

**AMENDMENT A**

**COUNTY OF SANTA BARBARA**

**FLEXIBLE BENEFITS PLAN  
I.R.S. SECTION 125 PLAN**

**HEALTH CARE REIMBURSEMENT ACCOUNT COMPONENT PLAN**

**Cafeteria Plan Amendment Allowing Qualified Health Savings Account  
(HSA) Distributions from General-Purpose Health Care Reimbursement Account**

This Amendment A amends, and is incorporated in full into, the Health Care Reimbursement Account Plan, a Component Plan of the County of Santa Barbara Flexible Benefits Plan I.R.S. Section 125 Plan (the "Plan").

Notwithstanding any other provision of the Plan to the contrary, a Participant who has a positive (greater than \$0) balance in his or her Health Care Reimbursement Account (HCRA) as of December 31, 2007, or as of December 31 of any subsequent Plan Year, as long as it is on or before December 31, 2011 (the "Year-End Account Balance"), may elect to have an amount equal to his or her Year-End Account Balance distributed to a Health Savings Account (HSA) established by the Participant prior to the distribution of their HCRA funds if each of the following conditions is satisfied:

- The Participant had a positive (greater than \$0) balance in his or her Health Care Reimbursement Account on September 21, 2006.
- The Participant's Year-End Account Balance is less than or equal to the balance in his or her Health Care Reimbursement Account on September 21, 2006.
- The Participant has not made a previous distribution with respect to this HCRA.
- On or before December 31 of the Plan Year, the Participant has submitted an election in writing to the Plan Administrator (or its designee) in such form as the Plan Administrator may prescribe, directing the Employer to make the distribution.
- After the distribution, there is a zero balance in the HCRA.
- For the subsequent Plan Year, the Participant must have elected to participate in the Employer's high deductible health plan and must not have elected to participate in the Health Care Reimbursement Account component. In addition, the Participant must certify that he or she will be otherwise HSA eligible on the first day of the month in which the distribution is made.

**Amendment A – Health Care Reimbursement Account Component Plan  
November 20, 2007**

For purposes of this provision, "balance" means the amount available for reimbursement as of the applicable date, without regard to any expenses incurred or submitted for reimbursement that had not been reimbursed as of that date.

When a Participant elects a distribution under this provision, the Employer will make a direct distribution of the applicable amount to the trustee or custodian of the Participant's HSA on or before March 15 of the subsequent Plan Year. The Employer may restrict such distributions to HSAs maintained with one or more custodians or trustees designated by the Employer.

A Participant who elects a distribution under this provision will receive no reimbursements from his or her Health Care Reimbursement Account after December 31 of the year he or she makes the election. Thus, by making such an election, the Participant waives all rights that he or she may otherwise have to reimbursement of expenses incurred or submitted but not reimbursed on or before December 31. The Participant will also be ineligible for any such distributions that may be permitted under the County of Santa Barbara Flexible Benefits Plan in future years.

If a Participant ceases to remain eligible to participate in the HSA for a twelve month period after the distribution is contributed to the HSA, there may be tax consequences to the Participant. As set forth in Section 7.8 of the County of Santa Barbara Flexible Benefits Plan I.R.S. Section 125 Plan, any Participant, by accepting Benefits under this Plan, agrees to be liable for any tax plus interest that may be imposed with respect to those Benefits.

IN WITNESS WHEREOF, and as conclusive evidence of the adoption of the foregoing amendment to the County of Santa Barbara's Flexible Benefits Plan I.R.S. Section 125 Plan document has caused this Amendment to be executed in its name and on its behalf, to be effective as of the last day of the 2007 Plan Year and succeeding years with respect to qualified HSA distributions made from Participants' Health Care Reimbursement Accounts and contributed to HSAs on or before March 15, 2008 or March 15 of each subsequent Plan Year.

As evidence of its adoption of this Section 125 Plan Amendment, the County of Santa Barbara has caused this instrument to be signed by its officers thereunder duly authorized and its County seal attached hereto.