

**THE TOWNSHIP OF METAMORA
CAFETERIA PLAN ORDINANCE**

ORDINANCE No. 44

An ordinance to create and establish a cafeteria style plan to provide flexibility in benefit administration, choice of benefits or coverage levels; to promote cost savings to the Township in its provision of employee welfare benefits; to provide a vehicle for satisfying the welfare and financial needs of eligible participants; and, to repeal all ordinances or parts thereof that may be in conflict with these provisions.

THE TOWNSHIP OF METAMORA ORDAINS:

ARTICLE 1. SHORT TITLE.

This ordinance shall be known as the Metamora Township Cafeteria Plan Ordinance.

ARTICLE 2. AUTHORITY/ADMINISTRATION.

- (a) Pursuant to Act 77, Section 110b, of the Public Acts of 1989, as amended, the Township hereby creates and establishes a cafeteria plan for its elected officials and employees enumerated in Article 3 below;
- (b) The Township Board is hereby authorized to designate and appoint a plan administrator to act on its behalf under the rules and provisions of the Metamora Township Cafeteria Plan document, as may be amended from time to time.

ARTICLE 3. ELIGIBILITY.

This ordinance shall apply to those township elected officials and employees employed on a full-time basis, regularly working an average of 30 hours per week, excluding (i) temporary employees, (ii) any employee covered by a collective bargaining agreement unless said agreement provides for his or her inclusion in the Plan, (iii) leased employees as described in section 414(n) of the Internal Revenue Code, (iv) any individual who is paid for services as an independent contractor and whose payment by the Township is reported on IRS Form 1099, whether or not such person is actually performing services as a common law employee of the Township.

ARTICLE 4. SCOPE OF BENEFITS.

This ordinance specifically adopts the "Metamora Township Cafeteria Plan" (sometimes referred to herein as the "Plan") and its provisions dated December 27, 2004, and as such provides all eligible participants the flexibility to: (a) choose coverage under certain insurances currently provided pursuant to Metamora Township Ordinance 39, (b) opt out of the currently provided insurance coverage under certain prescribed conditions, or (c) choose to pay with pre-tax dollars any portion of any benefit that may be assessed to any participant as may the need or the opportunity may arise under the terms of the Plan as written or amended.

ARTICLE 5. EFFECTIVE DATE.

This ordinance shall become effective December 30, 2004 upon publication as provided by law.

Certification of Township Clerk

I, Jennie Dagher, Metamora Township Clerk, hereby certify that the foregoing is a true copy of the Metamora Township Cafeteria Plan Ordinance No. 44 adopted by the Township Board at a properly posted special meeting of the Metamora Township Board held on December 27, 2004 by the following vote:

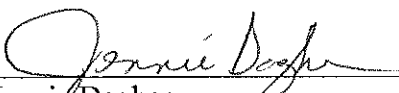
Motion by: Bedford, Supported by: Woodley

Ayes: 5

Nays: 0

Absent: 0

Motion: Carried


Jennie Dagher
Metamora Township Clerk

The Township Board ordered notice of the adoption of the Ordinance to be published in the Lapeer County Press on December 29, 2004. A true and complete copy of the above ordinance may be obtained from the Township Clerk, 730 West Dryden Road, Metamora, Michigan 48455, during normal business hours.

**RESOLUTIONS BY THE
BOARD OF TRUSTEES
OF
METAMORA TOWNSHIP**

WHEREAS, Metamora Township (the "Township") has the general responsibility for administration of the employee benefit program, which has included the administration of the health care benefit program for employees and retirees of the Township; and

WHEREAS, the Township now deems it appropriate to define, in writing, medical benefit entitlements for employees, retirees and their families in order to clarify medical benefit entitlements; and

WHEREAS, the Township Board of Trustees, along with legal counsel, has reviewed the attached Metamora Township Cafeteria Plan (the "Plan"); and

WHEREAS, the Township as Administrator under the Plan desires that the Plan be administered by an Administrative Committee; and

WHEREAS, there is reserved to the Administrator authority to appoint members of the Administrative Committee under Section 1.1 of the Plan; and

WHEREAS, it is the decision of the Township to appoint, as soon as administratively feasible, the individuals to serve as members of the Administrative Committee for an indefinite term commencing as of November 1, 2004;

NOW, THEREFORE, BE IT RESOLVED, that the Township hereby adopts on December 27, 2004 the attached Metamora Township Cafeteria Plan to read in the form presented; and

FURTHER RESOLVED, that the Township, exercising its authority under the Plan, shall designate as soon as administratively feasible, individuals to serve as members of the Administrative Committee under each Plan for an indefinite term commencing as of November 1, 2004, and that subject to any limitations stated in these Resolutions, such Administrative Committee shall have all the rights and powers to act on behalf of the Township with respect to the Plan as described in Article VI of the Cafeteria Plan;

FURTHER RESOLVED, that the Township Supervisor is authorized and directed to make any changes to the Plan as shall be necessary to conform the Plan to (a) underwriting requirements of the Health Care Organization providing medical benefits, (b) the Metamora

Township Police Department Employment Policy Manual, (c) other Township policies, or (d) other requirements of law or the Internal Revenue Code of 1986 as amended.

AYES: 5

NAYS: 0

Absent: 0

Resolution declared adopted.


Jennie Dagher, Metamora Township Clerk

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the Trustees of the Township of Metamora, County of Lapeer, State of Michigan, at a special meeting held on December 27, 2004, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the open Meetings Act being Act 267, public acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act.


Jennie Dagher, Metamora Township Clerk

**METAMORA TOWNSHIP
CAFETERIA PLAN
ELECTION FORM TO WAIVE HEALTH CARE COVERAGE
UNDER THE
METAMORA TOWNSHIP MEDICAL CARE PLAN**

Pursuant to Section 4.3 of the Metamora Township Cafeteria Plan, I hereby elect, in lieu of coverage under the Metamora Township Medical Care Plan, to receive a taxable benefit in the form of cash compensation. I have submitted to Metamora Township documentation of health care coverage from another source. I understand that if my spouse is a Metamora Township employee, my spouse must also waive coverage for me to receive cash in lieu of medical coverage.

Date: _____

Employee Name

METAMORA TOWNSHIP

CAFETERIA PLAN

Adopted December 27, 2004

Effective November 1, 2004

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ESTABLISHMENT OF THE PLAN

The Metamora Township Cafeteria Plan (the "Plan") was adopted by Metamora Township on December 27, 2004, effective November 1, 2004.

The purpose of the Plan is to provide an effective way of satisfying the welfare benefit and personal financial needs of participating employees. The Plan is a "cafeteria plan" under Section 125 of the Internal Revenue Code and is intended to meet the requirements of that Section, as well as Section 105 of the Code. The Plan shall at all times be construed and administered in a manner consistent with such intention.

The provisions of the Plan are applicable only to people who are employed by the Township on or after the effective date of the Plan. An Employee who separated from employment prior to the effective date, and beneficiaries of such an employee, shall not be entitled to benefits under the Plan unless such employee is rehired and becomes eligible for Plan benefits pursuant to the eligibility provisions of the Plan.

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ARTICLE I DEFINITIONS

Whenever used in the Plan, the following terms shall have the respective meanings set forth below unless otherwise expressly provided herein.

1.1 **"Administrator"** means the Township, or such other person or committee as it may appoint from time to time to act on its behalf with respect to the administration of the Plan.

1.2 **"After-Tax Contribution"** means amounts withheld from an Employee's pay under a Contribution Agreement to obtain benefit coverage options available under the Plan on an after-tax basis.

1.3 **"Annual Enrollment Period"** means, for each Plan Year, those days in the calendar quarter preceding the beginning of the Plan Year so designated by the Township and set forth in the Supplement for such Plan Year.

1.4 **"Benefits"** means each of the optional benefit choices available under the Plan as described in Article IV and listed in the Supplement.

1.5 **"Benefit Credits"** mean the amount, if any, contributed annually by the Township to the Cafeteria Plan on behalf of a Participant to obtain such of the benefits described in Article IV and listed in the Supplement as the Participant elects.

1.6 **"Change in Status"** means any of the events described below. It shall also mean any other events included under subsequent changes to Code §125 or the regulation issued under that section which the Administrator (in its sole discretion) decides to recognize on a uniform and consistent basis and has communicated to Participants:

- a) *Legal Marital Status:* A change in a Participant's legal marital status, including marriage, death of a Spouse, divorce, legal separation, or annulment;
- b) *Number of Dependents:* Events that change a Participant's number of Dependents (see definition of Dependent Below), including birth, death, adoption, and placement of adoption;
- c) *Change in Employment Status:* Any change in employment status of the Participant, the Participant's Spouse, or the Participant's Dependents that affects benefit eligibility under a cafeteria plan (including this Plan) or other employee benefit plan (including the Benefit Plan(s) or Policy(ies)) of the employer of the Participant, the Spouse, or Dependents, for the following events:
 - (1) termination or commencement of employment

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- (2) strike or lockout
 - (3) commencement of or return from an unpaid leave of absence
 - (4) change in worksite
 - (5) switching from salaried to hourly-paid or union to non-union or vice versa,
 - (6) incurring a reduction or increase in hours of employment (e.g., going from part-time to full-time), or
 - (7) any other similar change which makes the individual become (or cease to be) eligible for a particular employee benefit.
- d) *Dependent Eligibility Requirements:* An event that causes a Participant's Dependent to satisfy or cease to satisfy the Dependent eligibility requirements for a particular benefit, such as attaining a specified age, getting married, or ceasing to be a Student;
- e) *Change in Residence:* A change in the place of residence of the Participant, the Participant's Spouse, or the Participant's Dependent.

1.7 **"Code"** means the Internal Revenue Code of 1986, as amended from time to time. Any reference to any section of the Code shall be deemed to include any applicable regulations and rulings pertaining to such section and shall also be deemed a reference to comparable provisions of future laws.

1.8 **"Contribution Agreement"** means the agreement (or deemed agreement) between a Participant and the Township which permits the Township to reduce the current compensation of the Participant and contribute the amount of the reduction to the Plan on behalf of the Participant to purchase a benefit offered on a pre-tax basis or an after-tax basis under the Plan. The Contribution Agreement shall apply only to amounts of the compensation of the Participant that have not been actually or constructively received as of the date of the Contribution Agreement. The Administrator shall determine the form of Contribution Agreement to be used upon initial enrollment, open enrollment or when making a permitted election change. The Administrator may choose to use telephone or electronic means for completion of Enrollment.

1.9 **"Coverage Option"** means a specific contract or other arrangement proving any of the benefits offered by or through the plan, including without limitation any indemnity insurance contract, other contract or any description of benefits which are self-insured by the Township. Coverage Options shall be described in the Supplement.

1.10 **"Default Coverage"** means the benefit election deemed to have been made by a Participant when the Participant fails to elect Plan benefits pursuant to the procedures outlined in Article V.

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1.11 **"Dependent"** means, with respect to each optional benefit provided under the Plan, a spouse, unmarried child of a Participant or other person who satisfies the requirements for dependent coverage set forth in the separate plan document providing such benefit.

1.12 **"Effective Date"** means November 1, 2004.

1.13 **"Employee"** means (a) Township Board Members and (b) any individual employed by the Township on a full-time basis, regularly working an average of at least 30 hours per week, excluding (i) temporary employees, (ii) leased employees as described at Code Section 414(n), (iii) any employee covered by a collective bargaining agreement unless said agreement provides for his inclusion in the Plan and (iv) any individual who is paid for services as an independent contractor and whose payments thereof are reported on Form 1099, whether or not such person is actually performing services as a common law employee of the Township.

1.14 **"Highly Compensated Individual"** means an individual defined in Code Section 105(h), 125(e), or 414(g), as applicable, as a "highly compensated individual" or "highly compensated employee."

1.15 **"Medical Plan"** means the Metamora Township Medical Care Plan as adopted pursuant to Ordinance No. 39, adopted December 13, 1999.

1.16 **"Participant"** means any Employee who becomes a Participant pursuant to Article II of the Plan.

1.17 **"Period of Coverage"** means the Plan Year, or (i) for new Employees, the period beginning on the date participation in the Plan begins pursuant to Section 2.1 and continuing through the end of the Plan Year, or (ii) for terminating Participants, the period from the beginning of the Plan Year in which the date of termination occurs to the date of termination, or as provided in the separate plan document providing benefits under the Plan, if different. For Dependents, the Period of Coverage shall end on the date the individual no longer meets the definition of Dependent or the date the Period of Coverage ends for the Participant, whichever occurs first.

1.18 **"Plan"** means the Metamora Township Cafeteria Plan as set forth herein and amended from time to time.

1.19 **"Plan Year"** initially means November and December of 2004, and thereafter means the calendar year.

1.20 **"Pre-Tax Contribution(s)"** means any amount withheld from the Employee's compensation pursuant to an actual or deemed salary reduction election that is intended to be paid on a pre-tax basis. This amount shall not exceed the Participant contribution attributable to the most costly benefit options offered by the Plan, and shall be treated as a Township contribution for purposes of the Code.

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1.21 **"Supplement"** means the Supplement attached and hereby incorporated by reference, as amended annually, which sets forth for each Plan Year, the Annual Enrollment Period, the benefit options offered under the Plan, whether the benefit is provided through insurance or otherwise, whether the benefit may be purchased with Benefit Credits (and the amount of any such credits), salary reduction contributions, payroll deduction contributions or any combination thereof. The Supplement shall also describe the Default Coverage under the Plan.

1.22 **"Township"** means Metamora Township in Michigan.

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ARTICLE II
ELIGIBILITY FOR PARTICIPATION

2.1 Eligibility to Participate. Each Employee shall become eligible to participate in the Plan, with respect to each optional benefit offered under the Plan, on the first day of the month immediately following completion of 90 days of employment as an Employee, or such later period required to select any optional benefit, as described in the separate plan describing such benefit. A Participant who loses and then regains Employee status the same Plan Year will again be a Participant on the first day of the month following the month in which Employee status is resumed. See Section 5.7 on whether previous elections are reinstated or new elections are required.

2.2 Termination of Participation. A Participant shall cease to be a Participant in the Plan as of the earlier of:

- (a) the date on which the Plan terminates or is amended to exclude an Employee's job classification;
- (b) the date on which the Participant terminates active employment or otherwise ceases to be an Employee eligible to participate in the Plan, (whether because of retirement, termination of employment, death or disability);
- (c) the date on which the Participant is laid off, takes an unpaid leave of absence, or transfers to a non-eligible employee group.

2.3 Leaves of Absence. If a Participant goes on an unpaid leave of absence that does not affect eligibility, then the Participant will continue to participate and any contribution due for the Participant will be paid by pre-payment before going on leave, by after-tax contributions while on leave, or with catch-up contributions after the leave ends, as may be determined by the Administrator. If a Participant goes on an unpaid leave that affects eligibility, the election change rules in Article IV will apply.

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ARTICLE III PLAN FUNDING

3.1 Township Contributions. For each Plan Year, the Township may, but is not required to, make a contribution with respect to each Participant called "Benefit Credits," which shall be applied toward the cost of benefits elected by such Participant, or which may be given to the Participant in cash, subject to any limitation provided herein. The Township reserves the right to change the amount of the Benefit Credits which will be available to Participants from year to year.

3.2 Participant Contributions. Participants are not required to contribute to the Plan. However, in the event that any Benefit Credits available to a Participant for a Plan Year are insufficient or unavailable for the purchase of a Plan benefit elected by such Participant, the Participant shall pay the remaining required contribution (i) by making a salary reduction contribution, if such benefit is offered on a pre-tax basis under the Plan, or (ii) by making a payroll deduction contribution, if such benefit is offered on an after-tax basis under the Plan.

3.3 Contribution Elections. Each Participant may enter into a Contribution Agreement which shall reduce his compensation by an amount equal to that necessary to provide for any non-taxable benefit provided under the Plan and elected by such Participant. Any amounts so elected shall not become currently available to the Participant and shall be contributed to the Plan as a salary reduction contribution. The cost of each available benefit option shall be communicated to Participants at the time of initial enrollment, during the Annual Enrollment Period and whenever the Administrator is advised of an event permitting an election change under Article V. The Township reserves the right to change required contributions during a Period of Coverage if the Township's cost for the benefit changes. The amount of the salary reduction contribution elected by the Participant shall be deemed to be a Township contribution for purposes of the Code. The Contribution Agreement may also reduce the after-tax compensation of the Participant by an amount equal to that necessary to provide any benefit offered under the Plan on an after-tax basis and elected by such Participant. Such amount shall be contributed to the Plan as a payroll deduction contribution.

3.4 Forfeiture of Unused Benefits. The Participant shall forfeit all rights with respect to any and all Participant contributions and Benefit Credits that are not used by the end of the Period of Coverage with respect to which they were contributed to obtain benefits under the Plan. Participant contributions that are forfeited pursuant to the previous sentence will be used to offset any expenses of administering this Plan.

3.5 Compensation Changes. Any change in the compensation of a Participant during a Plan Year shall not affect the amount of any salary reduction contribution or payroll deduction contribution made on behalf of such Participant or the amount or type of benefit elected by such Participant for such Plan Year.

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ARTICLE IV BENEFITS

4.1 **Benefits.** The benefits available for any Plan Year shall be determined by the Township in accordance with Section 6.2 and set forth in the Supplement. Such benefits may be offered under any employee welfare benefit plan allowed to be part of this Plan by Section 125 of the Code. The Township reserves the right to add, delete or change such benefits and/or separate benefit plans from year to year in its sole discretion or during a Plan Year, provided that such additions, deletions and changes shall not discriminate in favor of highly compensated participants (as defined in Section 125(e) of the Code).

4.2 **Description of Benefits Other Than Cash.** While the election to receive one or more of the optional benefits described in Section 4.1 and specifically set forth in the Supplement is made under the Plan, each such optional benefit is provided under a separate benefit plan. The type, definition and amount of each such optional benefit, the requirements for participating in each such optional benefit, and other terms and conditions of coverage under each such optional benefit are as set forth from time to time in the applicable plan document and hereby incorporated into the Plan by reference.

4.3 **Cash Option.** A Participant (or both of two married Participants) may elect in lieu of coverage under the Medical Plan to receive a taxable benefit in the form of cash compensation. In order to elect cash in lieu of coverage under the Medical Plan, the Participant must demonstrate to the satisfaction of the Administrator that the Participant has medical coverage from another source, which other coverage is satisfactory to the Administrator. Any amount to be paid in cash pursuant to this Section (as set forth in the Supplement) shall be paid to the Participant as additional compensation, through regular payroll, prorated throughout the Plan Year. If a Participant terminates Participation pursuant to Section 2.2 prior to the end of the Plan Year, any remaining amount of such payments shall not be made.

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ARTICLE V
PARTICIPANT ELECTIONS

5.1 Initial Election of Benefits. The Administrator will provide an enrollment package including benefit cost data and a Contribution Agreement to each Employee prior to the date when such Employee first becomes eligible to participate in the Plan. The Participant must complete a Contribution Agreement in a manner determined by the Administrator prior to the date on which he or she is first eligible to be a Participant, or within 30 days of first becoming eligible to participate in the Plan. Any salary reduction contributions or payroll deduction contributions will become effective on the first day of the pay period participation in the Plan begins under Section 2.1, or following filing of a Contribution Agreement, if later.

5.2 Annual Enrollment Period. At the commencement of each Annual Enrollment Period, the Administrator will provide an enrollment package to each Participant in order for such Participant to make new benefit elections for the Plan Year next following such Annual Enrollment Period. The Participant must complete and return the new Contribution Agreement to the Township by the end of the Annual Enrollment Period by such means as the Administrator may direct from time to time.

5.3 Deemed Elections. A Participant who fails to make any election within 30 days of the date he first becomes eligible to participate in the Plan above shall be deemed to have elected the Default Coverage under the Plan set forth in the Supplement for Plan Year, or, in the event that the Participant has one or more Dependents who are alternate recipients under a qualified medical child support order, the coverage option consistent with the provisions of such order. Thereafter, a Participant who does not revise his benefit election during an Annual Enrollment Period will be presumed to have chosen not to change his benefit election for the Period of Coverage next following such Annual Enrollment Period, except as provided in the Supplement.

5.4 Irrevocability of Elections. Except as described in this Article V, the election a Participant makes under the Plan is irrevocable for the Period of Coverage to which it relates. Accordingly, unless one of the exceptions described in Section 5.6 applies a participant may not change the following elections during a period of coverage:

- a) participation in the Plan
- b) salary reduction amounts
- c) election of particular options offered through the Plan.
- d) election of any cash option available under the Plan.

5.5 Election Changes. No Participant shall change his or her elections under the Plan during a Period of Coverage unless one of the exceptions to the irrevocability of elections provided in Section 5.4 should apply.

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- a) *Timing.* If an exception to the irrevocability of elections applies due to one of the situations described in Section 5.6, a Participant must make a new election within 30 days of the occurrence of the event.
- b) *Effective Date.* Changes in elections made in accordance with this section are effective for the balance of the Period Coverage involved, unless there is a subsequent event which permits further election change. Except as provided in Section 5(b)(2) with respect to the birth, adoption or placement for adoption of a new dependent child all election changes are effective prospectively only on the first day of the next calendar month following the date that the election change was made.

5.6 Events Permitting Change of Elections. A Participant may make an election change:

- (a) *Change in Status.* A Participant may change or terminate his or her actual or deemed election under the Plan upon the occurrence of a Change in Status, but only if such change or termination is made on account of and corresponds with a Change in Status that affects coverage eligibility of a Participant, a Participant's Spouse, or a Participant's Dependent. A requested change must also satisfy the following specific consistency requirements in order for a Participant to be able to alter his or her election based on that change.
 - (1) *Loss of Dependent Eligibility.* For a Change in Status involving a Participant's divorce, annulment, or legal separation from a Spouse, the death of a Spouse or a Dependent, or a Dependent ceasing to satisfy the eligibility requirements for coverage, a Participant may only elect to cancel accident or health coverage
 - A. for the Spouse involved in the divorce, annulment, or legal separation,
 - B. the deceased Spouse or Dependent, or
 - C. the Dependent that ceased to satisfy the eligibility requirements.
 - (2) *Gain of Coverage Eligibility Under Another Employer's Plan.* For a Change in Status in which a Participant, a Participant's Spouse, or a Participant's Dependent gains eligibility for coverage under another employer's cafeteria plan (or other benefit plan which can be part of a cafeteria plan) as a result of a change in marital status or a change in employment status, a Participant may elect to cease or decrease coverage for that individual only if coverage for that individual becomes effective or is increased under the other employer's plan. In the Administrator's discretion, a certificate from the Participant

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stating that such other coverage has been or will be obtained will be accepted as evidence of such other coverage.

- (b) *Special Enrollment Rights.* Special enrollment rights arise if medical plan coverage was declined for an Employee, Spouse, or Dependent Child under the Township's group health plan because of outside medical coverage and eligibility for such coverage is subsequently lost due to legal separation, divorce, death, termination of employment, reduction in hours, or exhaustion of the maximum COBRA period, or if a new Dependent is acquired as a result of marriage, birth, adoption, or placement for adoption. If a Participant, a Participant's Spouse, or a Participant's Dependent is entitled to a special enrollment right under a group health plan, then the Participant may change a prior election for medical coverage and make a new election (including a salary reduction election), provided that the election corresponds with such special enrollment right. For purposes of this provision:
- (1) an election to add previously eligible Dependents as a result of the acquisition of a new Spouse or Dependent child shall be considered to be consistent with the special enrollment right; and
 - (2) a special enrollment election attributable to the birth or adoption of a new Dependent child may, subject to the provisions of the underlying group health plan, be effective retroactively (up to 30 days).
- (c) *Certain Judgments, Decrees, and Orders.* If a judgment, decree, or order (an "Order") resulting from a divorce, legal separation, annulment, or change in legal custody (including a Qualified Medical Child Support Order) requires accident or health coverage for a Participant's Dependent child (including a foster child who is a Dependent of the Participant), a Participant may: (1) change his or her election to provide coverage for the Dependent child (provided that the Order requires the Participant to provide coverage); or (2) change his or her election to revoke coverage for the Dependent child if the Order requires that another individual (including the Participant's Spouse or former Spouse) provide coverage under that individual's plan.
- (d) *Medicare and Medicaid.* If a Participant, a Participant's Spouse, or a Participant's Dependent who is enrolled in a health or accident benefit under this Plan becomes entitled to Medicare or Medicaid (other than coverage consisting solely of benefits under Section 1928 of the Social Security Act providing for pediatric vaccines), the Participant may prospectively reduce or cancel the medical coverage of the person becoming entitled to Medicare or Medicaid. Further, if a Participant, a Participant's Spouse, or a Participant's Dependent who has been entitled to Medicare or Medicaid loss

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eligibility for such coverage, then the Participant may prospectively elect to commence or increase the health or accident coverage.

(e) *Change in Cost.*

- (1) *Automatic Increase or Decrease for Insignificant Cost Changes.* If the cost of a benefit option increases or decreases during a Plan Year by an insignificant amount, then the Pre-Tax Contributions or After-Tax Contributions (as applicable) under each affected Participant's election shall be prospectively increased or decreased to reflect such change without the further election of the Participant. The Administration, on a reasonable and consistent basis, will automatically effectuate this prospective increase or decrease in affected employees' elective contributions in accordance with such cost changes. The Administrator (in its sole discretion) will decide, in accordance with prevailing IRS guidance, whether increases or decreases in costs are "insignificant" based upon the surrounding facts and circumstances (including, but not limited to, the dollar amount or percentage of the cost change).
- (2) *Significant Cost Changes.* If the Administrator determines that the cost of a Participant's benefit option has significantly increased or decreased during a Plan Year, the Participant may either make a corresponding prospective change in his or her contributions, revoke his or her election, and in lieu thereof, receive coverage under another Plan option which provides similar coverage if such an option is available. "Similar Coverage" means coverage for the same category of benefits, for the same individuals, without regard to the cost of the coverage. If no such option is available, the Participant may elect no coverage. In the event of a cost decrease, a previously declined option may be elected. In the absence of an election by the Participant, a corresponding change in his or her contribution for existing benefit elections will be made.

(f) *Change in Coverage.*

- (1) *Significant Curtailment.* If coverage under a benefit option offered through this Plan is "significantly curtailed" Participants may elect coverage under another option that provides similar coverage, if one is available. If the coverage curtailment results in a "loss of coverage" Participants may drop coverage if no similar coverage is offered by the Plan. For purposes of this section, coverage is "significantly curtailed" if there is an overall reduction in the coverage provided under the Plan option so as to constitute reduced coverage generally for all people covered by that option. A curtailment constitutes a "loss of coverage" if

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there is complete loss of coverage under the option (such as elimination of the option, the option ceasing to be available in a geographic location or a particular Participant losing all coverage under the option because of lifetime or annual limits). The administrator may also determine to treat the following as a loss of coverage:

- A. A substantial decrease in the number of providers participating in the benefit option (such as a major hospital leaving a preferred provider network or substantial number of physicians)
- B. reduction in benefits for a specific type of medical condition or treatment which affects the current treatment of a Participant or a covered dependent.

- (2) *Addition or Significant Improvement of a Benefit Package Option.* If during a Period of Coverage, the Plan adds a new benefit option or significantly improves an existing benefit option, (i) Participants who are enrolled in a benefit option other than the newly added or significantly improved benefit option may change their election on a prospective basis to elect the newly added or significantly improved benefit option; and (ii) Participants otherwise eligible who did not elect any option may elect the newly added or significantly improved benefit option on a prospective basis, subject to the terms and limitations of the benefit option.
- (3) *Change in Coverage Under Another Employer's Plan.* A Participant may make a prospective election change that is on account of and corresponds with a change made under another employer's plan (including a plan of the Employer or a plan of the employer of the Participant's Spouse or Dependent), so long as (a) the other cafeteria plan or qualified benefits plan permits its participants to make an election change that would be permitted under applicable IRS regulations, or (b) the Plan permits Participants to make an election for a Period of Coverage that is different from the plan year under the other cafeteria plan or qualified benefits plan. For example, if an election is made by the Participant's Spouse during his or her employer's open enrollment to drop coverage, the Participant may add coverage to replace the dropped coverage.

5.7 Impact of Termination of Participation. Termination of Participation shall automatically revoke any Contribution Agreement. Notwithstanding the preceding sentence, if a former Participant resumes Participation within 30 days of termination of Participation, the individual shall have his prior elections reinstated. If Participation resumes more than 30 days after termination of Participation, the Employee must make a new election.

5.8 Election of "No Coverage." A Participant may elect to receive cash in lieu of the various benefits offered under the Plan as provided in the Supplement; provided that an election to receive cash in lieu of coverage under the Medical Plan shall not be valid unless and until the

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Participant submits documentary proof of other health care coverage satisfactory to the Administrator, as described in Section 4.3.

5.9 Changes by Administrator. If the Administrator determines before or during any Plan Year that the Plan may fail to satisfy for such Plan Year any nondiscrimination requirement imposed by the Code or any limitation on benefits provided to key employees (as defined by Code Section 416), the Administrator shall take such action as deemed appropriate, under rules uniformly applicable to similarly situated Participants, to assure compliance with such requirement or limitation. Such action may include, without limitation, a modification of benefit elections made by highly compensated employees or key employees (as defined by the Code for purposes of the nondiscrimination requirement in question) without the consent of such employees.

In addition, if the Administrator receives written evidence of any medical child support order, the Administrator shall promptly notify the Participant and each alternate recipient named in the order of its receipt and of the Plan's procedures for determining whether the order is qualified. In the event that an order is determined to be so qualified, the Administrator shall take whatever action is necessary to ensure that the terms of the order are carried out, including, without limitation, the modification of the benefit election made by the Participant named in the order.

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ARTICLE VI ADMINISTRATION

6.1 Powers and Authority. The Administrator shall have any and all power, discretion and authority which shall be necessary, advisable, desirable or convenient to enable it to carry out its duties under the Plan, including by way of illustration and not limitation, the powers and authority to make rules and regulations in respect of the Plan not inconsistent with the Plan or the Code, to determine, consistently therewith, all questions that may arise as to the eligibility, benefits, status and right of any person claiming benefits under the Plan, including (without limitation) Participants, former Participants, surviving spouses of Participants and Beneficiaries, and to construe and interpret the Plan and correct any defect, supply any omissions, or reconcile any inconsistencies in the Plan, such action to be conclusive and binding on all persons claiming benefits under the Plan.

6.2 Annual Changes in Contributions and Benefits. Prior to the Annual Enrollment Period for each Plan Year, the Township shall determine the Benefit Credits and benefits which shall be available under the Plan for such Plan Year. Such Benefit Credits and benefits shall be the same for all similarly situated Participants and shall be set forth in the Supplement.

6.3 Administrator. The Administrator shall supervise the administration of the Plan. It shall be a principal duty of the Administrator to see that the terms of the Plan are carried out for the exclusive benefit of persons entitled to participate in the Plan without discrimination among such persons. The Administrator shall have full discretionary power to administer the Plan in all of its details. For this purpose, the powers and responsibilities of the Administrator shall include, but shall not be limited to, the following, in addition to all other powers and responsibilities provided by the Plan:

- (a) To make and enforce such rules and regulations as the Administrator deems necessary or proper for the efficient administration of the Plan, including the establishment of any claims procedures that may be required by applicable provisions of law;
- (b) to effect any Plan amendments necessary to prevent discriminatory utilization;
- (c) to interpret the Plan in good faith, such interpretation to be final and conclusive on all persons claiming benefits under the Plan;
- (d) to decide all questions concerning the Plan and the eligibility of any person to participate in the Plan;

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- (e) to compute the amount of benefits which shall be payable to any Participant or other person in accordance with the provisions of the Plan, and to determine the person or persons to whom such benefits shall be paid;
- (f) to authorize the payment of benefits;
- (g) to appoint such agents, counsel, accountants, consultants and other persons as may be required to assist in administering the Plan; and
- (h) to allocate and delegate the responsibilities of the Administrator under the Plan and to designate other persons to carry out any of such responsibilities, any such allocation, delegation or designation to be in writing. Notwithstanding the foregoing, any claim which arises under the benefit plans described in Article IV and specifically set forth in the Supplement shall not be subject to review under the Plan, and the authority of the Administrator under this Section shall not extend to any matter as to which an administrator under any other such plan is empowered to make determinations under such plan.

6.4 Claims and Appeals. Any claim for benefits under this Plan or with respect to a Participant's rights under the Plan shall be resolved by the Administrator.

6.5 Accounts And Records of The Plan. The Administrator shall establish and maintain accounts in the name of each Participant from the time he first becomes a Participant in the Plan. The Administrator shall also maintain records necessary to determine whether the requirements of Section 125 of the Code are satisfied.

6.6 Examination of Records. The Administrator shall make available to each Participant such records under the Plan as pertain to such Participant, for examination at reasonable times during normal business hours.

6.7 Reliance on Tables, Etc. In administering the Plan, the Administrator shall be entitled to the extent permitted by law to rely conclusively on all tables, valuations, certificates, opinions and reports which are furnished by or in accordance with the instructions of the administrators of the benefit plans described in Article IV and specifically set forth in the Supplement, or by accountants, counsel or other experts employed or engaged by the Administrator.

6.8 Nondiscriminatory Exercise of Authority. Whenever in the administration of the Plan any discretionary action by the Administrator is required, the Administrator shall exercise its authority in a nondiscriminatory manner so that all persons similarly situated will receive substantially the same treatment.

6.9 Indemnification. The Administrator and all Employees of the Township shall be indemnified by the Township and saved harmless against claims, and the expenses of defending against such claims, resulting from any action or conduct relating to the administration of the

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Plan except claims arising from gross negligence, willful neglect, or willful misconduct. The Township reserves the right to select and approve counsel and also the right to take the lead in any action in which it may be liable as an indemnitor.

6.10 Expenses of Administration. Any expense incurred by the Township or the Administrator relative to the administration of the Plan shall be paid by the Township. No person who is an employee of the Township shall receive any compensation for performing the duties of Administrator under the Plan, provided that the Township may reimburse such employee for any expenses of administration of the Plan paid for by such employee.

6.11 Rights of the Township to Inspect the Records of the Plan. The Township may at its own expense at any time or from time to time cause an examination of the books and records of the Plan to be made by such attorneys, accountants, auditors or other agents as it shall select for that purpose and may cause a report of such examination to be made.

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**ARTICLE VII
AMENDMENT AND TERMINATION OF THE PLAN**

The Township hereby reserves the right to amend, modify or terminate the Plan, at any time in the future both as to active employees and retired employees to the extent it might apply, provided that any benefits due or accrued prior to the time of such amendment, modification, or termination shall be paid in accordance with the Plan prior to such action. The Township may make any modifications or amendments to the Plan that are necessary or appropriate to qualify or maintain the Plan as a plan meeting the requirements of the applicable sections of the Code.

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**ARTICLE VIII
MISCELLANEOUS PROVISIONS**

8.1 Incompetency. The Township shall have no duty to make inquiry as to the competence of any person entitled to receive payments hereunder. In the event a guardian has been duly appointed for the estate of any person entitled to receive payments, payments shall be made to such guardian (but in the name of the Participant or spouse), provided that proper proof of appointment and continuing qualification is furnished. Any such payment shall be a payment in the account of the Participant or spouse and shall complete discharge of any liability of the Plan therefor.

8.2 Non-Alienation Of Benefits. No benefit payable under the provisions of the Plan shall be subject in any way to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge shall be void. Furthermore, no benefit payable under the provisions of the Plan shall be in any manner liable for or subject to the debts, contracts, liabilities, engagements, or torts of, or claims against, any Participant, Dependent or Beneficiary, including claims of creditors, claims for alimony or support, and any like or unlike claims. Notwithstanding the foregoing, the provisions of this Article VIII shall not apply to any alternate recipient under a qualified medical child support order.

8.3 Unclaimed Accounts. If the Administrator shall be unable, within two years of the date any amount becomes due and payable under the Plan to a Participant or Dependent, to make payment because the identity or whereabouts of such person cannot be ascertained, the Administrator may mail a notice by registered mail to the last known address of such person outlining the action described in this section to be taken unless such person makes written reply to the Administrator within 60 days from the mailing of such notice. The Administrator may direct that such amount shall be forfeited and all further benefits with respect to such person shall be discontinued and all liability for the payment of such amount and benefits shall terminate. Notwithstanding the foregoing, in the event of the subsequent reappearance of the Participant, Dependent or Beneficiary prior to termination of the Plan, the benefits which were due but were not paid to such person shall be paid in a single sum, and any future benefits due such person shall be reinstated in full.

8.4 Information to be Furnished. Participants shall provide the Township and Administrator with such information and evidence, and shall sign such documents, as may reasonably be requested from time to time for the purpose of administration of the Plan.

8.5 Limitation of Rights. Neither the establishment of the Plan nor any amendment thereof, nor the payment of any benefits, shall be construed as giving to any Participant or other person any legal or equitable right against the Administrator or the Township, as such, except as provided herein or as giving any person the right to be retained in the employ of the Township.

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8.6 Illegality of Particular Provision. The illegality of any particular provision of the Plan shall not affect the other provisions, but the Plan shall be construed in all respects as if such invalid provisions were omitted.

8.7 Effect of Mistake. In the event of a mistake as to the eligibility or participation of an Employee, or the benefits elected by or payable with respect to any Participant, or the benefits payable with respect to any Dependent or Beneficiary, the Administrator shall, to the extent he deems possible, correct such mistake.

8.8 Notification of Employees. The Township shall communicate in writing to all Employees and Participants the terms and conditions of the Plan.

8.9 Applicable Laws. The Plan shall be governed and construed according to the laws of the State of Michigan.

8.10 Construction. The headings and subheadings contained herein are inserted only as a matter of convenience and for reference and in no way define, limit, enlarge or describe the scope or intent of the Plan nor in any way shall affect the Plan or the construction of any provision thereof. In any necessary construction, the masculine shall include the feminine and the singular the plural, and vice versa.

8.11 No Guarantee of Tax Consequences. Neither the Administrator nor the Township makes any commitment or guarantee that any amounts paid to or for the benefit of a Participant will be excludable from the Participant's gross income for federal or state income tax purposes, or that any other federal or state tax treatment will apply to or be available to any Participant. It shall be the obligation of each Participant to determine whether each payment is excludable from the Participant's gross income for federal and state income tax purposes, and to notify the Township if the Participant has reason to believe that any such payment is not so excludable.

**2004 AND 2005 SUPPLEMENT TO THE
METAMORA TOWNSHIP
CAFETERIA PLAN**

This Supplement applies to the Plan Year beginning November 1, 2004, and the Plan Year beginning January 1, 2005.

Annual Enrollment Period:

The Annual Enrollment Period for the initial short 2004 plan year of November 1 to December 31, 2004 is October 1 to October 31, 2004. The Annual Enrollment Period for the 2005 Plan Year is November 15 to December 15.

Benefit Options:

The benefit options available to Participants for the 2004 and 2005 Plan Year are as follows:

(a) Group Health Plan

Blue Cross Blue Shield
Community Blue PPO
American Medical Dental

(b) Cash Benefit

A Plan Year cash payment of \$4800, if the Participant can document other health care coverage, as provided in Sections 4.3 and 5.8 of the Plan.

Default Election

In the event that a Participant does not elect Plan benefits upon his or her initial eligibility, such Participant shall be deemed to have elected single coverage under the Medical Plan. A Participant electing to waive medical coverage and have the cash benefit described above shall also be deemed to have elected the default coverage (regardless of the election) if evidence of other medical coverage is not provided. If a Participant does not make a new election during an annual enrollment period after his or her initial election or Default Election, the Participant is deemed to have continued his or her prior election, without regard to change in cost or coverage.

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Twip Copy
See Revised
Ord #44
Dec 28, 2004

METAMORA TOWNSHIP

CAFETERIA PLAN

January 1, 2004

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ESTABLISHMENT OF THE PLAN

The Metamora Township Cafeteria Plan (the "Plan") was established by Metamora Township, effective January 1, 2004.

The purpose of the Plan is to provide an effective way of satisfying the welfare benefit and personal financial needs of participating employees. The Plan is a "cafeteria plan" under Section 125 of the Internal Revenue Code and is intended to meet the requirements of that Section, as well as Section 105 of the Code. The Plan shall at all times be construed and administered in a manner consistent with such intention.

The provisions of the Plan are applicable only to people who are employed by the Township on or after the effective date of the Plan. An Employee who separated from employment prior to the effective date, and beneficiaries of such an employee, shall not be entitled to benefits under the Plan unless such employee is rehired and becomes eligible for Plan benefits pursuant to the eligibility provisions of the Plan.

ARTICLE I DEFINITIONS

Whenever used in the Plan, the following terms shall have the respective meanings set forth below unless otherwise expressly provided herein.

1.1 **"Administrator"** means the Township, or such other person or committee as it may appoint from time to time to act on its behalf with respect to the administration of the Plan.

1.2 **"After-Tax Contribution"** means amounts withheld from an Employee's pay under a Contribution Agreement to obtain benefit coverage options available under the Plan on an after-tax basis.

1.3 **"Annual Enrollment Period"** means, for each Plan Year, those days in the calendar quarter preceding the beginning of the Plan Year so designated by the Township and set forth in the Supplement for such Plan Year.

1.4 **"Benefits"** means each of the optional benefit choices available under the Plan as described in Article IV and listed in the Supplement.

1.5 **"Benefit Credits"** mean the amount, if any, contributed annually by the Township to the Cafeteria Plan on behalf of a Participant to obtain such of the benefits described in Article IV and listed in the Supplement as the Participant elects.

1.6 **"Change in Status"** means any of the events described below. It shall also mean any other events included under subsequent changes to Code §125 or the regulation issued under that section which the Administrator (in its sole discretion) decides to recognize on a uniform and consistent basis and has communicated to Participants:

- a) *Legal Marital Status:* A change in a Participant's legal marital status, including marriage, death of a Spouse, divorce, legal separation, or annulment;
- b) *Number of Dependents:* Events that change a Participant's number of Dependents (see definition of Dependent Below), including birth, death, adoption, and placement of adoption;
- c) *Change in Employment Status:* Any change in employment status of the Participant, the Participant's Spouse, or the Participant's Dependents that affects benefit eligibility under a cafeteria plan (including this Plan) or other employee benefit plan (including the Benefit Plan(s) or Policy(ies)) of the employer of the Participant, the Spouse, or Dependents, for the following events:
 - (1) termination or commencement of employment

- (2) strike or lockout
 - (3) commencement of or return from an unpaid leave of absence
 - (4) change in worksite
 - (5) switching from salaried to hourly-paid or union to non-union or vice versa,
 - (6) incurring a reduction or increase in hours of employment (e.g., going from part-time to full-time), or
 - (7) any other similar change which makes the individual become (or cease to be) eligible for a particular employee benefit.
- d) *Dependent Eligibility Requirements:* An event that causes a Participant's Dependent to satisfy or cease to satisfy the Dependent eligibility requirements for a particular benefit, such as attaining a specified age, getting married, or ceasing to be a Student;
- e) *Change in Residence:* A change in the place of residence of the Participant, the Participant's Spouse, or the Participant's Dependent.

1.7 **"Code"** means the Internal Revenue Code of 1986, as amended from time to time. Any reference to any section of the Code shall be deemed to include any applicable regulations and rulings pertaining to such section and shall also be deemed a reference to comparable provisions of future laws.

1.8 **"Contribution Agreement"** means the agreement (or deemed agreement) between a Participant and the Township which permits the Township to reduce the current compensation of the Participant and contribute the amount of the reduction to the Plan on behalf of the Participant to purchase a benefit offered on a pre-tax basis or an after-tax basis under the Plan. The Contribution Agreement shall apply only to amounts of the compensation of the Participant that have not been actually or constructively received as of the date of the Contribution Agreement. The Administrator shall determine the form of Contribution Agreement to be used upon initial enrollment, open enrollment or when making a permitted election change. The Administrator may choose to use telephone or electronic means for completion of Enrollment.

1.9 **"Coverage Option"** means a specific contract or other arrangement proving any of the benefits offered by or through the plan, including without limitation any indemnity insurance contract, other contract or any description of benefits which are self-insured by the Township. Coverage Options shall be described in the Supplement.

1.10 **"Default Coverage"** means the benefit election deemed to have been made by a Participant when the Participant fails to elect Plan benefits pursuant to the procedures outlined in Article V.

1.11 **"Dependent"** means, with respect to each optional benefit provided under the Plan, a spouse, unmarried child of a Participant or other person who satisfies the requirements for dependent coverage set forth in the separate plan document providing such benefit.

1.12 **"Effective Date"** means January 1, 2004, the date as of which the Township established this Plan for its Employees.

1.13 **"Employee"** means any individual employed by the Township on a full-time basis, regularly working an average of 30 hours per week, excluding (a) temporary employees, (b) leased employees as described at Code Section 414(n), (c) any employee covered by a collective bargaining agreement unless said agreement provides for his inclusion in the Plan and (d) any individual who is paid for services as an independent contractor and whose payments thereof are reported on Form 1099, whether or not such person is actually performing services as a common law employee of the Township.

1.14 **"Highly Compensated Individual"** means an individual defined in Code Section 105(h), 125(e), or 414(g), as applicable, as a "highly compensated individual" or "highly compensated employee."

1.15 **"Participant"** means any Employee who becomes a Participant pursuant to Article II of the Plan.

1.16 **"Period of Coverage"** means the Plan Year, or (i) for new Employees, the period beginning on the date participation in the Plan begins pursuant to Section 2.1 and continuing through the end of the Plan Year, or (ii) for terminating Participants, the period from the beginning of the Plan Year in which the date of termination occurs to the date of termination, or as provided in the separate plan document providing benefits under the Plan, if different. For Dependents, the Period of Coverage shall end on the date the individual no longer meets the definition of Dependent or the date the Period of Coverage ends for the Participant, whichever occurs first.

1.17 **"Plan"** means the Metamora Township Cafeteria Plan as set forth herein and amended from time to time.

1.18 **"Plan Year"** means the calendar year.

1.19 **"Pre-Tax Contribution(s)"** means any amount withheld from the Employee's compensation pursuant to an actual or deemed salary reduction election that is intended to be paid on a pre-tax basis. This amount shall not exceed the Participant contribution attributable to the most costly benefit options offered by the Plan, and shall be treated as a Township contribution for purposes of the Code.

1.20 **"PHSC"** means the Public Health Service Code, as amended.

1.21 "**Supplement**" means the Supplement attached and hereby incorporated by reference, as amended annually, which sets forth for each Plan Year, the employee groups eligible to participate in the Plan, the Annual Enrollment Period, the benefit options offered under the Plan, whether the benefit is provided through insurance or otherwise, whether the benefit may be purchased with Benefit Credits (and the amount of any such credits), salary reduction contributions, payroll deduction contributions or any combination thereof. The Supplement shall also describe the Default Coverage under the Plan.

1.22 "**Township**" means Metamora Township in Michigan.

ARTICLE II

ELIGIBILITY FOR PARTICIPATION

2.1 Eligibility to Participation. Each Employee shall become eligible to participate in the Plan, with respect to each optional benefit offered under the Plan, on the first day of the month immediately following completion of any period required for eligibility (as set forth in the Supplement), or such later period required to select any optional benefit, as described in the separate plan describing such benefit and

- (a) the first day of the month immediately following transfer to the status of Employee; and
- (b) the completion of one full day of employment following reemployment or a return to the status of Employee in the same Plan Year as the Plan Year in which employment ended, provided the Employee previously participated in the Plan.

Employees who are eligible to participate in the Plan immediately prior to transferring from one eligible group to another still remain eligible to be participants.

2.2 Termination of Participation. A Participant shall cease to be a Participant in the Plan as of the earlier of:

- (a) the date on which the Plan terminates;
- (b) the date on which the Participant terminates active employment or otherwise ceases to be an Employee eligible to participate in the Plan, (whether because of retirement, termination of employment, death or disability);
- (c) the date on which the Participant is laid off, takes an unpaid leave of absence, or transfers to a non-eligible employee group;
- (d) the date on which the Participant ceases to be eligible due to a change in employment status or classification.

2.3 Leaves of Absence. If a Participant goes on an unpaid leave of absence that does not affect eligibility, then the Participant will continue to participate and any contribution due for the Participant will be paid by pre-payment before going on leave, by after-tax contributions while on leave, or with catch-up contributions after the leave ends, as may be determined by the Administrator. If a Participant goes on an unpaid leave that affects eligibility, the election change rules in Article IV will apply.

ARTICLE III PLAN FUNDING

3.1 Township Contributions. For each Plan Year, the Township may, but is not required to, make a contribution with respect to each Participant called "Benefit Credits," which shall be applied toward the cost of benefits elected by such Participant, or which may be given to the Participant in cash, subject to any limitation provided herein. The Township reserves the right to change the amount of the Benefit Credits which will be available to Participants from year to year.

3.2 Participant Contributions. Participants are not required to contribute to the Plan. However, in the event that any Benefit Credits available to a Participant for a Plan Year are insufficient or unavailable for the purchase of a Plan benefit elected by such Participant, the Participant shall pay the remaining required contribution (i) by making a salary reduction contribution, if such benefit is offered on a pre-tax basis under the Plan, or (ii) by making a payroll deduction contribution, if such benefit is offered on an after-tax basis under the Plan.

3.3 Contribution Elections. Each Participant may enter into a Contribution Agreement which shall reduce his compensation by an amount equal to that necessary to provide for any non-taxable benefit provided under the Plan and elected by such Participant. Any amounts so elected shall not become currently available to the Participant and shall be contributed to the Plan as a salary reduction contribution. The cost of each available benefit option shall be communicated to Participants at the time of initial enrollment, during the Annual Enrollment Period and whenever the Administrator is advised of an event permitting an election change under Article V. The Township reserves the right to change required contributions during a Period of Coverage if the Township's cost for the benefit changes. The amount of the salary reduction contribution elected by the Participant shall be deemed to be a Township contribution for purposes of the Code. The Contribution Agreement may also reduce the after-tax compensation of the Participant by an amount equal to that necessary to provide any benefit offered under the Plan on an after-tax basis and elected by such Participant. Such amount shall be contributed to the Plan as a payroll deduction contribution.

3.4 Forfeiture of Unused Benefits. The Participant shall forfeit all rights with respect to any and all Participant contributions and Benefit Credits that are not used by the end of the Period of Coverage with respect to which they were contributed to obtain benefits under the Plan. Participant contributions that are forfeited pursuant to the previous sentence will be used to offset any expenses of administering this Plan.

3.5 Compensation Changes. Any change in the compensation of a Participant during a Plan Year shall not affect the amount of any salary reduction contribution or payroll deduction contribution made on behalf of such Participant or the amount or type of benefit elected by such Participant for such Plan Year.

ARTICLE IV BENEFITS

4.1 Benefits. The benefits available for any Plan Year shall be determined by the Township in accordance with Section 6.2 and set forth in the Supplement. Such benefits may be offered under any employee welfare benefit plan allowed to be part of this Plan by Section 125 of the Code. The Township reserves the right to add, delete or change such benefits and/or separate benefit plans from year to year in its sole discretion or during a Plan Year, provided that such additions, deletions and changes shall not discriminate in favor of highly compensated participants (as defined in Section 125(e) of the Code).

4.2 Description of Benefits Other Than Cash. While the election to receive one or more of the optional benefits described in Section 4.1 and specifically set forth in the Supplement is made under the Plan, each such optional benefit is provided under a separate benefit plan. The type, definition and amount of each such optional benefit, the requirements for participating in each such optional benefit, and other terms and conditions of coverage under each such optional benefit are as set forth from time to time in the applicable plan document and hereby incorporated into the Plan by reference.

4.3 Cash Option. A Participant may elect in lieu of coverage under the Plan to receive a taxable benefit in the form of cash compensation, which may include all or part of any Benefit credits available for the Plan Year. Any amounts to be paid in cash pursuant to this Section shall be paid to the Participant as additional compensation prorated throughout the Plan Year. If the employment of any Participant terminates prior to the end of the Plan Year, as remaining amount of such payments shall not be made.

ARTICLE V PARTICIPANT ELECTIONS

5.1 Initial Election of Benefits. The Administrator will provide an enrollment package including benefit cost data and a Contribution Agreement to each Employee prior to the date when such Employee first becomes eligible to participate in the Plan. The Participant must complete a Contribution Agreement in a manner determined by the Administrator prior to the date on which he or she is first eligible to be a Participant, or within 30 days of first becoming eligible to participate in the Plan. Any salary reduction contributions or payroll deduction contributions will become effective on the first day of the pay period participation in the Plan begins under Section 2.1, or following filing of a Contribution Agreement, if later.

5.2 Annual Enrollment Period. At the commencement of each Annual Enrollment Period, the Administrator will provide an enrollment package to each Participant in order for such Participant to make new benefit elections for the Plan Year next following such Annual Enrollment Period. The Participant must complete and return the new Contribution Agreement to the Township by the end of the Annual Enrollment Period by such means as the Administrator may direct from time to time.

5.3 Deemed Elections. A Participant who fails to make any election within 30 days of the date he first becomes eligible to participate in the Plan above shall be deemed to have elected the Default Coverage under the Plan set forth in the Supplement for Plan Year, or, in the event that the Participant has one or more Dependents who are alternate recipients under a qualified medical child support order, the coverage option consistent with the provisions of such order. Thereafter, a Participant who does not revise his benefit election during an Annual Enrollment Period will be presumed to have chosen not to change his benefit election for the Period of Coverage next following such Annual Enrollment Period, except as provided in the Supplement.

5.4 Irrevocability of Elections. Except as described in this Article V, the election a Participant makes under the Plan is irrevocable for the Period of Coverage to which it relates. Accordingly, unless one of the exceptions described in Section 5.6 applies a participant may not change the following elections during a period of coverage:

- a) participation in the Plan
- b) salary reduction amounts
- c) election of particular options offered through the Plan.
- d) election of any cash option available under the Plan.

5.5 Election Changes. No Participant shall change his or her elections under the Plan during a Period of Coverage unless one of the exceptions to the irrevocability of elections provided in Section 5.4 should apply.

- a) *Timing.* If an exception to the irrevocability of elections applies due to one of the situations described in Section 5.6, a Participant must make a new election within 30 days of the occurrence of the event.
- b) *Effective Date.* Changes in elections made in accordance with this section are effective for the balance of the Period Coverage involved, unless there is a subsequent event which permits further election change. Except as provided in Section 5(b)(2) with respect to the birth, adoption or placement for adoption of a new dependent child all election changes are effective prospectively only on the first day of the next calendar month following the date that the election change was made.

5.6 Events Permitting Change of Elections. A Participant may make an election change:

- (a) *Change in Status.* A Participant may change or terminate his or her actual or deemed election under the Plan upon the occurrence of a Change in Status, but only if such change or termination is made on account of and corresponds with a Change in Status that affects coverage eligibility of a Participant, a Participant's Spouse, or a Participant's Dependent. A requested change must also satisfy the following specific consistency requirements in order for a Participant to be able to alter his or her election based on that change.
 - (1) *Loss of Dependent Eligibility.* For a Change in Status involving a Participant's divorce, annulment, or legal separation from a Spouse, the death of a Spouse or a Dependent, or a Dependent ceasing to satisfy the eligibility requirements for coverage, a Participant may only elect to cancel accident or health coverage
 - A. for the Spouse involved in the divorce, annulment, or legal separation,
 - B. the deceased Spouse or Dependent, or
 - C. the Dependent that ceased to satisfy the eligibility requirements.
 - (2) *Gain of Coverage Eligibility Under Another Employer's Plan.* For a Change in Status in which a Participant, a Participant's Spouse, or a Participant's Dependent gains eligibility for coverage under another employer's cafeteria plan (or other benefit plan which can be part of a cafeteria plan) as a result of a change in marital status or a change in employment status, a Participant may elect to cease or decrease coverage for that individual only if coverage for that individual becomes effective or is increased under the other employer's plan. In the Administrator's discretion, a certificate from the Participant

stating that such other coverage has been or will be obtained will be accepted as evidence of such other coverage.

- (b) *Special Enrollment Rights.* Special enrollment rights arise if medical plan coverage was declined for an Employee, Spouse, or Dependent Child under the Township's group health plan because of outside medical coverage and eligibility for such coverage is subsequently lost due to legal separation, divorce, death, termination of employment, reduction in hours, or exhaustion of the maximum COBRA period, or if a new Dependent is acquired as a result of marriage, birth, adoption, or placement for adoption. If a Participant, a Participant's Spouse, or a Participant's Dependent is entitled to a special enrollment right under a group health plan, then the Participant may change a prior election for medical coverage and make a new election (including a salary reduction election), provided that the election corresponds with such special enrollment right. For purposes of this provision:
- (1) an election to add previously eligible Dependents as a result of the acquisition of a new Spouse or Dependent child shall be considered to be consistent with the special enrollment right; and
 - (2) a special enrollment election attributable to the birth or adoption of a new Dependent child may, subject to the provisions of the underlying group health plan, be effective retroactively (up to 30 days).
- (c) *Certain Judgments, Decrees, and Orders.* If a judgment, decree, or order (an "Order") resulting from a divorce, legal separation, annulment, or change in legal custody (including a Qualified Medical Child Support Order) requires accident or health coverage for a Participant's Dependent child (including a foster child who is a Dependent of the Participant), a Participant may: (1) change his or her election to provide coverage for the Dependent child (provided that the Order requires the Participant to provide coverage); or (2) change his or her election to revoke coverage for the Dependent child if the Order requires that another individual (including the Participant's Spouse or former Spouse) provide coverage under that individual's plan.
- (d) *Medicare and Medicaid.* If a Participant, a Participant's Spouse, or a Participant's Dependent who is enrolled in a health or accident benefit under this Plan becomes entitled to Medicare or Medicaid (other than coverage consisting solely of benefits under Section 1928 of the Social Security Act providing for pediatric vaccines), the Participant may prospectively reduce or cancel the medical coverage of the person becoming entitled to Medicare or Medicaid. Further, if a Participant, a Participant's Spouse, or a Participant's Dependent who has been entitled to Medicare or Medicaid loss

eligibility for such coverage, then the Participant may prospectively elect to commence or increase the health or accident coverage.

(e) *Change in Cost.*

- (1) *Automatic Increase or Decrease for Insignificant Cost Changes.* If the cost of a benefit option increases or decreases during a Plan Year by an insignificant amount, then the Pre-Tax Contributions or After-Tax Contributions (as applicable) under each affected Participant's election shall be prospectively increased or decreased to reflect such change without the further election of the Participant. The Administration, on a reasonable and consistent basis, will automatically effectuate this prospective increase or decrease in affected employees' elective contributions in accordance with such cost changes. The Administrator (in its sole discretion) will decide, in accordance with prevailing IRS guidance, whether increases or decreases in costs are "insignificant" based upon the surrounding facts and circumstances (including, but not limited to, the dollar amount or percentage of the cost change).
- (2) *Significant Cost Changes.* If the Administrator determines that the cost of a Participant's benefit option has significantly increased or decreased during a Plan Year, the Participant may either make a corresponding prospective change in his or her contributions, revoke his or her election, and in lieu thereof, receive coverage under another Plan option which provides similar coverage if such an option is available. "Similar Coverage" means coverage for the same category of benefits, for the same individuals, without regard to the cost of the coverage. If no such option is available, the Participant may elect no coverage. In the event of a cost decrease, a previously declined option may be elected. In the absence of an election by the Participant, a corresponding change in his or her contribution for existing benefit elections will be made.

(f) *Change in Coverage.*

- (1) *Significant Curtailment.* If coverage under a benefit option offered through this Plan is "significantly curtailed" Participants may elect coverage under another option that provides similar coverage, if one is available. If the coverage curtailment results in a "loss of coverage" Participants may drop coverage if no similar coverage is offered by the Plan. For purposes of this section, coverage is "significantly curtailed" if there is an overall reduction in the coverage provided under the Plan option so as to constitute reduced coverage generally for all people covered by that option. A curtailment constitutes a "loss of coverage" if

there is complete loss of coverage under the option (such as elimination of the option, the option ceasing to be available in a geographic location or a particular Participant losing all coverage under the option because of lifetime or annual limits). The administrator may also determine to treat the following as a loss of coverage:

- A. A substantial decrease in the number of providers participating in the benefit option (such as a major hospital leaving a preferred provider network or substantial number of physicians)
- B. reduction in benefits for a specific type of medical condition or treatment which affects the current treatment of a Participant or a covered dependent.

- (2) *Addition or Significant Improvement of a Benefit Package Option.* If during a Period of Coverage, the Plan adds a new benefit option or significantly improves an existing benefit option, (i) Participants who are enrolled in a benefit option other than the newly added or significantly improved benefit option may change their election on a prospective basis to elect the newly added or significantly improved benefit option; and (ii) Participants otherwise eligible who did not elect any option may elect the newly added or significantly improved benefit option on a prospective basis, subject to the terms and limitations of the benefit option.
- (3) *Change in Coverage Under Another Employer's Plan.* A Participant may make a prospective election change that is on account of and corresponds with a change made under another employer's plan (including a plan of the Employer or a plan of the employer of the Participant's Spouse or Dependent), so long as (a) the other cafeteria plan or qualified benefits plan permits its participants to make an election change that would be permitted under applicable IRS regulations, or (b) the Plan permits Participants to make an election for a Period of Coverage that is different from the plan year under the other cafeteria plan or qualified benefits plan. For example, if an election is made by the Participant's Spouse during his or her employer's open enrollment to drop coverage, the Participant may add coverage to replace the dropped coverage.

5.7 Impact of Termination of Employment on Election. Termination of employment shall automatically revoke any Contribution Agreement. If a former Participant is rehired within 30 days of termination and is otherwise eligible to participate in the Plan, the individual shall have his prior elections reinstated. If rehired more than 30 days after termination, the individual must make a new election.

5.8 Election of "No Coverage." A Participant may elect to receive cash in lieu of the various benefits offered under the Plan as provided in the Supplement; provided that an election

to receive cash in lieu of coverage under the medical plan shall not be valid unless and until the Participant submits documentary proof of other health care coverage.

5.9 Changes by Administrator. If the Administrator determines before or during any Plan Year that the Plan may fail to satisfy for such Plan Year any nondiscrimination requirement imposed by the Code or any limitation on benefits provided to key employees (as defined by Code Section 416), the Administrator shall take such action as deemed appropriate, under rules uniformly applicable to similarly situated Participants, to assure compliance with such requirement or limitation. Such action may include, without limitation, a modification of benefit elections made by highly compensated employees or key employees (as defined by the Code for purposes of the nondiscrimination requirement in question) without the consent of such employees.

In addition, if the Administrator receives written evidence of any medical child support order, the Administrator shall promptly notify the Participant and each alternate recipient named in the order of its receipt and of the Plan's procedures for determining whether the order is qualified. In the event that an order is determined to be so qualified, the Administrator shall take whatever action is necessary to ensure that the terms of the order are carried out, including, without limitation, the modification of the benefit election made by the Participant named in the order.

ARTICLE VI ADMINISTRATION

6.1 Powers and Authority. The Administrator shall have any and all power, discretion and authority which shall be necessary, advisable, desirable or convenient to enable it to carry out its duties under the Plan, including by way of illustration and not limitation, the powers and authority to make rules and regulations in respect of the Plan not inconsistent with the Plan or the Code, to determine, consistently therewith, all questions that may arise as to the eligibility, benefits, status and right of any person claiming benefits under the Plan, including (without limitation) Participants, former Participants, surviving spouses of Participants and Beneficiaries, and to construe and interpret the Plan and correct any defect, supply any omissions, or reconcile any inconsistencies in the Plan, such action to be conclusive and binding on all persons claiming benefits under the Plan.

6.2 Annual Changes in Contributions and Benefits. Prior to the Annual Enrollment Period for each Plan Year, the Township shall determine the Benefit Credits and benefits which shall be available under the Plan for such Plan Year. Such Benefit Credits and benefits shall be the same for all similarly situated Participants and shall be set forth in the Supplement.

6.3 Administrator. The Administrator shall supervise the administration of the Plan. It shall be a principal duty of the Administrator to see that the terms of the Plan are carried out for the exclusive benefit of persons entitled to participate in the Plan without discrimination among such persons. The Administrator shall have full discretionary power to administer the Plan in all of its details. For this purpose, the powers and responsibilities of the Administrator shall include, but shall not be limited to, the following, in addition to all other powers and responsibilities provided by the Plan:

- (a) To make and enforce such rules and regulations as the Administrator deems necessary or proper for the efficient administration of the Plan, including the establishment of any claims procedures that may be required by applicable provisions of law;
- (b) to effect any Plan amendments necessary to prevent discriminatory utilization;
- (c) to interpret the Plan in good faith, such interpretation to be final and conclusive on all persons claiming benefits under the Plan;
- (d) to decide all questions concerning the Plan and the eligibility of any person to participate in the Plan;

- (e) to compute the amount of benefits which shall be payable to any Participant or other person in accordance with the provisions of the Plan, and to determine the person or persons to whom such benefits shall be paid;
- (f) to authorize the payment of benefits;
- (g) to appoint such agents, counsel, accountants, consultants and other persons as may be required to assist in administering the Plan; and
- (h) to allocate and delegate the responsibilities of the Administrator under the Plan and to designate other persons to carry out any of such responsibilities, any such allocation, delegation or designation to be in writing. Notwithstanding the foregoing, any claim which arises under the benefit plans described in Article IV and specifically set forth in the Supplement shall not be subject to review under the Plan, and the authority of the Administrator under this Section shall not extend to any matter as to which an administrator under any other such plan is empowered to make determinations under such plan.

6.4 Claims and Appeals. Any claim for benefits under this Plan or with respect to a Participant's rights under the Plan shall be resolved by the Administrator.

6.5 Accounts And Records of The Plan. The Administrator shall establish and maintain accounts in the name of each Participant from the time he first becomes a Participant in the Plan. The Administrator shall also maintain records necessary to determine whether the requirements of Section 125 of the Code are satisfied.

6.6 Examination of Records. The Administrator shall make available to each Participant such records under the Plan as pertain to such Participant, for examination at reasonable times during normal business hours.

6.7 Reliance on Tables, Etc. In administering the Plan, the Administrator shall be entitled to the extent permitted by law to rely conclusively on all tables, valuations, certificates, opinions and reports which are furnished by or in accordance with the instructions of the administrators of the benefit plans described in Article IV and specifically set forth in the Supplement, or by accountants, counsel or other experts employed or engaged by the Administrator.

6.8 Nondiscriminatory Exercise of Authority. Whenever in the administration of the Plan any discretionary action by the Administrator is required, the Administrator shall exercise its authority in a nondiscriminatory manner so that all persons similarly situated will receive substantially the same treatment.

6.9 Indemnification. The Administrator and all Employees of the Township shall be indemnified by the Township and saved harmless against claims, and the expenses of defending against such claims, resulting from any action or conduct relating to the administration of the

Plan except claims arising from gross negligence, willful neglect, or willful misconduct. The Township reserves the right to select and approve counsel and also the right to take the lead in any action in which it may be liable as an indemnitor.

6.10 Expenses of Administration. Any expense incurred by the Township or the Administrator relative to the administration of the Plan shall be paid by the Township. No person who is an employee of the Township shall receive any compensation for performing the duties of Administrator under the Plan, provided that the Township may reimburse such employee for any expenses of administration of the Plan paid for by such employee.

6.11 Rights of the Township to Inspect the Records of the Plan. The Township may at its own expense at any time or from time to time cause an examination of the books and records of the Plan to be made by such attorneys, accountants, auditors or other agents as it shall select for that purpose and may cause a report of such examination to be made.

ARTICLE VII
AMENDMENT AND TERMINATION OF THE PLAN

The Township hereby reserves the right to amend, modify or terminate the Plan, at any time in the future both as to active employees and retired employees to the extent it might apply, provided that any benefits due or accrued prior to the time of such amendment, modification, or termination shall be paid in accordance with the Plan prior to such action. The Township may make any modifications or amendments to the Plan that are necessary or appropriate to qualify or maintain the Plan as a plan meeting the requirements of the applicable sections of the Code.

ARTICLE VIII MISCELLANEOUS PROVISIONS

8.1 Incompetency. The Township shall have no duty to make inquiry as to the competence of any person entitled to receive payments hereunder. In the event a guardian has been duly appointed for the estate of any person entitled to receive payments, payments shall be made to such guardian (but in the name of the Participant or spouse), provided that proper proof of appointment and continuing qualification is furnished. Any such payment shall be a payment in the account of the Participant or spouse and shall complete discharge of any liability of the Plan therefor.

8.2 Non-Alienation Of Benefits. No benefit payable under the provisions of the Plan shall be subject in any way to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge shall be void. Furthermore, no benefit payable under the provisions of the Plan shall be in any manner liable for or subject to the debts, contracts, liabilities, engagements, or torts of, or claims against, any Participant, Dependent or Beneficiary, including claims of creditors, claims for alimony or support, and any like or unlike claims. Notwithstanding the foregoing, the provisions of this Article VIII shall not apply to any alternate recipient under a qualified medical child support order.

8.3 Unclaimed Accounts. If the Administrator shall be unable, within two years of the date any amount becomes due and payable under the Plan to a Participant or Dependent, to make payment because the identity or whereabouts of such person cannot be ascertained, the Administrator may mail a notice by registered mail to the last known address of such person outlining the action described in this section to be taken unless such person makes written reply to the Administrator within 60 days from the mailing of such notice. The Administrator may direct that such amount shall be forfeited and all further benefits with respect to such person shall be discontinued and all liability for the payment of such amount and benefits shall terminate. Notwithstanding the foregoing, in the event of the subsequent reappearance of the Participant, Dependent or Beneficiary prior to termination of the Plan, the benefits which were due but were not paid to such person shall be paid in a single sum, and any future benefits due such person shall be reinstated in full.

8.4 Information to be Furnished. Participants shall provide the Township and Administrator with such information and evidence, and shall sign such documents, as may reasonably be requested from time to time for the purpose of administration of the Plan.

8.5 Limitation of Rights. Neither the establishment of the Plan nor any amendment thereof, nor the payment of any benefits, shall be construed as giving to any Participant or other person any legal or equitable right against the Administrator or the Township, as such, except as provided herein or as giving any person the right to be retained in the employ of the Township.

8.6 Illegality of Particular Provision. The illegality of any particular provision of the Plan shall not affect the other provisions, but the Plan shall be construed in all respects as if such invalid provisions were omitted.

8.7 Effect of Mistake. In the event of a mistake as to the eligibility or participation of an Employee, or the benefits elected by or payable with respect to any Participant, or the benefits payable with respect to any Dependent or Beneficiary, the Administrator shall, to the extent he deems possible, correct such mistake.

8.8 Notification of Employees. The Township shall communicate in writing to all Employees and Participants the terms and conditions of the Plan.

8.9 Applicable Laws. The Plan shall be governed and construed according to the laws of the State of Michigan.

8.10 Construction. The headings and subheadings contained herein are inserted only as a matter of convenience and for reference and in no way define, limit, enlarge or describe the scope or intent of the Plan nor in any way shall affect the Plan or the construction of any provision thereof. In any necessary construction, the masculine shall include the feminine and the singular the plural, and vice versa.

8.11 No Guarantee of Tax Consequences. Neither the Administrator nor the Township makes any commitment or guarantee that any amounts paid to or for the benefit of a Participant will be excludable from the Participant's gross income for federal or state income tax purposes, or that any other federal or state tax treatment will apply to or be available to any Participant. It shall be the obligation of each Participant to determine whether each payment is excludable from the Participant's gross income for federal and state income tax purposes, and to notify the Township if the Participant has reason to believe that any such payment is not so excludable.

IN WITNESS WHEREOF, Metamora Township has caused this instrument to be executed, effective as of January 1, 2004.

METAMORA TOWNSHIP

By: _____

Its: _____

Date: _____

**SUPPLEMENT TO THE
METAMORA TOWNSHIP
CAFETERIA PLAN**

This Supplement applies to the Plan Year beginning January 1, 2004.

Annual Enrollment Period:

The Annual Enrollment Period for the 2004 plan year is _____ to _____, 2004.

Benefit Options:

The benefit options available to Participants for the 2004 Plan Year are as follows:

(a) Group Health Plan

Blue Cross Blue Shield
Community Blue PPO

(b) Cash Benefit

A monthly cash payment of \$_____, if the Participant can document other health care coverage.

Default Election

In the event that a Participant does not elect Plan benefits upon his or her initial eligibility, such Participant shall be deemed to have elected single coverage under the Medical Plan. A Participant shall also be deemed to have elected the default medical coverage if evidence of other coverage is not provided. If a participant does not make new elections during the annual enrollment period, the Participant is deemed to have continued his or her prior elections, without regard to change in cost or coverage.