the 2005 Plan Year). The balance of the expense not reimbursed out of the 2005 UHER account, \$200, can be reimbursed from Pat's 2006 UHER account. At the end of the Grace Period following the 2005 Plan Year, Pat has used all of the 2005 Plan Year contribution and has \$300 of the 2006 Plan Year contribution left.

Run-Out Period For Submitting Expenses. While an expense must be incurred (i.e., services rendered) before the end of the Grace Period, you may submit claims for expenses incurred during the Grace Period or the immediately preceding Plan Year for up to ninety (90) days after the end of the Grace Period and still be entitled to receive reimbursement for those expenses.

Additional Information. If you have further questions about the Grace Period or how the Grace Period works, you should contact the Employer.

1/24/08