PLAN HIGHLIGHTS

…Give You Choices

If you are an eligible Full-time Employee, you can contribute to the health care spending account, the dependent care spending account or both. Each year, you can contribute up to $5,000 to the health care spending account to pay for un-reimbursed medical, dental and vision expenses, as well as prescription and over-the-counter* drug expenses and up to $5,000 to the dependent care spending account to pay for day care and elder care expenses for eligible dependents. *Beginning January 1, 2011, over-the-counter drugs are not an eligible medical expense unless prescribed by a doctor.

…Offer Convenience

Your flexible spending account contributions are automatically deducted from each paycheck and credited to your flexible spending accounts.

…Save You Money in Taxes

The money in your accounts is not subject to Federal income taxes, Social Security taxes or Medicare taxes. And, in most places, state and local taxes also do not apply. This means that many of your routine health and dependent care services will actually cost you less.

…Require Careful Planning

Enrollment does not automatically extend from one year to the next. You need to estimate your expenses for the upcoming year carefully when deciding how much to contribute to the flexible spending accounts. The health care spending account offers a grace period to minimize the risk of forfeiting funds. According to Internal Revenue Service rules, ***any money left in your health care spending account at the end of the grace period for the plan year or in your dependent care spending account at the end of the plan year will be forfeited.***

2B1B0B1HHOW THE FLEXIBLE SPENDING ACCOUNTS WORK

Follow these steps to put the flexible spending accounts to work for you:

- **Estimate Your Expenses**

Each fall, you calculate these expenses for the upcoming year: any out-of-pocket medical, dental, and vision care expenses, prescription and over-the-counter drug expenses and your dependent care expenses. You should estimate carefully because you will forfeit any unused funds.

- **Decide On Your Contribution**

You can contribute from $100 to $5,000 before-tax to the health care spending account and from $100 to $5,000 before-tax to the dependent care spending account. The two accounts are separate, and you may not transfer funds between the two. Once you begin contributing, you may not change or stop your contributions during the year unless you have a qualifying event.

File A Claim

When you have eligible expenses, you pay for them as you normally would. Then you submit a receipt, reimbursement request and any other supporting documentation to the claims administrator. Refer to the “Contact Information” section for the Member Services number and web site address to access account information and instructions on how you can file a reimbursement claim.

Receive Reimbursement

Reimbursements from your accounts are made with before-tax dollars.

Should you participate?

Here are some questions you may want to ask yourself before you decide to contribute to a flexible spending account:

- **What Do You Expect Your Out-Of-Pocket Health Care Expenses To Be?**

  Start with your deductibles, and then add any medical, dental, vision, prescription or over-the-counter drug expenses that are not covered – such as co-payments, charges above reasonable and customary or charges above plan maximums.

- **What Do You Expect Your Dependent Care Expenses To Be?**

  Consider any times of the year when you do not have these expenses, such as vacation periods. Also, if your child will turn 13 during the year, estimate your expenses only for the portion of the year before your child’s 13th birthday.

Changing Your Contribution

You may not change or stop your contributions to the flexible spending accounts during the year unless you have a qualifying event, such as a birth, marriage or a job loss by your spouse. If you stop contributing to the flexible spending accounts, you can be reimbursed only for eligible health and dependent care expenses incurred before you stopped contributing.

Tax Savings

The health care and dependent care spending accounts are designed for one purpose: to help you save on taxes. Your taxable income is reduced by the amount you contribute to the accounts.

How much can you save on taxes? Suppose you contribute $1,000 to the health care spending account and are in the 15% Federal tax bracket. You could save $150 in Federal income taxes and $76.50 in Social Security and Medicare taxes for a total of $226.50. Your savings are even greater when you add state and local tax savings.

Your participation in the accounts may reduce your Social Security retirement benefits. The current tax advantages generally offset any reduction in Social Security benefits.

Tax Savings: An Example

Amount you Contribute	Estimated Annual Federal Income Tax Savings		
	15% Tax Bracket	25% Tax Bracket	28% Tax Bracket
$100	$15	$25	$28
$250	$38	$63	$70
$500	$75	$125	$140
$1,000	$150	$250	$280
$3,000	$450	$750	$840
$5,000	$750	$1,250	$1,400

Note: This example only takes Federal income tax savings into account. You may also save an additional 6.20% on Social Security taxes, 1.45% on Medicare taxes and, depending on where you live, state and local taxes.

HEALTH CARE SPENDING ACCOUNT

Contributions

Eligible Full-time Employees may contribute from $100 to $5,000 annually to the health care spending account. Contributions are deducted from your pay each pay period and credited to your flexible spending account.

Limit for Highly Compensated Employees

Certain highly compensated employees may be limited by the Internal Revenue Service as to how much they can contribute to the health care spending account annually. You will be notified if this limit applies to you.

Eligible Expenses and Dependents

You can use the health care spending account to pay for un-reimbursed medical, dental and vision care expenses, as well as prescription and over-the-counter drugs prescribed by a doctor, for you and your eligible dependents.

Eligible dependents are your spouse and anyone you claim as a dependent on your Federal income tax return. Eligible dependents do not have to be covered under the Company's medical or dental plans. If you are divorced or legally separated, your child may be an eligible dependent even if not claimed as a dependent on your return.

In general, you may be reimbursed for any health care expense that is not paid for by an insurance plan and is considered a deductible medical expense by the Internal Revenue Service. However, you cannot claim, as an income tax deduction, any expenses reimbursed or payable through the health care spending account.

Generally, eligible health care expenses currently allowable by the Internal Revenue Service include, medically necessary:

- Fees for physicians, surgeons, dentists, ophthalmologists, optometrists, chiropractors, podiatrists, psychiatrists, psychologists, social workers and Christian Scientist practitioners
- Fees for hospital services, therapy, nursing services, ambulance fees, laboratory, surgical, obstetrical, diagnostic, dental and x-ray services
- Rehabilitation services
- Special equipment, such as wheelchairs, special handicapped automotive controls and special phone equipment for the deaf
- Special items, such as dentures, artificial limbs, contact lenses, eyeglasses, hearing aids, crutches and guide dogs for the vision or hearing impaired
- Prescription medicines, drugs and insulin (drugs that require a Rx)
- Cost of vasectomies, hysterectomies and birth control
- Acupuncture
- Radial keratotomy
- Non-elective cosmetic surgery
- Non-prescription drugs (over-the-counter) – Beginning January 1, 2011, non-prescription over-the-counter drugs are allowed as a deductible medical expense only if prescribed by a doctor.

Ineligible Expenses

Generally, health care expenses that are ineligible for reimbursement through the account include:

- Expenses incurred before your date of participation
- Expenses reimbursed through any other policy, plan or program
- Expenses claimed as a deduction or credit on your Federal income tax return
- Elective cosmetic surgery
- Orthodontia for cosmetic purposes
- Tooth-whitening procedures
- Marriage or family counseling fees

- Household and domestic help, even if recommended by a doctor
- Custodial care in an institution
- Funeral and burial expenses
- Illegal operations or treatments
- Weight-loss classes or programs, unless prescribed by a doctor to treat an existing disease
- Maternity clothes, diaper services, etc.
- Vitamins or food supplements taken for general health purposes
- Cosmetics, toiletries, etc.
- Healthcare insurance premiums
- Hair transplant or removal
- Transportation expenses to and from work, despite a physical handicap
- Expenses merely beneficial to health, such as vacations or fitness programs, even if recommended by a doctor
- Any expenses incurred after you stop making contributions
- Health club memberships
- Beginning January 1, 2011, non-prescription over-the-counter drugs are not allowed as a deductible medical expense unless prescribed by a doctor.

Refer to Internal Revenue Service Publication 502 for a complete, current list of many eligible expenses. To order a copy, call the Internal Revenue Service toll-free at 1-800-829-3676.

DEPENDENT CARE SPENDING ACCOUNT

Contributions

If you are an eligible Full-time Employee, you may contribute to the dependent care spending account if you have eligible dependent care expenses. If you are married, you may contribute to this account only if your spouse is:

- Employed
- Actively searching for a job
- Enrolled as a full-time student at least five months of the year

  or
- Mentally or physically unable to provide care for himself or herself.

If your spouse's employment ends during the year, you should contact the USEC Benefit Service Center immediately because you may no longer be eligible to participate in this account.

You can contribute from $100 to $5,000 annually in before-tax dollars to your dependent care spending account. In some cases, however, the Internal Revenue Service limits the amount you can contribute, as shown in the chart below. Dependent care contributions are reported on your W-2, according to Internal Revenue Service rules.

Limit for Highly Compensated Employees

Certain highly compensated employees may be limited by the Internal Revenue Service as to how much they can contribute to the dependent care spending account each year. You will be notified if this limit applies to you.

Special Dependent Care Spending Account Limits If You Are Married

If this is your situation…	***You will be taxed on the amount of reimbursement that exceeds…***
You or your spouse earns less than $5,000	The amount the lower-paid spouse earns*****
Your spouse also participates in a similar dependent care account	$5,000 combined
You file separate Federal income tax returns	$2,500
*****If your spouse is a full-time student for at least five months of the year or is disabled, he or she will be treated as earning $250 a month if you have one dependent ($500 a month if you have two or more dependents)	

Eligible Dependent

You may use the dependent care spending account to pay for the care of your eligible dependents so that you or, if you are married, you and your spouse, can work. Eligible dependents include:

- Your children under age 13
- Your spouse, if he or she is physically or mentally incapable of self-care and lives with you for more than one-half of the year

  or
- Your dependents of any age (including parents), if they are physically or mentally incapable of self-care and live with your for more than one-half of the year

A dependent is someone you can claim as a dependent on your Federal income tax return. However, if you are divorced or legally separated and have custody of your eligible child, you may use the dependent care spending account even though you have agreed to let your spouse claim the child as a dependent for tax purposes. If you have joint custody, you may also use the dependent care spending account provided you have custody of your child for a longer period during the year than does your spouse.

Eligible Expenses

Generally, expenses eligible for reimbursement include:

- Services provided in your home by a babysitter or companion, including wages and related taxes
- Services provided by a dependent care center that meets local regulations, cares for more than six nonresidents and receives a fee for such services, whether or not for profit
- Services provided outside your home, such as day camp, preschool tuition or other outside dependent/child care services, such as before-and after-school programs, but only if the care is for a dependent under age 13 or other eligible dependent who regularly spends at least eight hours a day in your home.

Generally, eligible child care costs include only those for the actual care of your child, not costs for education, supplies or meals, unless those costs cannot be separated.

Ineligible Expenses

Generally, expenses that are not eligible for reimbursement through the dependent care spending account include:

- Dependent care provided by your child (or stepchild) who is under age 19 at the end of the taxable year or by another dependent whom you can claim as an exemption
- Dependent care obtained for non-work-related reasons
- Dependent care provided while you are away from work because of illness or leave of absence
- Dependent care that could be provided by your employed spouse whose work hours differ from yours
- Expenses for overnight camp
- Dependent care expenses incurred if your spouse does not work, unless your spouse is actively seeking employment, a full-time student or disabled
- Any expenses you claim for the dependent care tax credit on your Federal income tax return
- Expenses paid by another organization or provided without cost
- Transportation to or from the dependent care location
- Care provided in a group care center that does not meet state and local laws
- Agency finder fees
- Charges for referral to dependent care providers
- Costs for clothing, entertainment or food

- Educational expenses (such as those for private school) for kindergarten or higher
- Expenses incurred before you began contributing to the account or after you stop contributing.

Dependent Care Spending Account vs. the Federal Tax Credit

Under current tax law, you can save taxes on dependent care expenses by either claiming a tax credit on your Federal income tax return or by participating in the dependent care spending account. Both are intended to offer you tax savings. The best method for you depends on your income, the number of dependents you have and other factors.

You may use both approaches, but you may not "double deduct" the same expense. In addition, the expenses you apply toward the tax credit will be reduced - dollar-for-dollar - by the amount of expenses reimbursed from your account. This means:

- If you have one dependent, total expenses eligible for the tax credit are $3,000 (or your actual expenses, if less) minus any amount received through the dependent care spending account.
- If you have two or more dependents, total expenses eligible for the tax credit are $6,000 (or your actual expenses, if less) minus any amount received through the dependent care spending account.

You should consult a personal financial or tax advisor to help you decide whether the tax credit or the dependent care spending account is more favorable for you. Here are a few general guidelines:

- If you have only one eligible dependent and your annual expenses exceed $3,000, the dependent care spending account may offer a greater tax savings than the tax credit because you may set aside up to $5,000 through the account, and the tax credit allows only $3,000 for one dependent.
- If you are married and file separate income tax returns, you are not eligible for the Federal tax credit, but you can still use the dependent care spending account.
- If you are married and your family's income is low; the Federal Tax Credit will probably offer you greater tax savings.

Refer to Internal Revenue Service Publication 503 for a complete discussion of the tax credit. To obtain a copy visit www.irs.gov or call the Internal Revenue Service toll-free at 1-800-829-3676.

Dependent Care Provider Identification

When you file a claim for reimbursement through the dependent care spending account, you must include an original receipt from your dependent care provider. You will have to provide the caregiver's name, address and taxpayer identification number (or Social Security number) on Internal Revenue Service Form 2441 when you file your Federal income tax return. If you cannot supply this information, you should not use the dependent care spending account.

To obtain a copy of Form 2441 visit www.irs.gov or call the Internal Revenue Service at 1-800-829-3676.

Remaining Flexible Spending Account Funds

Estimate your flexible spending account contributions carefully. You may file claims for ***health care expenses*** incurred during the calendar year ***and*** during the grace period (*i.e.*, through March 15 of the following year). All claims under the flexible spending accounts must be filed by March 31 of the following year. You may file claims for dependent care expenses incurred ***only*** during the calendar year.

According to Internal Revenue Service rules, any money left in your account(s) will be forfeited. Any forfeited contributions from the health care spending account will be used to offset the administrative expenses for the health care spending account plan and forfeited contributions from the dependent care spending account will be used to offset the administrative expenses of the dependent care spending account plan.

No Transfers Allowed

Remember, you may not transfer money between flexible spending accounts. Money set aside in your health care spending account cannot be used to reimburse dependent care expenses and vice versa.

Account Statements

You will receive an account statement of your flexible spending accounts each quarter. The statement shows contributions, payments made and account balances. In addition, each time you receive a reimbursement, the attached explanation provides a summary of year-to-date activity.

Continuation of Coverage

You may be eligible to continue your health care spending account participation in certain cases when your participation would otherwise end. Refer to the “Administration” section for more information on COBRA. You may not, however, continue your participation in the dependent care spending account.