

Allegiance Benefit Plan Management, Inc.

Memorandum

Date: August 24, 2010

To: Valued Customers of Allegiance Benefit Plan Management

From: Roger Cowan

Re: PPACA Compliance and Grandfather Status

This memorandum is the next step toward the compliance with PPACA healthcare reform. Since April, 2010, Allegiance has been providing short memorandums, webinars and seminars regarding healthcare reform compliance.

Previous information has been intended to provide a broad picture of healthcare reform requirements.

Now the time has come to start with hands on compliance. The very first question to be answered with regard to this compliance is whether you, as the plan administrator, intend for your plan to be "grandfathered". Attached is the previous memorandum Allegiance provided regarding grandfathering and its effects. Please read the memorandum carefully.

In addition to the memorandum, in very brief terms, if your plan remains grandfathered, in 2010 and 2011 you will not be required to comply with the "first dollar", 100% preventive care coverage mandate or the external claims and appeals rules. However, even if your plan qualifies to be grandfathered, you will be required to comply with all other mandates that become effective on the first plan year after September 23, 2010. In 2014, if your plan remains grandfathered, you will not be required to comply with the limited deductible requirements, you will not be required to cover "essential benefits" and you will not be required to cover clinical trials. However again, your plan will be required to cover all other benefit mandates that become effective in 2014.

In order to start designing your plan document for compliance, the first question for which Allegiance needs an answer is whether you intend to be grandfathered. Please download this memorandum, check the appropriate box at the bottom, sign the memorandum and return it to your Account Executive at Allegiance. If you wish to discuss your decision, please contact us at your earliest convenience. We request that you return this memorandum with the appropriate choice checked on or before September 15th so we can start moving forward with required plan amendments

Thank you for your prompt response to this request.

- Yes, we wish to retain grandfathered status
- No, we do not wish to retain grandfathered status

Name of Plan

Signature