



Northern Inyo County Local Hospital District

***Board of Directors Regular Meeting***

**Wednesday January 18 2012; 5:30pm**

*Board Room*

*Birch Street Annex*

*2957 Birch Street, Bishop, CA*

# ***DRAFT AGENDA***

## **NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT BOARD OF DIRECTORS MEETING**

**January 18, 2012 at 5:30 P.M.**

***In the Northern Inyo Hospital Board Room at 2957 Birch Street, Bishop CA***

1. Call to Order (at 5:30 P.M.).
2. Opportunity for members of the public to comment on any items on this Agenda.
3. Approval of minutes of the December 21, 2011 regular meeting.
4. Financial and Statistical Reports for the month of November 2011; John Halfen.
5. Administrator's Report; John Halfen.
  - A. Building Update
  - B. Orthopedic services update
  - C. Physician Recruiting Update
  - D. 23,052
6. Chief of Staff Report; Robbin Cromer-Tyler, M.D.
7. Old Business
  - A. Biannual Cost of Living Adjustment (COLA) for hospital employees (*information item*).
  - B. Mandatory Amendment to Valic 457(B) Plan (*action item*).
  - C. Discussion of an Employee Grievance (*possible action item*).
8. New Business
  - A. Construction Change Order Requests (*action items*):
    1. COR 168.2; IB 223 and 256 EJ Head of Wall, \$10,881
    2. COR 263.1; IB 267, Revise curb and gutter location. Removal and replacement west side of Support, \$10,929
    3. COR 270.1; IB 294, Add furred wall in front of shaft wall, \$4,274
    4. COR 275.1; IB 315 Line for Humidification for CRAH, \$4,487
    5. COR 278; IB 309, Electrical for FSD, \$4,365
    6. COR 279.1; IB 317, Handrails at Walkways and Radiology, 7,298
    7. COR 281; IB 332, Boiler, APC and Flue Anchorage, \$4,754
    8. COR 282; IB 328, 325, 339, Equipment Anchorage, \$0
    9. COR 283; IB 337, Canopy Support Attachment, \$2,287
    10. COR 284; IB279, Added Door for Display Area Gift Shop, \$3,126
    11. COR 285; RFI 1216 CRAH Floor Stand, \$7,117
    12. COR 286; IB331 TV Bracket Anchorage, \$856
    13. COR 287; IB 271 Various Minor RFI revisions (RFI 1034, 1058, 1066, 1074, 1074.1,

1108B, 1037

14. COR 288; IB 312, 323, 324, 326 at Zero and remove and replace sidewalk adjacent to south side of Support, \$5,993
  - B. Construction Change Order 289; Extension of Turner Contract; \$367,330.13 (*action item*).
  - C. Purchase of Paragon Physician Documentation Module (*action item*).
  - D. Alliant Insurance Renewal (*action item*).
  - E. Practice Management Agreement and Relocation Expense Agreement with Kristen Collins, M.D. (*action items*).
  - F. Practice Management Agreement and Relocation Expense Agreement with John Nguyen, M.D. (*action items*).
  - G. Discussion of a second employee grievance and appeal of an employee termination (*possible action item*).
  - H. Renewal of Private Practice Physician Practice Management Agreement with Alice Casey, M.D. (*action item*).
  - I. Orthopedic Contract Amendment (*action item*).
9. Reports from Board members on items of interest.
10. Opportunity for members of the public to comment on any items on this Agenda, and/or on any items of interest.
11. Adjournment to closed session to:
  - A. Hear reports on the hospital quality assurance activities, and hear a report from the Medical Staff Executive Committee (Section 32155 of the Health and Safety Code, and Government Code Section 54962).
  - B. Confer with legal counsel regarding action filed by John Nesson M.D. against Northern Inyo County Local Hospital District and other Defendants (Government Code Section 54956.9(a)).
  - C. Confer with legal counsel regarding pending litigation based on stop notice filed by Strocal, Inc. (Government Code Sections 910 et seq., 54956.9).
  - D. Discussion to determine whether or not to initiate litigation (Government Code Section 54956.9(c)).
  - E.
    1. Discussion of an employee grievance and appeal of an employee termination (Government Code Section 54957).
    2. Discussion of a second employee grievance and appeal of an employee termination (Government Code Section 54957).

- F. Conduct CEO Annual Performance Evaluation (Government Code Section 54957).
- 12. Return to open session, and report of any action taken in closed session.
- 13. Opportunity for members of the public to address the Board of Directors on items of interest.
- 14. Adjournment.

**THIS SHEET  
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CALL TO ORDER                      The meeting was called to order at 5:30 pm by Peter Watercott, President.

PRESENT                                Peter Watercott, President  
    M.C. Hubbard, Secretary  
    Denise Hayden, Treasurer  
    D. Scott Clark, M.D., Director

ALSO PRESENT                        John Halfen, Administrator  
    Robbin Cromer-Tyler, Chief of Staff  
    Douglas Buchanan District Legal Counsel

ABSENT                                 John Ungersma, M.D., Vice President

ALSO PRESENT FOR  
RELEVANT PORTION(S)                Dianne Shirley, R.N., Performance Improvement Coordinator

OPPORTUNITY FOR  
PUBLIC COMMENT                      Mr. Watercott asked if any members of the public wished to comment on any items listed on the agenda for this meeting. No comments were heard.

MINUTES                                The minutes of the October 19 2011 regular meeting were approved.

FINANCIAL AND  
STATISTICAL REPORTS                Mr. Halfen called attention to the financial and statistical reports for the month of October 2011. He noted the statement of operations shows a bottom line excess of expenses over revenues of \$215,000. Mr. Halfen additionally called attention to the following:

- *Inpatient service revenue was under budget*
- *Outpatient service revenue was under budget*
- *Total Expenses were under budget*
- *Salaries and wages and employee benefits expense were over budget*
- *Professional Fees expense was under budget*
- *The Balance Sheet showed no significant change*
- *Total net assets decreased during the month*
- *Year to date net income totals \$1,456,000*

Mr. Halfen reviewed the hospitals' investments which remain stable at this time. He noted only two investments are uninsured, and they are expected to continue to be secure. Short term investments and cash continue to be liquidated in order to help fund the hospital rebuild project. Mr. Halfen reported gross patient service revenue was under budget for the month and for the year-to-date, and patient volume continues to lag. Also, charity care expense was high during the month of October. Following review of the statements provided for the months of September and October 2011 it was moved by M.C. Hubbard, seconded by Denise Hayden, and passed to approve the financial and statistical reports for both months as presented.

ADMINISTRATOR'S  
REPORT

BUILDING REPORT

John Hawes with Turner Construction Company reported site work and signage for the new hospital building is progressing and the north mechanical room is nearly complete. The first floor ceiling inspection should take place in the near future, and final cleaning and heating of the new building will soon take place. The elevator is running and passed inspection on the first try. The operating rooms and patient rooms are also nearly complete, and in the next three weeks we should have a mostly finished hospital building. Mr. Hawes commented on the high quality of the nearly-finished project, and Mr. Halfen mentioned reaction from the community has been extremely positive. The equipment for the new hospital is also arriving, and the Nazarene Church parking lot has been paved as a thank you for allowing hospital employees to park at that location during the construction project.

PHYSICIAN  
RECRUITING UPDATE

Mr. Halfen distributed a spreadsheet reflecting physician recruiting efforts in the following areas: Orthopedics; Hospitalists; OB/Gyn; Family Practice; Internal Medicine, and Pediatrics. Several physicians are close to reaching agreements to with Northern Inyo Hospital (NIH), and Mr. Halfen reported we have begun using Levison Search Associates as our primary recruiter because of their successful record.

SECURITY REPORT

Security reports for September, October, and November 2011 were provided for the review of the Board.

UNEMPLOYMENT  
RATE REDUCTION

Mr. Halfen called attention to a letter received from the California Association of Hospitals and Health Systems (CAHHS) informing NIH that its' unemployment insurance contribution rate has been decreased.

AUXILIARY BOUTIQUE  
REPORT

Mr. Halfen additionally reported that the NIH Auxiliary earned a total of \$8,406 for the Hospital District at its' annual holiday boutique.

CHIEF OF STAFF  
REPORT

MEDICAL STAFF  
APPOINTMENTS

Chief of Staff Robbin Cromer-Tyler, M.D. reported following careful review and consideration the Medical Executive Committee recommends appointment to the NIH Provisional Medical Staff with privileges as requested for Jeanette Schneider, M.D.; William Mullen, M.D.; John Williamson M.D.; Gregg McAninch, M.D.; Gary Turner, M.D., and Shiva Shabnam, M.D., with the recommendation that the residency requirement be waived for Dr. Shabnam. It was moved by Ms. Hubbard, seconded by Ms. Hayden, and passed to approve (all of) the Medical Staff appointments and the residency waiver for Dr. Shabnam as recommended.

MEDICAL STAFF  
REAPPOINTMENTS

Dr. Cromer-Tyler also reported the Medical Executive Committee recommends reappointment to the NIH Medical Staff for the following current Medical Staff members (for the period not to exceed January 1, 2012 through December 31, 2013): Clifford S. Beck, M.D. (*Pediatrics, Allergy Medicine*); Helena L. Black, M.D. (*Emergency Medicine, Family*

*Medicine*); Stacey L. Brown, M.D. (*Family Medicine*); Nicholas J. Carlevato, M.D. (*Radiology*); Alice E. Casey, M.D. (*Pediatrics*); D. Scott Clark, M.D. (*General/Vascular Surgery*); Vasuki Daram, M.D. (*Internal Medicine*); Michael L. Dillon, M.D. (*Emergency Medicine*); Emery J. Duncan, D.D.S. (*Dentistry*); Nickoline M. Hathaway, M.D. (*Internal Medicine*); Andrew D. Hewchuck, D.P.M. (*Podiatry*); Asao Kamei, M.D. (*Internal Medicine*); Sheldon M/ Kop, M.D. (*Radiology*); David N. Landis, M.D. (*Radiology*); Doris Lin, M.D. (*Emergency and Family Medicine*); Stephen J. Loos, M.D. (*Radiology*); Thomas O. McNamara, M.D. (*Radiology*); Natalie Z. Mills, M.D. (*Pathology*); Richard Nicholson, M.D. (*Family Medicine*); Michael W. Phillips, M.D. (*Emergency Medicine*); Leo M. Pisculli (*Psychiatry*); Amr H. Ramadan, M.D. (*Family Medicine, Obstetrics, C-Sections*); Thomas K. Reid, M.D. (*Ophthalmology*); James A. Richardson, M.D. (*Internal Medicine*); Kenneth L. Saeger, M.D. (*Pathology*); Curtis Schweizer, M.D. (*Anesthesiology*); Jennifer A. Scott, M.D. (*Family Medicine, Emergency Medicine*); Keith M. Shonnard, M.D. (*Radiology*); Gregory M. Taylor, M.D. (*Emergency Medicine*); Carolyn J. Tiernan, M.D. (*Emergency Medicine*); Eva S. Wasef, M.D. (*Pathology*); Taema F. Weiss, M.D. (*Family Medicine*); and Albert Douglas Will, M.D. (*Neurology*). It was moved by Ms. Hayden, seconded by Ms. Hubbard, and passed to approve all Medical Staff reappointments recommended by the Medical Executive Committee.

MEDICAL STAFF  
ADVANCEMENTS

The Medical Executive Committee also recommends the advancement of NIH Rural Health Clinic (RHC) practitioners Sarah Starosta, P.A. and Brett Davis, P.A.. It was moved by Ms. Hayden, seconded by Ms. Hubbard, and passed to approve both advancements as recommended.

MEDICAL STAFF  
RESIGNATIONS

Doctor Cromer-Tyler also reported the Medical Executive Committee agreed to accept the Staff resignations of the Virtual Radiologic Teleradiologists, and Anne Gasior, M.D. It was moved by Ms. Hubbard, seconded by Ms. Hayden, and passed to accept the resignations of the group of radiology physicians and Doctor Gasior as requested.

POLICY AND  
PROCEDURE  
APPROVALS

Doctor Cromer-Tyler also reported following careful review and consideration the Medical Executive Committee recommends approval of the following hospital policies and procedures:

1. *Standardized procedure, General Policy for Rural health Clinic Nurse Practitioner*
2. *Delegation of Services Agreement Between Supervising Physician and Physician Assistant*
3. *Spinal Immobilization*
4. *Emergency Ultrasound Privileging*
5. *Performance Improvement Plan for the Emergency Department*
6. *Operative Consents*
7. *Protocol for Physician Assistant in the Operating Room*



D. Scott Clark, M.D. expressed a concern that the *Protocol for Physician Assistant in the Operating Room* policy may be unclear, so that policy will be returned to the Surgery Tissue Committee for further review. It was moved by Doctor Clark, seconded by Ms. Hubbard, and passed to approve Policies 1 through 6 as recommended.

#### MERP SURVEY

The hospital's Medication Error Reduction Plan (MERP) Survey response to the California Department of Public Health was presented for the information of those present.

#### MEDICAL STAFF BYLAWS AMENDMENT

Doctor Cromer-Tyler also reported in response to a survey by the State of California, the Medical Executive Committee has amended the Medical Staff bylaws as follows, in reference to the makeup of the Pharmacy and Therapeutics Committee: *"The Pharmacy and Therapeutics Committee shall be composed of at least two Active Staff members, one pharmacist, the Director of Nursing Service or her representative and the Administrator or his representative"*. It was moved by Ms. Hubbard, seconded by Ms. Hayden, and passed to approve the Medical Staff bylaws amendment as presented.

#### ORTHOPEDIC UPDATE

Staff physician Mark Robinson, M.D. (orthopedist) was present to express his concerns about the proposed agreement for the services of incoming orthopedic surgeon Peter Godleski, M.D.. Dr. Robinson spoke to the fact that he has built an orthopedic practice in the Bishop area in a market competitive with Mammoth Hospital, and as a physician consistently supportive of NIH he feels entitled to express his concerns regarding the type of model contract extended to Dr. Godleski. Dr. Robinson is supportive of a 2<sup>nd</sup> orthopedic surgeon practicing at this hospital, however he asks that any contract entered into with another physician not make it unfair to him to continue to practice. He additionally does not agree that a single lead orthopedic surgeon should have control over the entire orthopedic practice and trauma cases seen in the NIH Emergency Department.

#### OLD BUSINESS

#### ORTHOPEDIC SERVICES AGREEMENT, PETER GODLESKI, M.D.

Mr. Halfen called attention the Agreement for the Orthopedic Services of Peter Godleski, M.D. approved by the District Board of Directors in October 2011. Doctor Godleski has requested minor changes to the agreement to better clarify who the Accounts Receivable of the practice will belong to. Following review of the proposed changes, it was moved by Doctor Clark, seconded by Ms. Hubbard, and passed to accept the proposed changes to the agreement for the Orthopedic Services of Peter Godleski, M.D. as requested. Director Hubbard expressed concern that the Board have more time to review this issue in light of Dr. Robinson's concerns. Following further discussion it was noted that the agreement will not go into effect unless privileges are granted to Doctor Godleski by the Medical Executive Committee and Board of Directors, and licensing

and credentialing will extend the time period prior to the start of the new contract, allowing for more time to consider this situation. It was further noted by NIH Administration that it is the Hospital Districts' hope that the positive relationship between the hospital and Doctor Robinson will continue for many years to come.

## NEW BUSINESS

### CONSTRUCTION CHANGE ORDER REQUESTS

John Hawes with Turner Construction Company called attention to the following list of Construction Change Order Requests:

1. COR 121; IB 176, 327, 301, 321, 193, Miscellaneous changes, \$0
2. COR 206.2; MAU 1-1 Platform, \$7,823.86
3. COR 227.1; IB 281 MEP Anchorage, \$7,018.51
4. COR 234; IB 9042, Changes to stairs 1 & 2, credit (\$1,766.11)
5. COR 240; IB 284 Wall mounted pipes and water heaters, \$2,582.91
6. COR 241; IB 268 Relocation of tankless heater, \$11,162.04
7. COR 251.1; IB 286 Boiler HWP-VFD relocation, \$9,005.79
8. COR 256.1; IB 290 Temporary Central Plant Fire Alarm Panel, \$0.00
9. COR 257.1; IB 298 Fire Sprinkler Hard Connection, \$3,999.56
10. COR 259; IB 319 Additional fiber and copper for data center, \$3,857.69
11. COR 260, IB 318 Steam Boiler Flue Support, \$1,294.59
12. COR 262, IB 236 Delete paint at exterior surface, credit (\$23,623.88)
13. COR 264, IB 280 Revised flatwork, \$2,879.19
14. COR 265, IB 317 Handrails at Walkways and Radiology, \$7,242.80
15. COR 266; Paint Existing Central Plant, \$3,442.50
16. COR 267; IB 222 Anchorage of Radio Antenna, Credit (\$1,608.58)
17. COR 268; IB 307 Added rack support for switchgear, \$2,485.89
18. COR 269; IB 322 Additional WAP Locations, \$7,473.35
19. COR 271; IB 305 Bracing for shaftwell system, SmokeGuard door, \$2,871.89
20. COR 272; IB 299 Fire Smoke Dampers at shafts, \$44,238.20
21. COR 273; Credit for Infant Security Server and PC's; (\$8,080.48)
22. COR 274; IB 329 Gas Regulator, \$5,709.33
23. COR 276; IB 310 Access Control to Wall Mount, \$3,849.34
24. COR 277; Additional Drops for IT, \$11,987.19

Mr. Hawes reviewed the reason for each change order and noted the high number of requests is a result of build-up accumulated in the absence of a November meeting. Many of the COR's represent close-out items and/or design coordination issues which are necessary for completion of the project, and a couple are credits generated from cost savings. Following review and discussion of the information provided it was moved by Doctor Clark, seconded by Ms. Hubbard and passed to approve all twenty-four Construction Change Orders as requested.

### PURCHASE OF COPPER AND FIBER OPTIC CABLING

Information Technology Director Adam Taylor called attention to a request to purchase additional copper and fiber optic cable needed to integrate the old and new phone systems in the new building. It was

moved by Ms. Hayden, seconded by Ms. Hubbard and passed to approve the purchase of additional copper and fiber optic cabling as requested.

DISTRICT BOARD  
OFFICER ANNUAL  
ELECTIONS

Mr. Watercott called the Board's attention to the fact that it is time to elect District Board Officers for the 2012 calendar year. A suggestion was made to continue the current slate of officers for another year, and it

was moved by Doctor Clark, seconded by Ms. Hubbard, and passed to continue the current slate of Board Officers for the 2012 calendar year.

EMPLOYEE  
GRIEVANCE

Mr. Watercott informed those present that the employee grievance listed on the agenda for this meeting will be heard in closed session at the request of the employee.

AMENDMENT TO  
LOCAL HOSPITALIST  
CONTRACTS

Mr. Halfen proposed the following amendment be made to all agreements with NIH's Hospitalist physicians, effective 12-1-11:

1. \$8,300 compensation per week, for all professional services
2. \$200 per week per diem expense allowance
3. \$100 for each 50 mile segment of automobile travel over 50 miles each way
4. Paid airfare reimbursement (if incurred)
5. IRS approved rate allowed for mileage reimbursement

Mr. Halfen stated the proposed changes would make compensation for local Hospitalists fairer when compared to compensation for locums or out-of-area physicians. He additionally mentioned these changes are considered to in effect be "budget neutral". It was moved by Ms. Hubbard, seconded by Ms. Hayden and passed to approve the Hospitalist contract amendments as requested.

INYO COUNTY  
ENERGY SAVING  
PROPOSAL

Inyo County representatives were in attendance to present an energy saving program proposal for the hospital's review. The program is available as the result of a grant and involves utility management; development of an energy action plan; and use of energy monitoring software, among other things. The County would like local government entities to lead by example and participate in this program, in an effort to encourage energy conservation in the community. The hospital only stands to gain from participation in this program, so NIH's involvement in this project will be pursued further.

RE-ORGANIZED  
AUXILIARY BYLAWS

Mr. Halfen called attention to a book of reorganized bylaws of the Northern Inyo Hospital Auxiliary (NIHA), the product of the diligent hard work and efforts of NIHA Treasurer Sharon Moore. Mr. Halfen commended the Auxiliary for working thousands of hours annually for the benefit of our hospital and members of this community. It was moved by Ms. Hayden, seconded by Ms. Hubbard and passed to approve the reorganized bylaws of the Northern Inyo Hospital Auxiliary as presented.

PATHOLOGY  
AGREEMENT WITH  
KENNETH SAEGER MD

Mr. Halfen called attention to a proposed change to the Agreement for Pathology Services of Kenneth Saeger, M.D., to delete any reference to Arcadia Pathology from that agreement (due to the fact that Doctor Saeger may decide to discontinue his affiliation with that group). It was moved by Ms. Hayden, seconded by Ms. Hubbard, and passed to approve the proposed contract change as requested.

CHANGE TO  
EMPLOYEE PTO  
CASHOUT GUIDELINES

Controller Carrie Petersen called attention to a proposal to establish a policy requiring hospital employees who cash out Paid Time Off (PTO) to maintain a minimum of 40 hours of emergency time off. This practice is prudent in regard to planning for unexpected emergencies, and in the event that an employee needs disability time off. Disability does not go into effect until 40 work hours after the start of an employee's absence from work. A vote on this matter will be tabled to the January regular meeting in order for a quorum of Directors to be present who do not have a personal interest in the outcome of this agenda item.

CANCELLATION OF  
LEASE ARRANGEMENT  
AT 152 PIONEER LANE,  
SUITE A

Mr. Halfen requested ratification of a notice sent to Mammoth Hospital cancelling the rent-free arrangement for the orthopedic office located in the Pioneer Medical Associates building, Suite A. In the absence of an orthopedic physician dedicated solely to NIH, Administration has allowed Mammoth Hospital to use that office space free of charge; however the arrival of orthopedic surgeon Peter Godleski MD will create a need for NIH to now occupy that space. It was moved by Ms. Hubbard, seconded by Ms. Hayden and passed to ratify the office lease cancellation notice sent to Mammoth Hospital as requested.

CANCELLATION OF  
INCOME GUARANTEE  
AND CASH/ACCOUNTS  
RECEIVABLE  
AGREEMENTS WITH  
VASUKI DARAM, MD

Mr. Halfen also requested ratification of a letter sent to Vasuki (Sittampalam) Daram terminating the hospitals' *Income Guarantee and Practice Management Agreement* and *Cash and Cash Accounts and Accounts Receivable Agreement* with Doctor Daram; in light of the fact the Family Health Centre has been unable to establish a positive cash flow per the terms of her agreements. It was moved by Ms. Hubbard, seconded by Ms. Hayden, and passed to ratify the termination letter as requested.

PIONEER MEDICAL  
ASSOCIATES  
PARTNERSHIP  
PURCHASES

Mr. Halfen called attention to (possible) Purchase and Sale agreements for Nickoline Hathaway, M.D. and Asao Kamei, M.D., for the Hospital District to purchase their financial interests in the Pioneer Medical Associates (PMA) partnership. Mr. Halfen would like to extend purchase offers to Doctors Kamei and Hathaway for them to accept if and when they make the decision to sell their partnership interests. The proposed agreements are similar in nature to those previously offered to other PMA partners. Following brief discussion it was moved by Ms. Hayden, seconded by Ms. Hubbard, and passed to approve both partnership purchase agreement to use in the event that Doctors Kamei and Hathaway decide to sell their interests.

LEASE BACK  
AGREEMENT FOR 152  
PIONEER LANE, SUITE  
C

Mr. Halfen also called attention to a proposed Lease Back Agreement for 152 Pioneer Lane, Suite C for Doctors Kamei and Hathaway, allowing them to lease back Suite C in the event that they decide to sell their partnership interests. It was moved by Ms. Hubbard, seconded by Ms. Hayden, and passed to approve the Lease Back Agreement for 152 Pioneer Lane, Suite C, to go into effect in the event that Doctors Kamei and Hathaway decide to sell their PMA partnership interests.

HOSPITALIST  
DIRECTOR  
AGREEMENT FOR  
ASAO KAMEI, M.C.

Mr. Halfen called attention to a proposed Agreement for Services of Medical Director of Hospitalist Program with Asao Kamei, M.D.. Doctor Kamei has been overseeing the Hospitalist program since it began, and this agreement more fairly compensates him for his services. Following review of the agreement provided it was moved by Doctor Clark, seconded by Ms. Hubbard, and passed to approve the Agreement for Services of Medical Director of Hospitalist Program with Asao Kamei, M.D., including minor wording changes recommend by Mr. Buchanan.

ACQUISITION FUND  
AND ACCOUNT  
CONTROL  
AGREEMENTS WITH  
TAYCOR FINANCIAL  
AND CELTIC LEASING

Mr. Halfen also called attention to proposed agreements with Taycor Financial and Celtic Leasing, to open lease lines of credit for the purpose of purchasing equipment for the new hospital building. He additionally noted establishing agreements with two companies gives the District the option to compare offers and rates in order to obtain the best deal possible. Mr. Halfen also noted that Taycor is a financial broker; and Celtic Leasing is a lender who would consider the purchased equipment itself as being security for the loan. Following review of the documents provided it was moved by Ms. Hayden, seconded by Doctor Clark, and passed to approve establishing both lines of credit as requested.

RSO ALARA SUMMARY  
REVIEW FOR 2011,  
RADIOLOGY DEPT.

Mr. Halfen called attention to the Radiation Safety Officer ALARA (As Low As Reasonably Achievable) exposure review of Radiology Department equipment in 2011. He noted it is extremely unusually for a review to find that no corrections are necessary, and he commended the NIH Radiology Departments for its hard work and efforts in this area.

HOSPITAL EMPLOYEE  
COST OF LIVING  
ADJUSTMENT

Mr. Halfen noted the subject of a biannual Cost of Living Adjustment (COLA) for hospital employees will be tabled to the next meeting in order for a quorum able to vote on this item to be present.

SIERRA NEVADA  
CARDIOLOGY

Mr. Halfen also stated the Financial Model for Sierra Nevada Cardiology no longer needs to be addressed at this meeting.

EKG AGREEMENT  
RENEWALS; KAMEI,  
HATHAWAY, AND  
DARAM

Mr. Halfen also called attention to renewal agreements for the Electrocardiographic (EKG) Department Services of Nickoline Hathaway, M.D.; Asao Kamei, M.D.; and Vasuki Daram, M.D.. The proposed renewal agreements are an extension of the previous agreements held with each physician, and they include no changes other than to the term. It was

moved by Doctor Clark, seconded by Ms. Hubbard, and passed to approve all three EKG agreement renewals as requested.

MANDATORY  
AMENDMENT TO  
VALIC 457(B) PLAN

Mr. Halfen called attention to a mandatory amendment to the hospital's 457(B) Plan with Valic (a summary of the required changes is attached to these minutes). It was moved by Ms. Hubbard, seconded by Doctor Clark, and passed to approve the changes to the plan as requested, with Mr. Watercott abstaining from the vote.

RURAL HEALTH  
CLINIC STAFF  
PHYSICIAN  
AGREEMENT,  
JENNIFER SCOTT MD

Mr. Halfen also called attention to a renewal agreement for the Rural Health Clinic (RHC) Staff Physician Services of Jennifer Scott, M.D.. No changes have been made to this agreement, and it is simply an extension of the previous agreement with Doctor Scott. It was moved by Doctor Clark, seconded by Ms. Hubbard, and passed to approve the RHC Staff Physician Agreement with Jennifer Scott, M.D. as requested.

BOARD MEMBER  
REPORTS

Mr. Watercott asked if any members of the District Board wished to comment on any items of interest. No comments were heard.

OPPORTUNITY FOR  
PUBLIC COMMENT

In keeping with the Brown Act, Mr. Watercott again asked if any members of the public wished to comment on any items of interest or on any items listed on the agenda for this meeting. Mr. Halfen commented that he would like the Board to consider adopting a consent agenda format for District Board meetings in the future. Doctor Mark Robinson also commented that in regard to Staff physician relationships, he does not feel that a Medical Staff physician must physically live in this community in order to be a member of it. Helena Black, M.D. also expressed her support of Dr. Robinson, noting his ongoing support of Northern Inyo Hospital and its Emergency Services. Ms. Marilyn Mann, also present at this meeting commented it is her belief that members of the Board may be able to vote on matters they have a financial interest in if it impacts the group as a whole, as opposed to themselves specifically. Mr. Buchanan stated he would be receptive to reviewing any information on this subject that he has not already seen, however at this time he does not believe the Board's voting abstention policy needs to be changed.

CLOSED SESSION

At 7:41 p.m. Mr. Watercott announced the meeting was being adjourned to closed session to allow the Board of Directors to:

- A. Hear reports on the hospital quality assurance activities, and hear a report from the Medical Staff Executive Committee (Section 32155 of the Health and Safety Code, and Government Code Section 54962).
- B. Confer with legal counsel regarding action filed by John Nesson M.D. against Northern Inyo County Local Hospital District and other Defendants (Government Code Section 54956.9(a)).
- C. Confer with legal counsel regarding pending litigation based on claim filed by Terry Williams against Northern Inyo County Local

Hospital District and other parties (Government Code Section 54956.9).

- D. Confer with legal counsel regarding pending litigation based on stop notice filed by Strocal, Inc. (Government Code Sections 910 et seq., 54956.9).
- E. Discussion to determine whether or not to initiate litigation (Government Code Section 54956.9(c)).
- F. Discussion of an employee grievance (Government Code Section 54957).

RETURN TO OPEN  
SESSION AND REPORT  
OF ACTION TAKEN

At 8:48 p.m. the meeting returned to open session. Mr. Watercott reported that the Board will continue its decision on the employee grievance to its' next regular meeting, or to its' next special meeting.

PUBLIC COMMENT

Mr. Watercott again asked if anyone present wished to comment on any items listed on the agenda for this meeting, or on any items of interest. No comments were heard.

ADJOURNMENT

The meeting was adjourned at 8:49 p.m..

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Peter Watercott, President

Attest:

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M.C. Hubbard, Secretary



The Variable Annuity Life Insurance Company  
P.O. Box 15648  
Amarillo, TX 79105

## VALIC Specimen Governmental Section 457(b) Plan Document Changes

The following summary highlights the material changes made to the VALIC specimen governmental 457(b) plan document:

**Separate Adoption Agreement.** The elections that were formerly in Article II (and several new elections) are now set forth in a separate Adoption Agreement. The specimen plan now includes both an Adoption Agreement and a Basic Plan Document.

**Section 2.06, Compensation.** This new definition replaces the former definition of Normal Compensation. For years beginning after 2008, "Compensation" also includes "differential wage payments" (as defined in Section 2.17).

**Section 2.09, Designated Roth Contributions.** This section defines Roth (after-tax) contributions, which the Employer may elect to permit for years after 2010 (see Item 3 of the Adoption Agreement).

**Section 2.13, Employee.** Under the HEART Act, for years beginning after 2008, the term "Employee" also includes an individual (on military leave) who is receiving "differential wage payments" (as defined in Section 2.17).

**Section 2.14, Eligible Employee.** This is an Employee who, based on the Employer's elections in the Adoption Agreement, is eligible to participate in the Plan.

**Section 2.16, Employer Contribution.** This is a new defined term for amounts (other than Employee Elective Deferral Contributions or Designated Roth Contributions) that the Employer elects to contribute to the Plan as additional Deferred Compensation (based on the Employer's elections in the Adoption Agreement).

**Section 2.17, Includible Compensation.** Under the HEART Act, for years beginning after 2008, Includible Compensation must include "differential wage payments" (payments by the Employer to Participants on active duty in the uniformed services.)

**Section 2.18, Maximum Limitation.** The Applicable Dollar Amount and the Age-Based Catch-Up amounts were updated to reflect the 2011 limits (\$16,500 and \$5,500, respectively).

**Section 2.22, Severance from Employment.** Under the HEART Act, for years after 2008, for purposes of the withdrawal restrictions under Section 457(b) (which normally prohibit distributions before severance from employment or attainment of age 70½), an individual is "treated" as having a severance from employment during any period the individual is performing service in the uniformed services.

**Sections 4.08 and 4.09, Deferrals of Sick, Vacation and Back Pay and Deferrals of Amounts Paid after Severance from Employment.** Before a Severance from Employment, Participants may elect to defer accumulated sick, accumulated vacation, and back pay if an agreement providing for the deferral is entered into before the beginning of the month in which the amounts would otherwise be paid or made available and the Participant is an Employee on the date the amounts would otherwise be paid or made available. After a Severance from Employment, deferrals may be made for former Employees for certain types of Compensation. Payments for accrued bona fide sick, vacation or other leave may be deferred if such amounts are paid by the later 2½ months after severance, or the end of the year in which the agreement to defer these amounts is entered into before the beginning of the month in which the amounts are paid, and the Employee would have been able to use the leave if employment had continued. Deferrals may also be made for former Employees for Compensation paid to permanently and totally disabled Participants, and for Compensation related to qualified military service.

**Section 4.10, Designated Roth Contributions.** This section describes how (if the Employer elects in the Adoption Agreement) Participants may designate that some or all of their elective contributions to the Plan be treated as after-tax Roth contributions. It also describes how such amounts must be separately accounted for, and how distributions may be made from this separate account.





The Variable Annuity Life Insurance Company  
P.O. Box 15648  
Amarillo, TX 79105

### VALIC Specimen Section 457(b) Plan Document Changes (Continued)

**Section 6.05, 2009 Required Minimum Distributions ("RMDs").** This section was added to reflect the optional waiver of the minimum distribution requirements (under Code Section 401(a)(9)) for the 2009 calendar year. The Employer must elect (in the Adoption Agreement) how the Plan handled required minimum distributions for 2009, and what distributions were eligible for direct rollover.

**Section 6.08, Unforeseeable Emergency Withdrawals.** The Employee may elect (in Item 6 of the Adoption Agreement) whether to allow unforeseeable emergency withdrawals under the Plan, and if so, whether to allow such distributions based on a severe financial hardship of the Participant's primary Beneficiary.

**Section 6.12, In-Plan Roth Conversions.** The Employer may elect (in Item 10 of the Adoption Agreement) to allow in-plan conversion of pre-tax amounts to taxable Roth contributions. However, such conversions are limited to amounts (such as rollover contributions) that are distributable under the terms of Code Section 457(b) and the terms of the Plan and the Employer must also elect to allow designated Roth contributions (see Item 3 of the Adoption Agreement).

**Section 6.13, Distributions to Individuals Performing Service in the Uniformed Services.** The Employer may elect (in item 9 of the Adoption Agreement) to allow distributions by individuals on military leave, but participants who elect such distributions (if allowed) will be subject to a 6 month suspension of pre-tax and Roth after tax deferrals.

**Section 6.14, Eligible Retired Public Safety Officer Distribution Deduction Election.** Unless the Employer elects otherwise (in Item 11 of the Adoption Agreement), a Participant who qualifies as an eligible retired public safety officer may elect to have up to \$3,000 of an otherwise taxable distribution withheld and paid directly to the provider of an accident or health insurance plan or qualified long-term care insurance contract and exclude any amount paid from gross income.

**Section 8.03, Non-spousal Beneficiary Rollovers.** Under the Pension Protection Act of 2006, plans had the option to allow a non-spouse beneficiary to make a direct rollover to an "inherited" IRA (for distributions after 2006). Under later legislation, this provision became mandatory (for distributions after December 31, 2009). The Employer may elect (in Item 12 of the Adoption Agreement) to allow such rollovers by non-spouse Beneficiaries as of a date earlier than January 1, 2010 (but not earlier than January 1, 2007).

**Article XIV, Participating Employers.** This article sets forth the conditions under which the plan may be adopted by more than one employer. Each Participating Employer must execute a separate Participation Agreement (the last two pages of the Adoption Agreement).

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BUDGET VARIANCE ANALYSIS

Nov-11 PERIOD ENDING

In the month, NIH was

	1%	over budget in IP days;
(	-0.220%	) under budget IP Revenue and
(	-0.6%	) under in OP Revenue resulting in
\$ (577,735)	(	-7.6%) under in gross patient revenue from budget &
\$ (910,944)	(	-19.9%) under in net patient revenue from budget

Total Expenses were:

\$ 68,391	(	1.5%	) over budget. Wages and Salaries were
\$ 87,301	(	5.5%	) over budget and Employee Benefits
\$ (52,211)	(	-5.1%	) under budget.
\$ (64,945)			of other income resulted in a net loss of
\$ (887,817)	\$ (1,013,524)		under budget.

The following expense areas were over budget for the month:

\$ 87,301	6%	Salaries & Wages
\$ 155,931	40%	Professional Fees
\$ 12,392	3%	Supplies
\$ 36,553	19%	Bad Debt
\$ 21,229	10%	Other Expenses

Other Information:

50.80%	Contractual Percentages for month
41.01%	Contractual Percentages for Year

\$ 568,593 Year-to-date Net Revenue

Special Notes:

McKesson Paragon Training is in full swing causing increase in Salaries & Wages  
Medicare 05 & 06 cost report final settlement resulted in \$122K due to Medicare  
and that amount is included in the Contractual Adjustments for the month

# NORTHERN INYO HOSPITAL

## Balance Sheet

November 30, 2011

amounts 1,000

	<i>Current</i>		
	<i>Month</i>	<i>Prior Month</i>	<i>FYE 2011</i>
<b>Current assets:</b>			
Cash and cash equivalents	3,346	5,247	7,402
<b>Short-term investments</b>	7,085	7,130	12,443
Assets limited as to use	0	0	0
Plant Expansion and Replacement Cash	0	0	0
Other Investments (Partnership)	1,311	1,311	1,311
Patient receivable, less allowance for doubtful accounts \$446,448	8,132	8,631	8,782
Other receivables (Includes GE Financing Funds)	949	841	541
Inventories	2,392	2,443	2,457
Prepaid expenses	1,141	1,194	1,166
<b>Total current assets</b>	<b>24,357</b>	<b>26,797</b>	<b>34,103</b>
<b>Assets limited as to use:</b>			
Internally designated for capital acquisitions	827	827	826
Specific purpose assets	8	8	599
	834	834	1,426
<b>Revenue bond funds held by trustee</b>	<b>3,018</b>	<b>2,862</b>	<b>2,314</b>
Less amounts required to meet current obligations	0	0	0
<b>Net Assets limited as to use:</b>	<b>3,852</b>	<b>3,696</b>	<b>3,740</b>
<b>Long-term investments</b>	<b>250</b>	<b>250</b>	<b>250</b>
<b>Property and equipment, net of accumulated depreciation and amortization</b>	<b>80,310</b>	<b>78,820</b>	<b>69,861</b>
<b>Unamortized bond costs</b>	<b>934</b>	<b>938</b>	<b>957</b>
<b>Total assets</b>	<b>109,704</b>	<b>110,502</b>	<b>108,911</b>

# NORTHERN INYO HOSPITAL

## Balance Sheet

*November 30, 2011*

amounts 1,000

***Liabilities and net assets***

	<i>Current</i>		
	<i>Month</i>	<i>Prior Month</i>	<i>FYE 2011</i>
<b>Current liabilities:</b>			
Current maturities of long-term debt	1,204	1,269	1,627
Accounts payable	1,081	1,680	825
Accrued salaries, wages and benefits	3,746	3,603	3,608
Accrued interest and sales tax	601	426	265
Deferred income	336	385	0
Due to third-party payors	2,440	1,952	2,246
Due to specific purpose funds	0	0	0
<b>Total current liabilities</b>	9,409	9,315	8,571
<b>Long-term debt, less current maturities</b>	47,394	47,394	47,394
Bond Premium	1,356	1,360	1,377
<b>Total long-term debt</b>	48,749	48,754	48,771
<b>Net assets:</b>			
Unrestricted	51,538	52,426	50,970
Temporarily restricted	8	8	599
<b>Total net assets</b>	51,546	52,434	51,569
<b>Total liabilities and net assets</b>	109,704	110,502	108,911

**NORTHERN INYO HOSPITAL**  
**Statement of Operations amounts in 1,000**  
*As of November 30, 2011*

	MTD Actual	MTD Budget	MTD Variance \$	MTD Variance %	YTD Actual	YTD Budget	YTD Variance \$	YTD Variance %	Prior YTD
<b>Unrestricted revenues, gains and other support:</b>									
In-patient service revenue:									
Routine	493	555	(62)	(11.2)	2,635	2,833	(198)	(7.0)	2,635
Ancillary	1,452	1,938	(485)	(25.1)	8,417	9,881	(1,464)	(14.8)	8,417
Total in-patient service revenue	1,945	2,493	(548)	(0.220)	11,051	12,714	(1,663)	-13.1%	11,051
Out-patient service revenue	5,041	5,071	(30)	(0.6)	26,486	25,864	622	2.4	26,486
<b>Gross patient service revenue</b>	<b>6,987</b>	<b>7,564</b>	<b>(578)</b>	<b>(7.60)</b>	<b>37,537</b>	<b>38,578</b>	<b>(1,041)</b>	<b>(2.7)</b>	<b>37,537</b>
<b>Less deductions from patient service revenue:</b>									
Patient service revenue adjustments	176	125	(51)	(40.9)	963	638	(326)	(51.1)	963
Contractual adjustments	3,019	2,859	(159)	(5.6)	14,629	14,583	(45)	(0.3)	14,629
Prior Period Adjustments	123	0	(123)	100.0	(960)	0	960	100.0	(960)
<b>Total deductions from patient service revenue</b>	<b>3,318</b>	<b>2,984</b>	<b>(333)</b>	<b>(11.2)</b>	<b>14,632</b>	<b>15,221</b>	<b>589</b>	<b>3.9</b>	<b>14,632</b>
<b>Net patient service revenue</b>	<b>3,669</b>	<b>4,580</b>	<b>(911)</b>	<b>-20%</b>	<b>22,906</b>	<b>23,357</b>	<b>(452)</b>	<b>-2%</b>	<b>22,906</b>
Other revenue	37	40	(2)	(6.0)	178	202	(24)	(11.8)	178
Transfers from Restricted Funds for Other Operating Expenses	97	87	10	11.2	486	445	40	9.0	486
<b>Total Other revenue</b>	<b>134</b>	<b>127</b>	<b>7</b>	<b>5.9</b>	<b>664</b>	<b>647</b>	<b>16</b>	<b>2.5</b>	<b>664</b>
<b>Total revenue, gains and other support</b>	<b>3,803</b>	<b>4,707</b>	<b>(904)</b>	<b>5.7</b>	<b>23,569</b>	<b>24,005</b>	<b>(435)</b>	<b>2.5</b>	<b>23,569</b>
<b>Expenses:</b>									
Salaries and wages	1,687	1,600	(87)	(5.5)	8,362	8,160	(202)	(2.5)	8,362
Employee benefits	965	1,018	52	5.1	5,216	5,189	(27)	(0.5)	5,216
Professional fees	548	392	(156)	(39.8)	2,323	2,000	(323)	(16.1)	2,323
Supplies	481	469	(12)	(2.6)	2,371	2,391	20	0.8	2,371
Purchased services	156	234	79	33.6	1,069	1,194	125	10.5	1,069
Depreciation	212	316	104	33.1	1,053	1,612	559	34.7	1,053
Interest	101	111	10	8.7	512	567	55	9.7	512
Bad debts	232	195	(37)	(18.7)	763	995	232	23.3	763
Other	244	223	(21)	(9.5)	1,287	1,136	(151)	(13.3)	1,287
<b>Total expenses</b>	<b>4,626</b>	<b>4,558</b>	<b>(68)</b>	<b>(1.5)</b>	<b>22,956</b>	<b>23,245</b>	<b>288</b>	<b>1.2</b>	<b>22,956</b>
<b>Operating income (loss)</b>	<b>(823)</b>	<b>149</b>	<b>(972)</b>	<b>7.2</b>	<b>613</b>	<b>760</b>	<b>(147)</b>	<b>1.3</b>	<b>613</b>
<b>Other income:</b>									
District tax receipts	48	42	6	14.8	240	214	27	12.6	240
Interest	(29)	26	(55)	(211.2)	90	132	(42)	(32.0)	90
Other	3	5	(2)	(37.2)	19	26	(7)	(28.0)	19
Grants and Other Non-Restricted Contributions	0	5	(5)	(100.0)	34	25	9	34.7	34
Partnership Investment Income	0	2	(2)	(100.0)	0	13	(13)	-	0
Net Medical Office Activity	(87)	(104)	16	(178.3)	(427)	(528)	101	19.1	(427)
<b>Total other income, net</b>	<b>(65)</b>	<b>(23)</b>	<b>(42)</b>	<b>(178)</b>	<b>(44)</b>	<b>(119)</b>	<b>75</b>	<b>62.8</b>	<b>(44)</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>(888)</b>	<b>126</b>	<b>(1,014)</b>	<b>(806)</b>	<b>569</b>	<b>641</b>	<b>(72)</b>	<b>(11.3)</b>	<b>569</b>
Contractual Percentage	50.80%	42.03%			41.01%	42.03%			41.01%

# NORTHERN INYO HOSPITAL

## Statement of Operations--Statistics

*As of November 30, 2011*

	Month		Month		Year			
	Actual	Budget	Variance	Percentage	Actual	Budget	Variance	Percentage
<b>Operating statistics:</b>								
Beds	25	25	N/A	N/A	25	25	N/A	N/A
Patient days	182	180	2	1.01	952	915	37	1.04
Maximum days per bed capacity	750	750	N/A	N/A	3,825	3,825	N/A	N/A
Percentage of occupancy	24.27	24.00	0.27	1.01	24.89	23.92	0.97	1.04
Average daily census	6.07	6.00	0.07	1.01	6.22	5.98	0.24	1.04
Average length of stay	2.49	2.50	(0.01)	1.00	2.72	2.50	0.22	1.09
Discharges	73	72	1	1.01	350	366	(16)	1
Admissions	65	73	(8)	0.89	364	371	(7)	1
Gross profit-revenue depts.	4,403,092	5,000,951	(597,859)	0.88	24,443,200	25,504,750	(1,061,550)	0.96
<b>Percent to gross patient service revenue:</b>								
Deductions from patient service revenue and bad debts								
Salaries and employee benefits	50.80	42.03	8.77	1.21	41.01	42.03	(1.02)	0.98
Occupancy expenses	37.75	34.48	3.27	1.09	35.97	34.48	1.49	1.04
General service departments	4.75	6.02	(1.27)	0.79	4.59	6.02	(1.43)	0.76
Fiscal services department	6.51	5.85	0.66	1.11	6.23	5.85	0.38	1.06
Administrative departments	5.80	5.34	0.46	1.09	5.66	5.34	0.32	1.06
Operating income (loss)	6.14	4.96	1.18	1.24	5.69	4.96	0.73	1.15
Excess (deficiency) of revenues over expenses	(14.42)	(0.21)	(14.21)	68.67	(0.77)	(0.21)	(0.56)	3.67
	(12.71)	1.66	(14.37)	(7.66)	1.51	1.66	(0.15)	0.91
<b>Payroll statistics:</b>								
Average hourly rate (salaries and benefits)	41.70	44.93	(3.23)	0.93	45.78	44.94	0.85	1.02
Worked hours	50,314.83	49,876.00	438.83	1.01	250,454.93	254,375.00	(3,920.07)	0.98
Paid hours	63,239.03	58,039.00	5,200.03	1.09	294,934.68	295,997.00	(1,062.32)	1.00
Full time equivalents (worked)	292.53	293.39	(0.86)	1.00	287.22	293.06	(5.84)	0.98
Full time equivalents (paid)	367.67	341.41	26.26	1.08	338.23	341.01	(2.78)	0.99

# NORTHERN INYO HOSPITAL

## Statements of Changes in Net Assets

As of November 30, 2011

	<u>Month-to-date</u>	<u>Year-to-date</u>
<b>Unrestricted net assets:</b>		
Excess (deficiency) of revenues over expenses	(887,817.33)	568,593.18
Net Assets due/to transferred from unrestricted	-	-
Interest posted twice to Bond & Interest	-	-
Net assets released from restrictions used for operations	-	-
<b>Net assets released from restrictions used for payment of long-term debt</b>	(97,134.58)	(485,672.90)
Contributions and interest income	33.30	172.32
<b>Increase in unrestricted net assets</b>	<u>(984,918.61)</u>	<u>83,092.60</u>
<b>Temporarily restricted net assets:</b>		
District tax allocation	-	39,201.79
Net assets released from restrictions	-	(631,000.00)
Restricted contributions	-	200.00
Interest income	-	60.31
Net Assets for Long-Term Debt due from County	97,134.58	485,672.90
<b>Increase (decrease) in temporarily restricted net assets</b>	<u>97,134.58</u>	<u>(105,865.00)</u>
<b>Increase (decrease) in net assets</b>	(887,784.03)	(22,772.40)
<b>Net assets, beginning of period</b>	52,433,862.34	51,568,850.71
<b>Net assets, end of period</b>	<u>51,546,078.31</u>	<u>51,546,078.31</u>



# NORTHERN INYO HOSPITAL

## Statements of Cash Flows

As of November 30, 2011

	<u>Month-to-date</u>	<u>Year-to-date</u>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	(887,784.03)	(22,772.40)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities: (correcting fund deposit)		
Depreciation	211,544.01	1,052,735.09
Provision for bad debts	231,735.97	763,251.40
Loss (gain) on disposal of equipment	-	-
(Increase) decrease in:		
Patient and other receivables	158,740.04	(521,591.79)
Other current assets	103,530.56	89,187.76
Plant Expansion and Replacement Cash	-	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(328,214.57)	1,068,369.64
Third-party payors	487,424.51	193,305.00
<b>Net cash provided (used) by operating activities</b>	<u>(23,023.51)</u>	<u>2,622,484.70</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(1,701,655.58)	(11,502,039.95)
Purchase of investments	44,914.96	5,358,149.00
Proceeds from disposal of equipment	-	-
<b>Net cash provided (used) in investing activities</b>	<u>(1,656,740.62)</u>	<u>(6,143,890.95)</u>
<b>Cash flows from financing activities:</b>		
Long-term debt	(69,567.38)	(445,457.69)
Issuance of revenue bonds	(156,284.29)	(704,213.24)
Unamortized bond costs	4,626.77	23,133.85
Increase (decrease) in donor-restricted funds, net	(33.30)	591,365.58
<b>Net cash provided by (used in) financing activities</b>	<u>(221,258.20)</u>	<u>(535,171.50)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	(1,901,022.33)	(4,056,577.75)
<b>Cash and cash equivalents, beginning of period</b>	<u>5,246,878.94</u>	<u>7,402,434.36</u>
<b>Cash and cash equivalents, end of period</b>	<u><u>3,345,856.61</u></u>	<u><u>3,345,856.61</u></u>

Northern Inyo Hospital  
Summary of Cash and Investment Balances  
Calendar Year 2011

Month	Operations Checking Account			Time Deposit Month-End Balances								
	Balance at Beginning of Month	Deposits	Disbursements	Balance at End of Month	Investment Operations Fund	Bond and Interest Fund	Equipment Donations Fund	Childrens Fund	Scholarship Fund	Tobacco Settlement Fund	Total Revenue Bond Funds	General Obligation Bond Fund
January	10,507,916	6,765,249	9,559,496	7,713,669	24,907,772	790,535	26,596	2,815	4,027	723,292	2,120,894	593
February	7,713,669	7,631,345	6,454,526	8,890,488	21,851,274	790,535	26,596	2,815	4,027	723,320	2,257,873	593
March	8,890,488	7,124,284	7,982,727	8,032,045	19,738,054	790,635	26,599	2,815	4,027	723,351	2,394,743	593
April	8,032,045	4,976,646	9,187,639	3,821,052	17,729,613	592,220	26,599	2,815	4,027	799,780	2,531,814	593
May	3,821,052	9,962,528	6,016,138	7,767,442	14,707,953	592,220	26,599	2,815	4,027	799,816	2,688,329	593
June	7,767,442	6,502,436	6,807,040	7,462,838	12,693,053	592,296	26,603	2,815	4,028	799,849	2,413,318	-
July	7,462,838	6,842,689	6,021,265	8,284,262	9,648,452	631,498	26,603	2,815	4,028	799,881	2,450,834	-
August	8,284,262	9,931,004	6,969,573	11,245,693	7,663,367	631,498	26,603	2,815	4,028	799,918	2,587,816	-
September	11,245,693	4,378,829	7,163,803	8,460,718	7,629,512	631,558	26,605	3,015	4,028	799,951	2,724,799	-
October	8,460,718	4,652,466	7,563,728	5,549,457	7,379,819	558	26,605	3,015	4,028	799,986	2,861,783	-
November	5,549,457	4,641,126	6,735,075	3,455,507	7,334,904	558	26,605	3,015	4,028	800,019	3,018,067	-
Prior Year												
December	8,839,438	11,892,778	10,224,299	10,507,916	24,092,498	826,410	26,596	2,815	4,027	723,261	1,884,461	593

Notes: Revenue Bond Fund Includes 2010 Revenue Bond and 1998 Revenue Bond Funds held by Trustee for Debt coverage and Reserves

Investments as of November 30, 2011

Institution	Certificate ID	Purchase Dt	Maturity Dt	Principal	YTM	Broker
LAIF (Walker Fund)	20-14-002 Walker	02-Nov-11	01-Dec-11	\$320,226	0.41%	Northern Inyo Hospital
Multi-Bank Securities	RMB004151	21-Nov-11	01-Dec-11	\$2,011,358	0.01%	Multi-Bank Service
Worlds Foremost Bank (FNC CD)	5X42688	18-Dec-08	18-Dec-11	\$100,000	4.40%	Financial Northeast Corp.
General Electric CAP Corp	36962GSX8	21-Dec-10	15-Feb-12	\$1,060,060	0.63%	Multi-Bank Service
BP CAP MKTS	05565ABG2	16-Dec-10	10-Mar-12	\$2,570,950	0.81%	Multi-Bank Service
Morgan Stanley Bank	617446-HC-6	21-Nov-11	01-Apr-12	\$1,022,310	0.41%	Multi-Bank Service
<b>Total Short Term Investments</b>				<b>\$7,084,904</b>		
First Republic Bank-Div of BOFA FNC	5L28639	20-May-10	20-May-13	\$150,000	2.40%	Financial Northeast Corp.
First Republic Bank-Div of BOFA FNC	5L28638	20-May-10	20-May-15	\$100,000	3.10%	Financial Northeast Corp.
<b>Total Long Term Investments</b>				<b>\$250,000</b>		
<b>Grand Total Investments</b>				<b>\$7,334,904</b>		

**Financial Indicators**

	Target	Nov-11	Oct-11	Sep-11	Aug-11	Jul-11	Jun-11	May-11	Apr-11	Mar-11	Feb-11	Jan-11	Dec-10
Current Ratio	>1.5-2.0	2.59	2.88	3.09	3.29	3.62	3.98	4.49	5.34	4.78	4.72	5.14	5.39
Quick Ratio	>1.33-1.5	2.11	2.40	2.58	2.79	2.89	3.49	3.87	4.30	4.15	4.20	4.62	4.88
Days Cash on Hand	>75	136.28	152.23	177.78	186.45	191.12	231.83	165.71	195.53	214.19	241.51	235.84	267.12



NORTHERN INYO HOSPITAL  
DEPARTMENTAL NON-EMERGENCY OUTPATIENT VISITS

Effective April 2010, Radiology Visits include all patient types (OP, IP & ER); this is a change from only Outpatients

MONTHS 2011	DIAGNOSTIC RADIOLOGY	MAMMOGRAPHY	NUCLEAR MEDICINE	ULTRASOUND	CT SCANNING	MRI	LABORATORY	EKG/ EEG	PHYSICAL THERAPY	RESPIRATORY THERAPY	RURAL HEALTH CLINIC	TOTALS
JANUARY	608 / 622 / 742	434 / 330 / 192	96 / 77 / 34	206 / 198 / 242	165 / 167 / 185	470 / 658 / 100	1635 / 1619 / 1661	120 / 96 / 99	363 / 352 / 558	10 / 17 / 18	1457 / 1220 / 1352	5562 / 5356 / 5183
FEBRUARY	477 / 542 / 644	182 / 313 / 190	51 / 51 / 41	195 / 201 / 251	153 / 147 / 155	435 / 456 / 91	1643 / 1522 / 1497	118 / 114 / 126	314 / 376 / 596	10 / 15 / 23	1374 / 1254 / 1207	4950 / 4991 / 4821
MARCH	581 / 567 / 693	261 / 321 / 201	1 / 99 / 46	201 / 206 / 243	152 / 170 / 186	472 / 440 / 115	1904 / 1795 / 1786	121 / 117 / 139	428 / 449 / 712	13 / 9 / 27	1477 / 1404 / 1273	5611 / 5577 / 5431
APRIL	600 / 786 / 609	378 / 289 / 170	68 / 57 / 39	198 / 252 / 248	161 / 161 / 159	483 / 148 / 89	1824 / 1804 / 1658	108 / 113 / 129	300 / 395 / 750	16 / 10 / 14	1423 / 1394 / 1084	5639 / 5409 / 4949
MAY	650 / 784 / 687	391 / 177 / 159	87 / 40 / 49	187 / 234 / 244	131 / 183 / 190	656 / 109 / 107	1811 / 1622 / 1570	103 / 93 / 141	354 / 456 / 771	12 / 19 / 21	1373 / 1165 / 1164	5755 / 4862 / 5103
JUNE	594 / 632 / 602	485 / 199 / 205	37 / 42 / 38	224 / 220 / 253	150 / 158 / 183	461 / 100 / 113	1881 / 1707 / 1671	120 / 104 / 98	388 / 401 / 539	19 / 14 / 18	1387 / 1346 / 1441	5716 / 4923 / 5161
JULY	610 / 732 / 644	444 / 205 / 179	84 / 45 / 36	210 / 253 / 238	179 / 179 / 167	505 / 111 / 89	1805 / 1589 / 1526	102 / 118 / 91	328 / 423 / 499	11 / 17 / 13	1116 / 1123 / 1388	5394 / 4795 / 4870
AUGUST	528 / 813 / 672	398 / 187 / 204	73 / 57 / 35	193 / 292 / 243	165 / 220 / 182	392 / 106 / 104	1779 / 1648 / 1671	103 / 111 / 132	386 / 442 / 620	12 / 17 / 17	1071 / 1357 / 1552	5100 / 5210 / 5332
SEPTEMBER	505 / 786 / 692	402 / 184 / 173	113 / 37 / 30	200 / 239 / 238	61 / 140 / 166	360 / 105 / 125	1743 / 1728 / 1534	116 / 106 / 117	363 / 375 / 417	11 / 37 / 14	1209 / 1234 / 1336	5083 / 4974 / 4842
OCTOBER	546 / 684 / 586	434 / 339 / 186	88 / 63 / 35	176 / 243 / 190	155 / 189 / 158	423 / 137 / 117	1685 / 1586 / 1530	112 / 104 / 89	413 / 521 / 388	12 / 14 / 15	1297 / 1150 / 1397	5341 / 5030 / 4891
NOVEMBER	562 / 526 / 554	381 / 213 / 174	37 / 39 / 25	177 / 201 / 205	159 / 143 / 137	415 / 107 / 117	1651 / 1516 / 1625	102 / 103 / 92	363 / 471 / 372	8 / 12 / 10	1151 / 1100 / 1291	5008 / 4431 / 4502
DECEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /
CALENDAR YEAR	6259 / 7454 / 7125	4160 / 2757 / 2033	735 / 607 / 408	2167 / 2499 / 2595	1631 / 1857 / 1878	5072 / 2477 / 1167	19361 / 18136 / 17729	1223 / 1179 / 1253	4080 / 4661 / 6122	134 / 181 / 190	14335 / 13747 / 14485	59157 / 55555 / 54985
MONTHLY AVERAGES	589 / 678 / 648	378 / 251 / 185	67 / 55 / 37	197 / 227 / 236	148 / 169 / 171	461 / 225 / 106	1760 / 1649 / 1612	111 / 107 / 114	371 / 424 / 557	12 / 16 / 17	1303 / 1250 / 1317	5378 / 5050 / 4899

\*Radiology has changed their methodology for capturing statistics and feel these are more accurate. They are much higher than previously reported.

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The Variable Annuity Life Insurance Company  
P.O. Box 15648  
Amarillo, TX 79105

## VALIC Specimen Governmental Section 457(b) Plan Document Changes

The following summary highlights the material changes made to the VALIC specimen governmental 457(b) plan document:

**Separate Adoption Agreement.** The elections that were formerly in Article II (and several new elections) are now set forth in a separate Adoption Agreement. The specimen plan now includes both an Adoption Agreement and a Basic Plan Document.

**Section 2.06, Compensation.** This new definition replaces the former definition of Normal Compensation. For years beginning after 2008, "Compensation" also includes "differential wage payments" (as defined in Section 2.17).

**Section 2.09, Designated Roth Contributions.** This section defines Roth (after-tax) contributions, which the Employer may elect to permit for years after 2010 (see item 3 of the Adoption Agreement).

**Section 2.13, Employee.** Under the HEART Act, for years beginning after 2008, the term "Employee" also includes an individual (on military leave) who is receiving "differential wage payments" (as defined in Section 2.17).

**Section 2.14, Eligible Employee.** This is an Employee who, based on the Employer's elections in the Adoption Agreement, is eligible to participate in the Plan.

**Section 2.16, Employer Contribution.** This is a new defined term for amounts (other than Employee Elective Deferral Contributions or Designated Roth Contributions) that the Employer elects to contribute to the Plan as additional Deferred Compensation (based on the Employer's elections in the Adoption Agreement).

**Section 2.17, Includible Compensation.** Under the HEART Act, for years beginning after 2008, Includible Compensation must include "differential wage payments" (payments by the Employer to Participants on active duty in the uniformed services.)

**Section 2.18, Maximum Limitation.** The Applicable Dollar Amount and the Age-Based Catch-Up amounts were updated to reflect the 2011 limits (\$16,500 and \$5,500, respectively).

**Section 2.22, Severance from Employment.** Under the HEART Act, for years after 2008, for purposes of the withdrawal restrictions under Section 457(b) (which normally prohibit distributions before severance from employment or attainment of age 70½), an individual is "treated" as having a severance from employment during any period the individual is performing service in the uniformed services.

**Sections 4.08 and 4.09, Deferrals of Sick, Vacation and Back Pay and Deferrals of Amounts Paid after Severance from Employment.** Before a Severance from Employment, Participants may elect to defer accumulated sick, accumulated vacation, and back pay if an agreement providing for the deferral is entered into before the beginning of the month in which the amounts would otherwise be paid or made available and the Participant is an Employee on the date the amounts would otherwise be paid or made available. After a Severance from Employment, deferrals may be made for former Employees for certain types of Compensation. Payments for accrued bona fide sick, vacation or other leave may be deferred if such amounts are paid by the later 2½ months after severance, or the end of the year in which the agreement to defer these amounts is entered into before the beginning of the month in which the amounts are paid, and the Employee would have been able to use the leave if employment had continued. Deferrals may also be made for former Employees for Compensation paid to permanently and totally disabled Participants, and for Compensation related to qualified military service.

**Section 4.10, Designated Roth Contributions.** This section describes how (if the Employer elects in the Adoption Agreement) Participants may designate that some or all of their elective contributions to the Plan be treated as after-tax Roth contributions. It also describes how such amounts must be separately accounted for, and how distributions may be made from this separate account.





The Variable Annuity Life Insurance Company  
P.O. Box 15648  
Amarillo, TX 79105

### VALIC Specimen Section 457(b) Plan Document Changes (Continued)

**Section 6.05, 2009 Required Minimum Distributions ("RMDs").** This section was added to reflect the optional waiver of the minimum distribution requirements (under Code Section 401(a)(9)) for the 2009 calendar year. The Employer must elect (in the Adoption Agreement) how the Plan handled required minimum distributions for 2009, and what distributions were eligible for direct rollover.

**Section 6.08, Unforeseeable Emergency Withdrawals.** The Employee may elect (in Item 6 of the Adoption Agreement) whether to allow unforeseeable emergency withdrawals under the Plan, and if so, whether to allow such distributions based on a severe financial hardship of the Participant's primary Beneficiary.

**Section 6.12, In-Plan Roth Conversions.** The Employer may elect (in Item 10 of the Adoption Agreement) to allow in-plan conversion of pre-tax amounts to taxable Roth contributions. However, such conversions are limited to amounts (such as rollover contributions) that are distributable under the terms of Code Section 457(b) and the terms of the Plan and the Employer must also elect to allow designated Roth contributions (see Item 3 of the Adoption Agreement).

**Section 6.13, Distributions to Individuals Performing Service in the Uniformed Services.** The Employer may elect (in item 9 of the Adoption Agreement) to allow distributions by individuals on military leave, but participants who elect such distributions (if allowed) will be subject to a 6 month suspension of pre-tax and Roth after tax deferrals.

**Section 6.14, Eligible Retired Public Safety Officer Distribution Deduction Election.** Unless the Employer elects otherwise (in Item 11 of the Adoption Agreement), a Participant who qualifies as an eligible retired public safety officer may elect to have up to \$3,000 of an otherwise taxable distribution withheld and paid directly to the provider of an accident or health insurance plan or qualified long-term care insurance contract and exclude any amount paid from gross income.

**Section 8.03, Non-spousal Beneficiary Rollovers.** Under the Pension Protection Act of 2006, plans had the option to allow a non-spouse beneficiary to make a direct rollover to an "inherited" IRA (for distributions after 2006). Under later legislation, this provision became mandatory (for distributions after December 31, 2009). The Employer may elect (in Item 12 of the Adoption Agreement) to allow such rollovers by non-spouse Beneficiaries as of a date earlier than January 1, 2010 (but not earlier than January 1, 2007).

**Article XIV, Participating Employers.** This article sets forth the conditions under which the plan may be adopted by more than one employer. Each Participating Employer must execute a separate Participation Agreement (the last two pages of the Adoption Agreement).

RESOLUTION AUTHORIZING ADOPTION OF  
PLAN RESTATEMENT

"WHEREAS, Northern Inyo Hospital (hereinafter,  
the "Employer") established the Northern Inyo Hospital 457 P1  
Deferred Compensation Plan (hereinafter, the "Plan"), effective 10/31/03,  
\_\_\_\_\_ for the exclusive benefit of its employees and their beneficiaries;

NOW, THEREFORE, BE IT RESOLVED that the Employer hereby amends and  
restates the Plan in the form of the Plan attached hereto; and,

RESOLVED, FURTHER, that the appropriate officers of the Employer, or their  
delegates, are hereby authorized to execute the amendment and restatement of the  
Plan effective 11-1, 2011."

\*\*\*\*\*

I, \_\_\_\_\_, do hereby certify that the above  
and foregoing was adopted by the \_\_\_\_\_ on  
the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Signature

WITNESS:  
  
\_\_\_\_\_

**SPECIMEN  
SECTION 457(b) DEFERRED COMPENSATION PLAN  
GOVERNMENTAL EMPLOYERS**

This specimen plan document (which includes both an Adoption Agreement and a Basic Plan Document) is intended to meet the requirements of an eligible deferred compensation plan under Section 457(b) of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, that is sponsored by a governmental employer, as defined thereunder. This document has not been approved by the Internal Revenue Service and is provided for consideration by the employer and its legal counsel. Modifications may be required depending on the specific facts and circumstances of the employer, including any applicable state or local laws, rules or regulations regarding deferred compensation or retirement benefits for governmental employees. VALIC cannot and does not provide legal or tax advice.

**ADOPTION AGREEMENT**  
**SECTION 457(b) DEFERRED COMPENSATION PLAN**  
**(Governmental)**

The undersigned employer hereby adopts or restates, as applicable, this Plan. This Plan shall comprise both (1) this Adoption Agreement and (2) the Basic Plan Document. Article and section references in this Adoption Agreement refer to articles and sections of the Basic Plan Document unless otherwise indicated.

Employer Name: Northern Inyo Hospital  
Employer Address: 150 Pioneer Lane  
Bishop, CA 93514

Plan Name: Northern Inyo Hospital 457 Plan

1. Plan Effective Date. ("Effective Date.") (Check one.)

- This Plan is being established by the Employer as a new Plan, effective \_\_\_\_\_, \_\_\_\_\_.
- This Plan amends and restates the Plan previously established by the Employer and is effective December 31, 2011. The Plan was originally established by the Employer effective October 31, 2003.

2. Eligible Employees. (Check one.)

- All Employees shall be eligible to participate.
- The Employer, in its sole discretion, shall determine each Plan Year which Employees shall be eligible to participate in the Plan.
- All Employees shall be eligible to participate except the following Employees (specify which Employees shall not be allowed to participate in the Plan):
- \_\_\_\_\_
- \_\_\_\_\_

3. Roth Contributions. (Check one.)

- Designated Roth Contributions are not permitted, and Section 4.10 shall not apply to this Plan.
- Participants may make Designated Roth Contributions (as described in Section 4.10) in lieu of or in addition to pre-tax Elective Deferral Contributions, effective \_\_\_\_\_, \_\_\_\_\_ (insert date not earlier than the later of January 1, 2011 or the date of the Employer's resolution adopting Designated Roth Contributions).

4. Employer Contributions. (Check one.) Note: Employer Contributions are combined with Elective Deferral Contributions and Designated Roth Contributions in applying the contribution limits described in Section 2.18.

- There shall be no Employer Contributions under this Plan.
- Discretionary Employer Contribution. The Employer may, in its absolute discretion, make an Employer Contribution to the Plan, and may determine, in its absolute discretion, how any such Employer Contribution shall be allocated among Plan Participants. This Discretionary Employer Contribution may be a matching or non-matching contribution.
- FICA Opt-out Contribution. As described in Section 4.11, the Employer shall make FICA Opt-out Contributions (contributions other than Elective Deferral Contributions or Designated Roth Contributions) on behalf of the following Employees in lieu of paying/withholding FICA taxes for such Employees and in the amounts indicated below (check applicable box and fill in blanks for required contribution percentages):
- All Employees
- Part-time, seasonal and temporary Employees only

Other (indicate which Employees shall be eligible for the FICA Opt-out Contributions):

\_\_\_\_\_

The required FICA Opt-out Contribution shall consist of the following types of contributions (which must total 7.5% or more of the Participant's Compensation):

Employer Contribution = \_\_\_\_\_% of Compensation

Mandatory Employee Contribution = \_\_\_\_\_% of Compensation

Other: \_\_\_\_\_

\_\_\_\_\_

5. Loans. (Check one.)

Yes, loans are allowed and Article IX shall apply to this Plan.

No, loans are not allowed and Article IX shall not apply to this Plan.

6. Unforeseeable Emergency Withdrawals. (Check one.)

Yes. Withdrawals under Section 6.08 shall be available under this Plan. (Check one.)

Withdrawals on account of an illness, accident or need to pay for the funeral expenses of the Participant's primary Beneficiary shall be available effective the later of (a) August 17, 2006, (b) the original effective date of the Plan or, if applicable, (c) \_\_\_\_\_, \_\_\_\_\_ (insert date that this option was first available, if such date was later than August 17, 2006).

Withdrawals on account of an illness, accident or need to pay for funeral expenses of the Participant's primary Beneficiary shall not be available.

No. Withdrawals under Section 6.08 shall not be available under this Plan.

7. Participant's Election to Receive In-Service Distribution. A Participant may elect to receive an in-service distribution of his account balance as described in Section 6.10. (Check one.)

Yes, if the total amount payable to a Participant under the Plan does not exceed the dollar amount under Code Section 411(a)(11)(A) (currently \$5,000).

No. Section 6.10 shall not apply to this Plan.

8. Distribution without Participant's Consent. Small accounts of certain inactive Participants may be distributed without the Participant's consent as described in Section 6.11. (Check one.)

Yes, if the total amount payable to a Participant under the Plan does not exceed \$1,000. Such amount will be paid in cash to the Participant.

No. Section 6.11 shall not apply to this Plan.

9. Distributions to Individuals in Uniformed Services. (Check one.)

The Plan does not permit distributions to individuals who are deemed to have a Severance from Employment solely on account of their performing services in the uniformed services and Section 6.13 shall not apply to this Plan.

Participants who are deemed to have a Severance from Employment on account of their performing services in the uniformed services for a period of 30 days or more may elect to receive a distribution of all or a portion of their Account (subject to the post-distribution restrictions described in Section 6.13).

10. In-plan Roth Conversions. (Check one.) (Note: Employer cannot allow in-plan Roth conversions unless it also elects to allow Designated Roth Contributions under Section 3, above, of this Adoption Agreement.)

In-plan Roth conversions are not permitted, and Section 6.12 shall not apply to this Plan.

Participants may convert certain pre-tax amounts to Roth contributions in an "in-plan" rollover/conversion described in Section 6.12, but only if such amounts are currently distributable under the terms of the Plan, effective \_\_\_\_\_, \_\_\_\_\_ (insert date not earlier than the later of January 1, 2011 or the date of the Employer's resolution adopting in-plan Roth conversions).

11. Deductions from Distributions to Eligible Retired Public Safety Officers. (Check one.)
- For distributions after December 31, 2006, an Eligible Retired Public Safety Officer may elect, pursuant to Section 6.14, to have up to \$3,000 of the distribution deducted and paid directly to the provider of an accident or health insurance plan or qualified long-term care insurance plan.
  - The Plan does not allow elections by Eligible Retired Public Safety Officers under Section 6.14.
12. Non-spousal Beneficiary Rollovers. As described in Section 8.03, non-spousal Beneficiary rollovers are allowed after December 31, 2006, unless elected otherwise below. (Note: Such distributions are required by law to be allowed after December 31, 2009.)
- Non-spousal Beneficiary rollovers are not allowed prior to January 1, 2010.
  - Non-spousal Beneficiary rollovers are allowed effective December 31, 2009 (insert date not earlier than January 1, 2007 and not later than December 31, 2009).
13. Required Minimum Distributions for 2009. (Check one of the boxes in each of subsections (a) and (b) below. If none of the boxes in a subsection is checked, the first option shall apply to the Plan.)
- (a) For purposes of 2009 required minimum distributions:
- This option reflects VALIC standard operations during 2009.** The provisions of Section 6.05(a) apply (Required Minimum Distributions continue in accordance with the terms of the Plan for Participants or Beneficiaries receiving installment payments unless such Participant or Beneficiary elects otherwise, whereas Required Minimum Distributions are suspended for all other Participants and Beneficiaries).
  - The provisions of Section 6.05(b) apply (Required Minimum Distributions continue in accordance with the terms of the Plan for all Participants and Beneficiaries, unless otherwise elected by a Participant or Beneficiary).
  - The provisions of Section 6.05(c) apply (Required Minimum Distributions continue in accordance with the terms of the Plan for all Participants and Beneficiaries, but only Participants or Beneficiaries receiving installment payments may elect otherwise).
  - Other: \_\_\_\_\_
- 
- Not applicable (Plan established as a new Plan after 2009). (Do not complete subsection (b) below.)
- (b) For purposes of Section 6.05(d), the Plan will treat the following as eligible rollover distributions in 2009:
- This option reflects VALIC standard operations during 2009.** A direct rollover option shall be offered only for distributions that would be eligible rollover distributions without regard to Code Section 401(a)(9)(H).
  - Eligible rollover distributions shall include 2009 Required Minimum Distributions and installment payments that include 2009 Required Minimum Distributions.
  - Eligible rollover distributions shall include 2009 Required Minimum Distributions, but only if paid with an additional amount that is an eligible rollover distribution without regard to Code Section 401(a)(9)(H).
14. Optional Benefit Accruals under HEART Act. (Check one.)
- The optional benefit accrual provisions described in Section 4.12 for individuals who die or become disabled while performing qualified military service shall not apply.
  - The optional benefit accrual provisions described in Section 4.12 for individuals who die or become disabled while performing qualified military service shall apply effective \_\_\_\_\_, \_\_\_\_\_ (insert date not earlier than first day of 2007 Plan Year).
15. Governing Law. This Plan shall be construed under the laws of the State/Commonwealth of California (insert State/Commonwealth). This Plan shall be subject to any applicable State, county or local deferred compensation rules and regulations.

The Employer hereby causes this Adoption Agreement to be executed by its duly authorized representative on the date specified below.

Employer (Please Print): Northern Inyo Hospital

Employer's Signature: X

Name (Please Print): John Halfen

Title: CEO Date: \_\_\_\_\_

**PARTICIPATION AGREEMENT**  
**SECTION 457(b) DEFERRED COMPENSATION PLAN**  
**(Governmental)**

Complete this page *only* if more than one Employer will adopt this Section 457(b) Deferred Compensation Plan. Each Participating Employer must execute a separate Participation Agreement.

Check here if not applicable and do not complete this page.

The undersigned governmental entity, by executing this Participation Agreement, elects to become a Participating Employer in the Section 457(b) eligible deferred compensation plan identified in the accompanying Adoption Agreement and below (the "Plan"), as if the Participating Employer were a signatory to the Adoption Agreement for the Plan. The Participating Employer accepts, and agrees to be bound by, all of the elections made by the signatory Employer in the Adoption Agreement for the Plan, except as otherwise provided in this Participation Agreement.

1. **EFFECTIVE DATE.** (Note: The Effective Date of the Participating Employer's adoption of the Plan cannot be earlier than the original effective date of the Plan, as adopted by the signatory Employer. If the Participating Employer is adopting the Plan as a restatement of an existing governmental Section 457(b) plan of the Participating Employer, the Effective Date of the Participating Employer's adoption of the Plan must not be earlier than the later of (i) the original effective date of the Participating Employer's existing Section 457(b) plan, (ii) the effective date of the most recent restatement of the Plan by the signatory Employer, or (iii) the first day of the Plan Year that includes the date the Participation Agreement is executed.)

The Effective Date of the Participating Employer's adoption of the Plan is: \_\_\_\_\_.

2. **NEW PLAN/RESTATEMENT.** The Participating Employer's adoption of this Plan constitutes: (Check one.)

The adoption of a new governmental Section 457(b) plan by the Participating Employer.

An amendment and restatement of a governmental Section 457(b) plan currently maintained by the Participating Employer identified as the \_\_\_\_\_ and having an original effective date of \_\_\_\_\_.

The Participating Employer hereby causes this Participation Agreement to be executed by its duly authorized representative on the date specified below.

Plan Name (Please Print): \_\_\_\_\_

Participating Employer Name (Please Print): \_\_\_\_\_

Participating Employer's Signature: \_\_\_\_\_

Name (Please Print): \_\_\_\_\_

Title: \_\_\_\_\_ Date: \_\_\_\_\_

Acceptance by the Signatory Employer of the Adoption Agreement.

Signatory Employer Name (Please Print): \_\_\_\_\_

Signatory Employer's Signature: \_\_\_\_\_

Name (Please Print): \_\_\_\_\_

Title: \_\_\_\_\_ Date: \_\_\_\_\_



**BASIC PLAN DOCUMENT**  
**SECTION 457 (b) DEFERRED COMPENSATION PLAN**  
**(Governmental)**

**ARTICLE I. INTRODUCTION**

This Plan is intended to be an eligible deferred compensation plan under Section 457 of the Internal Revenue Code of 1986, as amended. The primary purpose of this Plan is to attract and retain qualified personnel by permitting them to provide for benefits in the event of their retirement or death. Nothing contained in this Plan shall be deemed to constitute an employment agreement between any Participant and the Employer and nothing contained herein shall be deemed to give any Participant any right to be retained in the employ of the Employer.

**ARTICLE II. DEFINITIONS**

- 2.01 **Account:** The account maintained for each Participant reflecting the cumulative amount of each Participant's Deferred Compensation, including any income, gains, losses, or increases or decreases in market value attributable to the investment of the Participant's Deferred Compensation, and further reflecting any distributions to the Participant or the Beneficiary and any fees or expenses charged against the Participant's Deferred Compensation.
- 2.02 **Adoption Agreement:** The separate agreement which is executed by the Employer and sets forth the elective provisions of this Plan as specified by the Employer.
- 2.03 **Annuity Contract:** If selected by the Employer as an investment option, one or more group fixed, variable or combination fixed and variable annuity contracts issued by The Variable Annuity Life Insurance Company (VALIC) and approved for sale in the Employer's state, or by another insurance company qualified to do business in the Employer's state, which provide for periodic payments at regular intervals, whether for a period certain or during one or more lives, and which are non-transferable.
- 2.04 **Beneficiary or Beneficiaries:** The person or persons designated by the Participant in his Deferred Compensation Agreement who shall receive any benefits payable hereunder in the event of the Participant's death. If more than one designated Beneficiary survives the Participant, payments shall be made equally to the surviving Beneficiaries, unless otherwise provided in the Deferred Compensation Agreement. If no Beneficiary is designated in the Deferred Compensation Agreement or if no designated Beneficiary survives the Participant, then the estate of the Participant shall be the Beneficiary. However, a Participant may designate a contingent Beneficiary (or Beneficiaries) who shall become the primary Beneficiary (or Beneficiaries) under this Plan in the event that no primary Beneficiary survives the Participant.
- 2.05 **Code:** The Internal Revenue Code of 1986, as amended, and regulations thereunder.
- 2.06 **Compensation:** The amount of compensation that would be payable to a Participant by the Employer if no Deferred Compensation Agreement were in effect to defer compensation under this Plan. The term Compensation includes amounts that are excludable from an Employee's gross income and that are contributed by the Employer at the Employee's election to a cafeteria plan, qualified transportation fringe benefit plan, a Section 401(k) arrangement, a SARSEP, a Section 403(b) arrangement, a SIMPLE plan or another Section 457(b) plan of the Employer. For years beginning after 2008, Compensation shall include "differential wage payments," as that term is defined in Section 2.17 (Includible Compensation).
- 2.07 **Deferred Compensation:** The amount of Compensation otherwise payable to the Participant that the Participant elects to defer hereunder (as either pre-tax Elective Deferral Contributions or after-tax Designated Roth Contributions), any amount credited to a Participant's Account by reason of a transfer under Section 8.01, or any other amount that the Employer agrees to credit to a Participant's Account (as an Employer Contribution) and that does not exceed the Maximum Limitation.
- 2.08 **Deferred Compensation Agreement:** An agreement entered into between a Participant and the Employer and any amendments or modifications thereof, which agreement shall fix the amount of pre-tax Elective Deferral and/or after-tax Designated Roth Contributions, if applicable, that the Participant elects to defer; specify the Participant's investment selection with respect to his Deferred Compensation; designate the Participant's Beneficiary or Beneficiaries; and incorporate the terms, conditions, and provisions of this Plan by reference.
- 2.09 **Designated Roth Contribution:** The amount of a Participant's Compensation that he elects to defer to the Plan (as Deferred Compensation) on an after-tax basis.

- 2.10 Elective Deferral Contribution: The amount of a Participant's Compensation that he elects to defer to the Plan (as Deferred Compensation) on a pre-tax basis.
- 2.11 Eligible Retirement Plan: A plan described in Code Section 402(c)(8)(B) to which an Eligible Rollover Distribution may be transferred pursuant to Code Section 457(e)(16).
- 2.12 Eligible Rollover Distribution: A qualifying distribution to a Participant, or to a spousal Beneficiary of a deceased Participant, that is described in Code Section 402(c)(4).
- 2.13 Employee: Any individual, whether appointed, elected or under contract, providing services for the Employer for which compensation is paid. For years beginning after December 31, 2008, the term Employee also includes an individual receiving "differential wage payments," as that term is defined in Section 2.17 (Includible Compensation), from the Employer.
- 2.14 Eligible Employee: An Employee who, based on the Employer's elections in the Adoption Agreement, is eligible to participate in the Plan.
- 2.15 Employer: The entity identified in the Adoption Agreement, which entity is a State, political subdivision of a State, or an agency or instrumentality of a State or political subdivision of a State.
- 2.16 Employer Contribution: The amount (if any) that the Employer contributes to the Plan (as Deferred Compensation) that does not reduce (on a pre-tax or an after-tax basis) the Participant's Compensation for the Plan Year.
- 2.17 Includible Compensation: For a taxable year, the Participant's compensation, as defined in Code Section 415(c)(3), for services performed for the Employer. For years beginning after 2008, Includible Compensation shall include "differential wage payments," as defined in Code Section 3401(h)(2) (a payment by the Employer to an individual with respect to any period during which the individual is performing service in the uniformed services while on active duty for a period of more than 30 days, and which payment represents all or a portion of the wages the individual would have received from the Employer if the individual were performing service for the Employer). The amount of Includible Compensation shall be determined without regard to any community property laws.
- 2.18 Maximum Limitation: The maximum amount that may be deferred under this Plan (other than rollover amounts described in Section 8.02) for the taxable year of a Participant. Such amount shall be either the Normal Limitation or Catch-Up Limitation, whichever is applicable.
- (a) Normal Limitation: The maximum amount deferred shall not exceed the lesser of the Applicable Dollar Amount (as described in Section 2.18(c) below) or 100% of the Participant's Includible Compensation, as adjusted by Section 2.18(d) below. Notwithstanding the preceding provisions of this paragraph, for calendar years prior to 2002, the maximum amount deferred shall not exceed such limit or limits in effect for the applicable year pursuant to Code Section 457.
- (b) Catch-Up Limitation: For each one of the last three (3) taxable years of a Participant ending before the Participant's attainment of Normal Retirement Age, the maximum amount deferred for each such year shall be the lesser of:
- (1) twice the Applicable Dollar Amount (as described in Section 2.18(c) below); or
  - (2) the sum of the Normal Limitation, plus that portion of the Normal Limitation not used in each of the prior taxable years of the Participant commencing after 1978 in which (i) the Participant was eligible to participate in this Plan or another eligible plan of the Employer, and (ii) compensation deferred under this Plan (or such other plan) was subject to the deferral limitations set forth in this section.
- A Participant may utilize the Catch-Up Limitation only if the Participant has not previously utilized it with respect to a different Normal Retirement Age under this Plan or any other plan.
- For years prior to 2002, the limit under this paragraph (b) for any year shall not exceed \$15,000.
- (c) Applicable Dollar Amount: For contributions in 2006 and subsequent years, the Applicable Dollar Amount shall be \$15,000 as adjusted for cost-of-living increases in accordance with Code Section 457(e)(15). The Applicable Dollar Amount for the 2011 calendar year is \$16,500 and for the 2012 calendar year is \$17,000.
- (d) Coordination with Other Plans: For contribution years prior to 2002, the amount excludible from a Participant's gross income for any taxable year under this Plan or any other plan under Code Section 457(b) shall not exceed \$7,500 (as adjusted for cost-of-living increases in accordance with Code Section 457(e)(15)) or such greater amount allowed under paragraph (b) of this section, less any amount excluded from gross income under Code Section 403(b), 402(e)(3), or 402(h)(1)(B) or (k), or any amount with respect to which a deduction is allowable by reason of a contribution to an organization under Code Section 501(c)(18).

- (e) Age-Based Catch-Up Contributions: In addition to any other limit set forth in this section, a Participant who will attain age 50 in the calendar year may contribute an additional \$5,000 as adjusted for cost-of-living increases in accordance with Code Section 414(v)(2)(C). The Age-Based Catch-Up limitation for the 2011 and 2012 calendar years is \$5,500.
  - (f) Coordination of Catch-Up Contributions: A Participant may not utilize both the Catch-Up Limitation and the Age-Based Catch-Up Contribution in the same year. The Age-Based Catch-Up Contribution shall not apply for any taxable year for which a higher Catch-Up Limitation applies.
  - (g) Excess Deferrals: Any amount deferred in excess of the Maximum Limitation or Age-Based Catch-Up Contribution shall be distributed to the Participant, with allocable net income, as soon as administratively practicable after the Plan determines that the amount is an excess deferral. An excess deferral as a result of a failure to comply with the individual limitation under Treas. Reg. Section 1.457-5 for a taxable year may be distributed to the Participant, with allocable net income, as soon as administratively practicable after the Plan determines that the amount is an excess deferral.
- 2.19 Normal Retirement Age: The age that determines the period during which a Participant may utilize the Catch-Up Limitation of Section 2.18(b) hereunder. A Participant's Normal Retirement Age shall be age 70½, unless the Participant has elected an alternative Normal Retirement Age by written instrument delivered to the Employer prior to Severance from Employment.
- A Participant's alternative Normal Retirement Age may not be earlier than the earliest date that the Participant shall become eligible to retire and receive unreduced retirement benefits under the Employer's defined benefit plan or money purchase plan covering that Participant and may not be later than the calendar year in which the Participant attains age 70½. If the Participant will not be eligible to receive benefits under a defined benefit plan or money purchase plan maintained by the Employer, the Participant's Normal Retirement Age may not be earlier than attainment of age 65 and may not be later than the calendar year in which the Participant attains age 70½.
- If the Participant is a qualified police officer or firefighter as defined under Code Section 415(b)(2)(H)(ii)(I), then such qualified police officer or firefighter may designate an alternative Normal Retirement Age that is between age 40 and age 70½.
- Once a Participant has to any extent utilized the Catch-Up Limitation of Section 2.18(b), his Normal Retirement Age may not be changed.
- 2.20 Participant: Any Eligible Employee who has enrolled in this Plan pursuant to the requirements of Article V or who has previously deferred compensation under this Plan and who has not received a distribution of his entire benefit under the Plan.
- 2.21 Plan Year: The 12-month period commencing each January 1st and ending on the following December 31st.
- 2.22 Severance from Employment: Termination of the Participant's employment relationship with the Employer. For years after 2008, solely for purposes of the withdrawal restrictions of Code Section 457(d)(1)(A), an individual shall be treated as having been severed from employment during any period the individual is performing service in the uniformed services, as described in Code Section 3401(h)(2)(A). For years prior to 2002, references in this Plan to Severance from Employment shall mean severance of the Participant's employment with the Employer, within the meaning of Code Section 402(e)(4)(D)(i)(III), rather than termination of the Participant's employment relationship with the Employer.
- 2.23 Service Provider: The Variable Annuity Life Insurance Company (VALIC), VALIC Retirement Services Company or such other entity as the Employer designates to perform administrative services under this Plan.

### ARTICLE III. ADMINISTRATION

- 3.01 Plan Administrator: This Plan shall be administered by the Employer or one or more persons designated by the Employer. The Plan Administrator, if other than the Employer, shall act as the agent of the Employer in all matters concerning the administration of this Plan. The Plan Administrator shall have full power to adopt, amend, and revoke such rules and regulations consistent with and as may be necessary to implement, operate and maintain this Plan, to enter into contracts on behalf of the Employer under this Plan, and to make discretionary decisions affecting the rights or benefits of Participants under Section 6.08 of this Plan.
- 3.02 Employee with Administrative Responsibilities: Any Employee who is charged with administrative responsibilities hereunder may participate in the Plan under the same terms and conditions as apply to other Employees. However, he

shall not have the power to participate in any discretionary action taken with respect to his participation under Section 6.08 of this Plan.

- 3.03 Administrative Services. The Employer may enter into an agreement with a Service Provider to provide nondiscretionary administrative services under this Plan for the convenience of the Employer, including, but not limited to, the enrollment of Employees as Participants, the maintenance of Accounts and other records, the making of periodic reports to Participants, and the disbursement of benefits to Participants.

#### ARTICLE IV. PARTICIPATION IN THE PLAN

- 4.01 Participant. An Eligible Employee becomes a Participant when he has executed and entered into a Deferred Compensation Agreement with the Employer. An Eligible Employee is not precluded from becoming a Participant by reason of having received a pre-1997 cash-out distribution (upon separation from service) of \$3,500 or less from a Code Section 457(b) plan.
- 4.02 Enrollment in the Plan. An Eligible Employee may elect to defer Compensation for a calendar month by entering into a Deferred Compensation Agreement before the first day of the month in which the Compensation is paid or made available. A new Eligible Employee may defer Compensation payable in the calendar month which includes the first day of employment by entering into a Deferred Compensation Agreement on or before the first day of employment.
- 4.03 Minimum Deferral Amount. At the time of entering into or amending a Deferred Compensation Agreement hereunder, an Eligible Employee or Participant must agree to defer a minimum periodic amount as specified by the Plan Administrator.
- 4.04 Change in Amount of Deferred Compensation or Beneficiary. A Participant may not amend or modify an executed Deferred Compensation Agreement to change the amount of Deferred Compensation except with respect to compensation to be earned in the subsequent calendar month and provided that notice is given prior to the beginning of the month for which such change is to be effective. The Employer may suspend a Participant's Elective Deferral Contributions and/or Designated Roth Contributions for up to 6 months in the event a Participant takes a hardship distribution from the Employer's Section 401(k) plan or Section 403(b) arrangement if required under the terms of such plan or arrangement. A Participant may change the Beneficiary designated in his Deferred Compensation Agreement at any time by giving written notice to the Plan Administrator.
- 4.05 Revocation of Deferred Compensation Agreement. A Participant may revoke his Deferred Compensation Agreement and his Compensation shall be restored in the subsequent calendar month, by giving notice to the Employer prior to the beginning of the month for which such revocation is to be effective.
- 4.06 New Deferred Compensation Agreement Upon Return to Service or After Revocation. A Participant who returns to active service with the Employer after a Severance from Employment, or who has revoked his Deferred Compensation Agreement under Section 4.05, may again become an active Participant by executing a new Deferred Compensation Agreement with the Employer prior to the beginning of the calendar month for which it is to be effective.
- 4.07 Leave of Absence; Other Absences. Compensation may continue to be deferred under this Plan with respect to a Participant who is on an approved leave of absence from the Employer with Compensation, and all of the rules of this Article shall apply with respect to making, amending or revoking any Deferred Compensation Agreement for such a Participant.
- 4.08 Deferrals of Sick, Vacation, and Back Pay. Subject to approval of the Employer, an Eligible Employee or Participant who has not had a Severance from Employment may elect to defer accumulated sick pay, accumulated vacation pay, and back pay under this Plan in accordance with the requirements of Code Section 457(b). These amounts may be deferred for any calendar month only if an agreement providing for the deferral is entered into before the beginning of the month in which the amounts would otherwise be paid or made available and the Participant is an Employee on the date the amounts would otherwise be paid or made available.
- 4.09 Deferrals of Amounts Paid After Severance from Employment. Subject to the approval of the Employer:
- (a) An Eligible Employee or Participant may elect to defer certain amounts that are paid after Severance from Employment, but only if such amounts are
    - (1) paid by the later of 2½ months after Severance from Employment or the end of the calendar year that includes the date of Severance from Employment, and
    - (2) one of the following types of compensation:

- (i) regular compensation for services rendered by the Eligible Employee or Participant (including base pay, overtime, shift differential, commission, bonus or other similar pay), so long as these amounts would have been paid to the Eligible Employee or Participant prior to termination of employment if the Eligible Employee or Participant had not had a Severance from Employment; or
  - (ii) payments for accrued but unused sick, vacation or other leave, but only if the Eligible Employee or Participant would have been able to use such leave if employment had continued.
- (b) An Eligible Employee or Participant may also elect to defer amounts paid to the Eligible Employee or Participant during periods when the Eligible Employee or Participant is not performing services for the Employer by reason of qualified military service (as that term is used in Code Section 414(u)(1)), but only to the extent those payments do not exceed the amount the Eligible Employee or Participant would have received if the Eligible Employee or Participant had continued to perform services for the Employer rather than entering qualified military service.
- (c) An Eligible Employee or Participant may also elect to defer amounts paid to the Eligible Employee or Participant during a period when the Eligible Employee or Participant is not performing services for the Employer because the Eligible Employee or Participant is permanently and totally disabled (as that term is defined in Code Section 22(e)(3)), so long as either:
- (1) the Eligible Employee or Participant was not a highly compensated employee (as defined in Code Section 414(q)) immediately before becoming permanently and totally disabled, or
  - (2) the plan under which the disability payments are made provides for payments to all Eligible Employees or Participants who are permanently and totally disabled for a fixed or determined period.
- 4.10 Designated Roth Contributions. If elected by the Employer in the Adoption Agreement, the Participant may designate that all or a portion of his/her elective contributions to the Plan be treated as after-tax Roth contributions (referred to herein as "Designated Roth Contributions"). Such designation must be made before the date upon which the amounts designated would otherwise have been payable to the Participant (but for the election to defer), and such designation must be irrevocable on and after that date. Designated Roth Contributions (and the earnings thereon) shall be accounted for separately from all other contributions to the Plan (including rollovers of Roth contributions from other plans and in-plan Roth conversions) and the earnings on those contributions. If a Participant takes a distribution of less than 100% of his Account (including an In-Service Distribution or an Unforeseeable Emergency Withdrawal), the Participant may designate whether such distribution shall be made from the Participant's pre-tax Elective Deferral Contributions or after-tax Designated Roth Contributions.
- 4.11 Employer Contributions. If elected by the Employer in the Adoption Agreement, the Employer may/shall make contributions (that are not part of the Participant's Compensation) to the Plan as additional Deferred Compensation. Employer contributions may, but need not, be accounted for separately from Employee pre-tax Elective Deferral Contributions, but shall be accounted for separately from Designated Roth Contributions, amounts converted to Roth contributions through an in-plan Roth conversion, and rollover contributions (whether from a non-Roth account or a designated Roth account). If the Employer elects in the Adoption Agreement to make contributions in lieu of withholding/paying FICA taxes (hereinafter referred to as "FICA Opt-out Contributions") for some or all Participants for a given pay period, such contributions must total at least 7.5% of the Participant's Compensation for the pay period, and must be 100% vested at all times. If the Employer requires Participants to make mandatory salary reduction (*i.e.*, pre-tax) contributions to the Plan as a condition of employment (hereinafter referred to as "Employee Mandatory Contributions"), such contributions shall be treated as Employer Contributions for all purposes under this Plan (including the 7.5% of Compensation requirement for FICA Opt-out Contributions).
- 4.12 Compliance with HEART Act. In the case of a death occurring on or after January 1, 2007, if a Participant dies while performing qualified military service (as defined in Code Section 414(u)), the Participant's Beneficiary is entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service), if any, provided under the Plan as if the Participant had resumed employment and then terminated employment on account of death. If (and only if) the Employer elects in the Adoption Agreement, then effective as of the date elected in the Adoption Agreement, the Plan shall treat an individual who dies or becomes disabled (as defined in Code Section 72(m)(7)) while performing qualified military service with respect to the Employer as if the individual had resumed employment in accordance with the individual's reemployment rights under USERRA, on the day preceding death or disability (as the case may be) and terminated employment on the actual date of death or disability. The Plan will determine the amount of Elective Deferral Contributions (or Designated Roth Contributions) of an individual treated as employed under this section for purposes of applying Code Section 414(u)(8)(C) on the basis of the individual's average actual Elective Deferral Contributions (or Designated Roth Contributions) for the lesser of (i) the 12-month period of service

with the Employer immediately prior to the qualified military service or (ii) the actual length of continuous service with the Employer.

#### ARTICLE V. INVESTMENT OF DEFERRED COMPENSATION

- 5.01 Annuity Contracts and Other Plan Investments. For the purposes of satisfying its obligation to provide benefits under this Plan, the Employer shall invest the amount of compensation deferred by each Participant in Annuity Contracts and other Plan investments as specified in the Participants' Deferred Compensation Agreements. Amounts deferred under this Plan must be transferred to a trust, custodial account or annuity contract described in Section 5.02 within a period that is not longer than is reasonable for the proper administration of the Participant Accounts. Responsibility for the selection of investment alternatives for Plan assets shall be retained by the Employer, and the Employer shall have the right to modify the selection of investment alternatives from time to time. However, Participants and Beneficiaries may allocate amounts held in their Accounts or otherwise credited for their benefit under the Plan among the investment alternatives selected by the Employer, and the Employer shall cause such amounts to be so allocated within a reasonable time after the receipt of Participant instructions, or may instruct the issuer, trustee, or custodian to accept such allocation instructions directly from Participants and Beneficiaries as representatives of the Employer.
- 5.02 Exclusive Benefit. Notwithstanding any provision of the Plan to the contrary, all amounts held under the Plan, including amounts deferred and earnings or other accumulations attributable thereto, shall be held for the exclusive benefit of Plan Participants and Beneficiaries (i) in annuity contracts or (ii) in trust or in one or more custodial accounts pursuant to one or more separate written instruments. Any such annuity contract, trust, or custodial account must satisfy the requirements of Code Section 457(g)(1). The annuity contract, trust or custodial account must make it impossible, prior to the satisfaction of all liabilities with respect to Participants and their Beneficiaries, for any part of the assets and income of the annuity contract, trust or custodial account to be used for, or diverted to, purposes other than for the exclusive benefit of Participants and their Beneficiaries. For purposes of this section, the terms Participant and Beneficiary shall also include contingent beneficiaries and/or spouses, former spouses, or children of Participants for whose benefit amounts are being held under the Plan pursuant to the terms of a domestic relations order which has been recognized under the terms of the Plan. Any discretionary authority reserved to the Employer (or to any administrator or administrative committee) under the Plan or under any investment held under the Plan, to the extent the exercise thereof would otherwise be inconsistent with this section, shall be exercised for the exclusive benefit of Plan Participants and Beneficiaries. Any issuer of an annuity contract or trustee or custodian of other investments held under the Plan shall have no authority to pay any amounts from such Plan investments to any creditor of the Employer, and shall have no duty to inquire into the validity of any request by the Employer or by an administrator or administrative committee for distribution of amounts for the benefit of a Participant or a Beneficiary under the Plan.
- 5.03 Benefits Based on Participant's Account Value. The benefits paid to a Participant or Beneficiary pursuant to Article VI of this Plan shall be based upon the value of the Participant's Account. In no event shall the Employer's liability to pay benefits exceed the value of the Participant's Account, and the Employer shall not be liable for losses arising from depreciation or other decline in the value of any investments acquired under this Plan.
- 5.04 Periodic Reports. Each Participant shall receive periodic reports, not less frequently than annually, showing the then-current value of his Account.
- 5.05 Employer-Directed Accounts. Notwithstanding any provision of the Plan to the contrary, the Employer shall direct the issuer, trustee or custodian with respect to the investment of any contributions that are forwarded to the issuer, trustee or custodian prior to the date on which the Participant or Beneficiary completes the necessary paperwork with the issuer, trustee or custodian (or takes such other action or actions as may be necessary) to direct the investment of such amounts. This direction shall be effective only until such time as the Participant or Beneficiary exercises his right to direct the investment of such amounts in accordance with the terms of the Plan.

#### ARTICLE VI. BENEFITS

- 6.01 Distribution of Benefits. Except as otherwise provided in this Article, a Participant's Account shall become distributable upon a Participant's attainment of age 70½ or Severance from Employment. If the Participant has had a Severance from Employment, the distribution of a Participant's Account shall commence no later than April 1st of the calendar year following the year of the Participant's attainment of age 70½. Distributions shall be made in accordance with one of the payment options described in Section 6.03.
- 6.02 Distribution Procedures. The Employer may from time to time establish procedures for Participant distribution elections, provided that such procedures are not inconsistent with the requirements of Section 6.01.

6.03 Payment Options. A Participant (or a Beneficiary as provided in Sections 6.06 or 6.07) may elect to have the value of the Participant's Account distributed in accordance with one of the following payment options provided that such option is available under the investment and consistent with the requirements set forth in Section 6.04:

- (a) life annuity;
- (b) life annuity with 60, 120, or 180 monthly payments guaranteed;
- (c) unit refund life annuity;
- (d) joint and last survivor annuity (spouse only);
- (e) lump sum;
- (f) term certain annuity with 36, 48, 60, 72, 84, 96, 108, 120, 132, 144, 156, 168 or 180 monthly payments guaranteed;
- (g) withdrawals for a specified number of years;
- (h) withdrawals of a specified amount; or
- (i) any other method of payment agreed upon between Participant and Employer and accepted by the investment provider or Service Provider.

If a Participant fails to elect a payment option, any required payments shall be made under a payment option designated by the Employer.

Notwithstanding the options above, any option that involves a life contingency (or a joint life contingency) shall only be available under an Annuity Contract offered or obtained under the terms of the Plan.

6.04 Required Minimum Distributions.

- (a) No payment option may be selected by the Participant (or a Beneficiary) unless it satisfies the requirements of Code Section 401(a)(9) and any additional Code limitations applicable to the Plan. The provisions of this section shall apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year. The requirements of this section shall take precedence over any inconsistent provisions of the Plan. All distributions required under this section shall be determined and made in accordance with the regulations under Code Section 401(a)(9). Notwithstanding the other provisions of this section, distributions may be made under a designation made before January 1, 1984, in accordance with Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA) and the provisions of the Plan that relate to Section 242(b)(2) of TEFRA.
- (b) The Participant's entire interest shall be distributed, or begin to be distributed, to the Participant no later than the Participant's required beginning date. If the Participant dies before distributions begin, the Participant's entire interest shall be distributed, or begin to be distributed, no later than as follows:
  - (1) If the Participant's surviving spouse is the Participant's sole designated Beneficiary, then unless the surviving spouse elects to apply the 5-year rule (pursuant to subsection (f), below), distributions to the surviving spouse shall begin by December 31st of the calendar year immediately following the calendar year in which the Participant died, or by December 31st of the calendar year in which the Participant would have attained age 70½, if later.
  - (2) If the Participant's surviving spouse is not the Participant's sole designated Beneficiary, then unless the designated Beneficiary elects to apply the 5-year rule (pursuant to subsection (f), below), distributions to the designated Beneficiary shall begin by December 31st of the calendar year immediately following the calendar year in which the Participant died.
  - (3) If there is no designated Beneficiary as of September 30th of the year following the year of the Participant's death, the Participant's entire interest shall be distributed by December 31st of the calendar year containing the fifth anniversary of the Participant's death.
  - (4) If the Participant's surviving spouse is the Participant's sole designated Beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this subsection (b), other than paragraph (b)(1), shall apply as if the surviving spouse were the Participant.

For purposes of this subsection (b) and subsection (d), unless paragraph (b)(4) applies, distributions are considered to begin on the Participant's required beginning date. If paragraph (b)(4) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under paragraph

(b)(1). If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's required beginning date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under paragraph (b)(1)), the date distributions are considered to begin is the date distributions actually commence.

Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions shall be made in accordance with subsections(c) and (d) of this section. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder shall be made in accordance with the requirements of Code Section 401(a)(9).

(c) During the Participant's lifetime, the minimum amount that shall be distributed for each distribution calendar year is the lesser of:

- (1) the quotient obtained by dividing the Participant's account balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the regulations, using the Participant's age as of the Participant's birthday in the distribution calendar year; or
- (2) if the Participant's sole designated Beneficiary for the distribution calendar year is the Participant's spouse, the quotient obtained by dividing the Participant's account balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the distribution calendar year.

Required minimum distributions shall be determined under this subsection (c) beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.

- (d) (1) If the Participant dies on or after the date distributions begin and there is a designated Beneficiary, the minimum amount that shall be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated Beneficiary, determined as follows:
- (a) The Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.
  - (b) If the Participant's surviving spouse is the Participant's sole designated Beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For distribution calendar years after the year of the surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.
  - (c) If the Participant's surviving spouse is not the Participant's sole designated Beneficiary, the designated Beneficiary's remaining life expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.
- (2) If the Participant dies on or after the date distributions begin and there is no designated Beneficiary as of September 30th of the year after the year of the Participant's death, the minimum amount that shall be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.
- (3) Except as otherwise elected (pursuant to subsection (f), below), if the Participant dies before the date distributions begin and there is a designated Beneficiary, the minimum amount that shall be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the remaining life expectancy of the Participant's designated Beneficiary, determined as provided in paragraphs (1) and (2), above.
- (4) If the Participant dies before the date distributions begin and there is no designated Beneficiary as of September 30th of the year following the year of the Participant's death, distribution of the Participant's entire interest shall be completed by December 31st of the calendar year containing the fifth anniversary of the Participant's death.



- (5) If the Participant dies before the date distributions begin, the Participant's surviving spouse is the Participant's sole designated Beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under paragraph (b)(1), this subsection (d) shall apply as if the surviving spouse were the Participant.
- (e) Definitions.
- (1) "Designated Beneficiary" means the individual who is designated as the Beneficiary under Section 2.04 of the Plan and is the designated Beneficiary under Code Section 401(a)(9) and Section 1.401(a)(9)-1, Q&A-4, of the regulations.
- (2) "Distribution calendar year" means a calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year that contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under subsection (b). The required minimum distribution for the Participant's first distribution calendar year shall be made on or before the Participant's required beginning date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's required beginning date occurs, shall be made on or before December 31st of that distribution calendar year.
- (3) "Life expectancy" means life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the regulations.
- (4) "Participant's account balance" means the account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.
- (5) "Required beginning date" means April 1st of the calendar year following the later of:
- (a) the calendar year in which the Participant attains age 70½; or
- (b) the calendar year in which the Participant retires.
- (f) Participants or Beneficiaries may elect, on an individual basis, whether the 5-year rule or the life expectancy rule in subsections (b) and (d) applies to distributions after the death of a Participant who has a designated Beneficiary. The election must be made no later than the earlier of September 30th of the calendar year in which distribution would be required to begin under subsection (b), or by September 30th of the calendar year which contains the fifth anniversary of the Participant's (or, if applicable, the surviving spouse's) death. If neither the Participant nor the Beneficiary makes an election under this paragraph, distributions shall be made in accordance with subsections (b) and (d).

6.05 2009 Required Minimum Distributions ("RMDs").

- (a) Continuation of RMDs for Participants Receiving Installment Payments Unless Otherwise Elected by the Participant; Suspension of RMDs for All Other Participants. This paragraph applies if elected by the Employer in the Adoption Agreement or if no election is made by the Employer in the Adoption Agreement. Notwithstanding the provisions of Code Section 401(a)(9)(H), a Participant or Beneficiary who would have been required to receive required minimum distributions for 2009 but for the enactment of Code Section 401(a)(9)(H) ("2009 RMDs"), and who would have satisfied that requirement by receiving distributions that are one or more payments in a series of installments (that include 2009 RMDs), will continue to receive those distributions for 2009 unless the Participant or Beneficiary chooses not to receive such distributions. Participants and Beneficiaries described in the preceding sentence will be given the opportunity to elect not to receive the distributions that include 2009 RMDs. For all other Participants and Beneficiaries, the requirement to receive the 2009 RMD shall be suspended in accordance with Code Section 401(a)(9)(H).
- (b) Continuation of RMDs for All Participants Unless Otherwise Elected by the Participant. This paragraph applies if elected by the Employer in the Adoption Agreement. Notwithstanding the provisions of Code Section 401(a)(9)(H), a Participant or Beneficiary who would have been required to receive required minimum distributions for 2009 but for the enactment of Code Section 401(a)(9)(H) ("2009 RMDs"), and who would have satisfied that

requirement by receiving distributions that are either (1) equal to the 2009 RMDs or (2) one or more payments in a series of installments (that include 2009 RMDs), will receive those distributions for 2009 unless the Participant or Beneficiary chooses not to receive such distributions. Participants and Beneficiaries described in the preceding sentence will be given the opportunity to elect to stop receiving the distributions described in the preceding sentence.

- (c) Continuation of RMDs for All Participants Unless Otherwise Elected by Participants Receiving Installment Distributions. This paragraph applies if elected by the Employer in the Adoption Agreement. Notwithstanding the provisions of Code Section 401(a)(9)(H), a Participant or Beneficiary who would have been required to receive required minimum distributions for 2009 but for the enactment of Code Section 401(a)(9)(H) ("2009 RMDs"), and who would have satisfied that requirement by receiving distributions that are either (1) equal to the 2009 RMDs or (2) one or more payments in a series of installments (that include the 2009 RMDs), will receive those distributions for 2009. However, Participants and Beneficiaries receiving installments will be given the opportunity to elect not to receive the distributions that include 2009 RMDs.
- (d) Direct Rollovers. Notwithstanding the provisions of the Plan relating to required minimum distributions under Code Section 401(a)(9), and solely for purposes of applying the direct rollover provisions of the Plan, certain additional distributions in 2009, as elected by the Employer in the Adoption Agreement, will be treated as eligible rollover distributions. If no election is made by the Employer in the Adoption Agreement, then a direct rollover will be offered only for distributions that would be eligible rollover distributions without regard to Code Section 401(a)(9)(H).

- 6.06 Post-Retirement Death Benefits. Should the Participant die after he has begun to receive benefits under an annuity payment option, the guaranteed or remaining payments, if any, under the annuity payment option shall be payable to the Participant's Beneficiary commencing with the first payment due after the death of the Participant. If the Beneficiary does not continue to live for the remaining period of payments under the annuity payment option, then the remaining benefits under the annuity payment option shall be paid to the Beneficiary's beneficiary or, if none, the Beneficiary's estate. Should the Participant die after he has begun to receive benefits under any other payment option, a death benefit equal to the value of the Participant's Account shall be payable to the Beneficiary. Such death benefit shall be paid in a lump sum unless the Beneficiary elects a different payment option. Should the Beneficiary die before the completion of payments under an annuity payment option or before distribution of the entire Participant Account, then the value of the remaining payments under the annuity payment option, or the value of the Participant Account in a lump sum, respectively, shall be paid to the Beneficiary's beneficiary or, if none, the Beneficiary's estate. Payment to the Participant's Beneficiary under this section must comply with Code Section 401(a)(9), and with any additional Code limitations applicable to the Plan. In no event shall the Employer be liable for any payments made in the name of the Participant or a Beneficiary before the Employer or its agent receives proof of the death of the Participant or Beneficiary.
- 6.07 Pre-Retirement Death Benefits. Should the Participant die before he has begun to receive benefits under Section 6.01, a death benefit equal to the value of the Participant's Account shall be payable to the Beneficiary. Such death benefit shall be paid in a lump sum unless the Beneficiary elects a different payment option. Payment to the Participant's Beneficiary must comply with Code Section 401(a)(9), and with any additional Code limitations applicable to the Plan. Should the Beneficiary die before the completion of payments under an annuity payment option or before distribution of the entire Participant Account, the value of the remaining payments under the annuity payment option, or the value of the Participant Account in a lump sum, shall be paid to the Beneficiary's beneficiary or, if none, the Beneficiary's estate.
- 6.08 Unforeseeable Emergency Withdrawals. If the Employer so elects in the Adoption Agreement, then in the event of an unforeseeable emergency, a Participant may apply to the Employer to receive that part of the value of his Account that is reasonably needed to satisfy the emergency need (including any amounts that may be necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution). If such application for withdrawal is approved by the Employer, the Employer shall direct the issuer, trustee or custodian to pay the Participant such value as the Employer deems necessary to meet the emergency need.

The regulations under Section 457(d)(1)(A)(iii) of the Code define an unforeseeable emergency as a severe financial hardship of the Participant or Beneficiary resulting from an illness or accident of the Participant or Beneficiary, the Participant's or Beneficiary's spouse, or the Participant's or Beneficiary's dependent (as defined in Code Section 152, and, for taxable years beginning on or after January 1, 2005, without regard to Code Section 152(b)(1), (b)(2), and (d)(1)(B)); loss of the Participant's or Beneficiary's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by homeowner's insurance, e.g., as a result of a natural

disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant or Beneficiary. For example, the imminent foreclosure of or eviction from the Participant's or Beneficiary's primary residence may constitute an unforeseeable emergency. In addition, the need to pay for medical expenses, including non-refundable deductibles, as well as for the cost of prescription drug medication, may constitute an unforeseeable emergency. Finally, the need to pay for the funeral expenses of a spouse or a dependent (as defined in Code Section 152, and, for taxable years beginning on or after January 1, 2005, without regard to Code Section 152(b)(1), (b)(2), and (d)(1)(B)) of the Participant or Beneficiary may also constitute an unforeseeable emergency. Except as otherwise specifically provided in this Section 6.08, neither the purchase of a home nor the payment of college tuition is an unforeseeable emergency.

A distribution on account of an unforeseeable emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or by cessation of deferrals under the Plan.

Unless otherwise elected in the Adoption Agreement, then effective as of August 17, 2006, a Participant's unforeseeable emergency includes a severe financial hardship of the Participant's primary beneficiary under the Plan, that would constitute an unforeseeable emergency if it occurred with respect to the Participant's spouse or dependent as defined under Code Section 152. For purposes of this section, a Participant's "primary beneficiary under the Plan" is an individual who is named as a Beneficiary under the Plan and has an unconditional right to all or a portion of the Participant's account balance under the Plan upon the Participant's death.

- 6.09 Transitional Rule for Annuity Payment Option Elections. If this Plan document constitutes an amendment and restatement of the Plan as previously adopted by the Employer and if a Participant or Beneficiary has commenced receiving benefits under an annuity payment option, that annuity payment option shall remain in effect notwithstanding any other provision of this Plan.
- 6.10 Participant's Election to Receive In-Service Distribution. If the Employer so elects in the Adoption Agreement, a Participant may elect to receive an in-service distribution of the total amount payable to him under the Plan if:
- (a) such amount does not exceed the dollar amount under Section 411(a)(11)(A) of the Code,
  - (b) no amount has been deferred under the Plan with respect to the Participant during the two-year period ending on the date of the distribution, and
  - (c) there has been no prior distribution under the Plan to the Participant under this Section 6.10 or under Section 6.11.
- 6.11 Distribution without Participant's Consent. If the Employer so elects in the Adoption Agreement, the total amount payable to a Participant under the Plan may be distributed to the Participant without his consent if:
- (a) such amount does not exceed \$1,000,
  - (b) no amount has been deferred under the Plan with respect to the Participant during the two-year period ending on the date of the distribution, and
  - (c) there has been no prior distribution under the Plan to the Participant under this Section 6.11 or under Section 6.10.
- 6.12 In-plan Roth Conversions. If the Employer so elects in the Adoption Agreement, Participants may elect to convert certain pre-tax Elective Deferral Contributions, Employer Contributions or rollover contributions to after-tax Roth contributions in an in-plan (taxable) conversion. Such conversion shall be accomplished through a direct rollover from the Participant's applicable pre-tax account to his Roth conversion account (such that there is no actual distribution from the Plan). In-plan Roth conversions are expressly limited to amounts that are currently distributable to the Participant under both Code Section 457(d)(1)(A) and the terms of the Plan. Rollover contributions made on or after January 1, 2006 may be converted at any time. Amounts attributable to Elective Deferral Contributions or Employer Contributions generally cannot be converted before the Participant has attained age 70½ or has had a Severance from Employment. If the Employer elects in the Adoption Agreement to allow in-service distribution of small, inactive accounts, such amounts shall also be eligible for conversion under this section. All in-plan Roth conversions shall be taxable to the Participant in the year of the conversion.
- 6.13 Distributions to Individuals Performing Service in Uniformed Services. If (and only if) elected by the Employer in the Adoption Agreement, a Participant who is deemed to have incurred a Severance from Employment on account of performing services in the uniformed services (as defined in chapter 43 of title 38, United States Code) for a period of active duty of more than 30 days may elect to receive a distribution of all or a portion of the Participant's Account under the Plan. However, the Plan will not distribute the Participant's Account without the Participant's consent.

If the Participant elects to receive a distribution under this provision, the Participant may not make an Elective Deferral Contribution or a Designated Roth Contribution to the Plan during the 6-month period beginning on the date of the distribution.

- 6.14 Eligible Retired Public Safety Officer Distribution Deduction Election. Unless the Employer elects otherwise in the Adoption Agreement, for distributions in taxable years beginning after December 31, 2006, an "Eligible Retired Public Safety Officer" may elect annually for that taxable year to have the Plan (i) deduct an amount from the distribution which the Eligible Retired Public Safety Officer otherwise would receive (and include in income) and (ii) pay such deducted amounts directly to the provider of an accident or health insurance plan or qualified long-term care insurance contract. The amount deducted (and paid to the provider) may not exceed the lesser of \$3,000 or the amount the Participant paid for such taxable year for qualified healthcare premiums, and which otherwise complies with Code Section 402(l). For purposes of this section: (i) an "Eligible Retired Public Safety Officer" is an individual who, by reason of disability or attainment of normal retirement age, has experienced a Severance from Employment as a Public Safety Officer with the Employer, (ii) a "Public Safety Officer" has the same meaning as in Section 1204(9)(A) of the Omnibus Crime Control and Safe Streets Act of 1968, and (iii) the term "qualified health insurance premiums" means premiums for coverage for the Eligible Retired Public Safety Officer, his spouse and dependents, by an accident or health plan or a qualified long-term care insurance contract (as defined in Code Section 7702B(b)).

#### ARTICLE VII. NON-ASSIGNABILITY

- 7.01 In General. Except as provided in Section 7.02, the interests of each Participant or Beneficiary under the Plan are not subject to the claims of the Participant's or Beneficiary's creditors; and no Participant or Beneficiary shall have any right to commute, sell, assign, pledge, transfer or otherwise convey or encumber the right to receive any payments hereunder or any interest under the Plan, which payments and interests are expressly declared to be non-assignable and non-transferable.
- 7.02 Domestic Relations Orders.
- (a) Allowance of Transfers: Notwithstanding Section 7.01, if a judgment, decree or order (including approval of a property settlement agreement) that relates to the provision of child support, alimony payments, or the marital property rights of a spouse or former spouse, child, or other dependent of a Participant is made pursuant to a State domestic relations law ("domestic relations order"), then the amount of the Participant's Account shall be paid in the manner and to the person or persons so directed in the domestic relations order. Such payment shall be made without regard to whether the Participant is eligible for a distribution of benefits under the Plan. The Plan Administrator shall establish reasonable procedures for determining the status of any such decree or order and for effectuating distribution pursuant to the domestic relations order. Where necessary to carry out the terms of such an order, a separate Account may be established with respect to the spouse, former spouse, or child who shall be entitled to make investment selections with respect thereto in the same manner as the Participant.
- (b) Release from Liability to Participant: The Employer's liability to pay benefits to a Participant shall be reduced to the extent that amounts have been paid or set aside for payment to a spouse, former spouse, child, or other dependent pursuant to paragraph (a) of this section. No such transfer shall be effectuated unless the Employer or Service Provider has been provided with satisfactory evidence that the Employer and the Service Provider are released from any further claim by the Participant with respect to such amounts. The Participant shall be deemed to have released the Employer and the Service Provider from any claim with respect to such amounts, in any case in which (i) the Employer or Service Provider has been served with legal process or otherwise joined in a proceeding relating to such transfer, (ii) the Participant has been notified of the pendency of such proceeding in the manner prescribed by the law of the jurisdiction in which the proceeding is pending by service of process in such action or by mail from the Employer or Service Provider to the Participant's last known mailing address, and (iii) the Participant fails to obtain an order of the court in the proceeding relieving the Employer or Service Provider from the obligation to comply with the judgment, decree, or order. The Participant shall also be deemed to have released the Employer or Service Provider if the Participant has consented to the transfer pursuant to the terms of a property settlement agreement and/or a final judgment, decree, or order as described in paragraph (a).
- (c) Participation in Legal Proceedings: The Employer and the Service Provider shall not be obligated to defend against or seek to have set aside any judgment, decree, or order described in paragraph (a) or any legal order relating to the garnishment of a Participant's benefits, unless the full expense of such legal action is borne by the Participant. In the event that the Participant's action (or inaction) nonetheless causes the Employer or Service Provider to incur such expense, the amount of the expense may be charged against the Participant's Account and thereby reduce the Employer's obligation to pay benefits to the Participant. In the course of any proceeding relating to divorce, separation, or child support, the Employer and Service Provider shall be authorized to the extent permitted by

applicable laws to disclose information relating to the Participant's Account to the Participant's spouse, former spouse, or child (including the legal representatives of the spouse, former spouse, or child), or to a court.

- (d) Effective April 6, 2007, a domestic relations order will not fail to be a domestic relations order (1) solely because the order is issued after, or revises, another domestic relations order; or (2) solely because of the time at which the order is issued, including issuance after the annuity starting date or after the Participant's death. A domestic relations order described in this paragraph is subject to the same requirements and protections that apply to domestic relations orders.

#### ARTICLE VIII. TRANSFERS AND ROLLOVERS

8.01 Transfers. This Plan shall accept and allow transfers, pursuant to Code Section 457, of amounts deferred by an individual under this Plan or another eligible deferred compensation plan meeting the requirements of Section 457(g) of the Code, provided the conditions of this Section 8.01 are met.

- (a) Directed by Individual Participant or Beneficiary. A transfer from this Plan to another eligible governmental deferred compensation plan or from another eligible governmental deferred compensation plan to this Plan is permitted only if the transferor plan provides for transfers, the receiving plan provides for the receipt of transfers, the Participant or Beneficiary whose amounts deferred are being transferred shall have an amount deferred immediately after the transfer at least equal to the amount deferred with respect to that Participant or Beneficiary immediately before the transfer, and in the case of a transfer for a Participant, the Participant whose amounts deferred are being transferred has had a severance from employment with the transferring employer and is performing services for the employer maintaining the transferee plan. Upon the transfer of assets from this Plan under this paragraph (a), the Plan's liability to pay benefits to the Participant or Beneficiary under this Plan shall be discharged to the extent of the amount so transferred for the Participant or Beneficiary.

Any such transferred amount shall not be treated as a deferral subject to the limitations of Section 2.18, except that, for purposes of applying the limit of Section 2.18, an amount deferred during any taxable year under the plan from which the transfer is accepted shall be treated as if it had been deferred under this Plan during such taxable year and compensation paid by the transferor employer shall be treated as if it had been paid by the Employer.

- (b) Permissive Service Credit Transfers. Subject to any limitations imposed by an investment provider, if a Participant is also a participant in a tax-qualified defined benefit governmental plan (as defined in Code Section 414(d)) that provides for the acceptance of plan-to-plan transfers with respect to the Participant, then the Participant may elect to have any portion of the Participant's Account transferred to the defined benefit governmental plan. A transfer under this paragraph (b) may be made before the Participant has had a Severance from Employment.

A transfer may be made under this paragraph (b) only if the transfer is either for the purchase of permissive service credit (as defined in Code Section 415(n)(3)(A)) under the receiving defined benefit governmental plan or a repayment to which Code Section 415 does not apply by reason of Code Section 415(k)(3).

8.02 Rollovers. A Participant may elect to roll an Eligible Rollover Distribution to an Eligible Retirement Plan. The Participant shall be provided with a description of available rollover rights and rules in advance of such a distribution. A distribution that is an Eligible Rollover Distribution and that is paid in a form other than a rollover shall be subject to mandatory withholding of 20%, or such other mandatory withholding rate as may be imposed under the Code from time to time. This Plan shall be permitted to accept a rollover distribution from an Eligible Retirement Plan (including a distribution from an IRA) to this Plan, subject to any administrative restrictions imposed by the Plan or by the investment provider. To the extent required under the Code, the Plan shall separately account for any rollover contributions it receives. Rollover contributions to the Plan before January 1, 2006, shall be subject to the same restrictions on distributions applicable to other amounts held under the Plan. Rollover contributions to the Plan on or after January 1, 2006, shall not be subject to the same restrictions on distributions applicable to other amounts held under the Plan, and such rollover contributions may be distributed at any time.

8.03 Non-spousal Beneficiary Rollovers.

- (a) For distributions after December 31, 2009, and unless otherwise elected in the Adoption Agreement, for distributions between January 1, 2007 and December 31, 2009, a non-spouse Beneficiary who is a "designated beneficiary" under Code Section 401(a)(9)(E) and the regulations thereunder, may roll over, by a direct trustee-to-trustee transfer ("direct rollover"), all or any portion of his distribution to an individual retirement account the Beneficiary establishes for purposes of receiving the distribution. In order to roll over the distribution, the distribution otherwise must satisfy the definition of an Eligible Rollover Distribution.

- (b) Although a non-spouse Beneficiary may roll over directly a distribution as provided in paragraph (a) above, any distribution made prior to January 1, 2010, is not subject to the direct rollover requirements of Code Section 401(a)(31) (including Code Section 401(a)(31)(B), the notice requirements of Code Section 402(f) or the mandatory withholding requirements of Code Section 3405(c)). If a non-spouse Beneficiary receives a distribution from the Plan, the distribution is not eligible for an indirect "60-day" rollover.
- (c) If the Participant's named Beneficiary is a trust, the Plan may make a direct rollover to an individual retirement account on behalf of the trust, provided the trust satisfies the requirements to be a "designated beneficiary" within the meaning of Code Section 401(a)(9)(E).
- (d) A non-spouse Beneficiary may not roll over an amount which is a required minimum distribution, as determined under applicable Treasury regulations and other Internal Revenue Service guidance. If the Participant dies before his required beginning date and the non-spouse Beneficiary rolls over to an IRA the maximum amount eligible for rollover, the Beneficiary may elect to use either the 5-year rule or the life expectancy rule, pursuant to Section 1.401(a)(9)-3, A-4(c) of the regulations, in determining the required minimum distributions from the IRA that receives the non-spouse Beneficiary's distribution.

#### ARTICLE IX. LOANS

If the Employer so elects under the Adoption Agreement, loans shall be made available to all Participants on a reasonably equivalent basis, but only to the extent permitted under the Annuity Contract or other Plan investment and the provisions of this Article. No loan shall be made available under this Plan unless it satisfies all of the requirements of Code Section 72(p) and any other applicable regulatory guidance, including the limitations on the total of a Participant's non-taxable loans from all plans of the Employer for treatment as a tax-free loan. The making of loans under this Plan shall be subject to written guidelines set forth in a separate document (or under the Annuity Contract), which guidelines shall govern the availability, terms and procedures for Participants to obtain loans under this Plan. The availability of loans under this Plan may be suspended, terminated or modified at any time.

#### ARTICLE X. AMENDMENT OR TERMINATION OF PLAN

- 10.01 Amendment or Termination. The Employer may at any time amend this Plan or terminate this Plan and distribute the Participants' Accounts in conformity with the Code; provided, however, that such amendment or termination shall not impair the rights of Participants or their Beneficiaries with respect to any compensation deferred before the date of the amendment or termination of this Plan except as may be required to maintain the tax status of the Plan under the Code. In the event that the Plan is terminated, amounts deferred under the Plan (and all Plan assets) shall be distributed to all Plan Participants and Beneficiaries as soon as administratively practicable after the termination of the Plan.
- 10.02 Amendment and Restatement of Previously Adopted Plan. If this Plan document constitutes an amendment and restatement of the Plan as previously adopted by the Employer, the amendments contained herein shall be effective as of the Effective Date, and the terms of the preceding plan document shall remain in effect through such date.

#### ARTICLE XI. USERRA

An Employee whose employment is interrupted by qualified military service under Code Section 414(u) or who is on a leave of absence for qualified military service under Code Section 414(u) may defer additional Compensation upon resumption of employment with the Employer equal to the maximum amount of Compensation that could have been deferred during that period if the Employee's employment with the Employer had continued (at the same level of Compensation) without the interruption of leave, reduced by the amount of Compensation, if any, actually deferred during the period of the interruption or leave. This right applies for five years following the resumption of employment (or, if sooner, for a period equal to three times the period of the interruption or leave).

#### ARTICLE XII. MISTAKEN CONTRIBUTIONS

If any contribution (or any portion of a contribution) is made to the Plan by a good faith mistake of fact, then within one year after the payment of the contribution, and upon receipt in good order of a proper request approved by the Plan Administrator, the amount of the mistaken contribution (adjusted for any income or loss in value, if any, allocable thereto) shall be returned directly to the Participant or, to the extent required or permitted by the Plan Administrator, to the Employer.

### ARTICLE XIII. RELATIONSHIP TO OTHER PLANS

This Plan serves in addition to any other retirement, pension or benefit plan or system presently in existence or hereinafter established.

### ARTICLE XIV. PARTICIPATING EMPLOYERS

- 14.01 Adoption of Plan. With the consent of the Employer, the Plan may be adopted by any other governmental entity described in Code Section 457(e)(1)(A), and each such adopting entity shall be known as a Participating Employer. Such adoption of the Plan shall be evidenced by completion of a Participation Agreement signed by both the Employer and the Participating Employer.
- 14.02 Participating Employer's Plan. Each Participating Employer shall be treated as the sponsor of its own separate governmental Code Section 457(b) eligible deferred compensation plan, subject to the terms and conditions of this Plan document. Accordingly, although the assets of the Plan may be held in a single trust (or annuity contract or custodial account that is treated as a trust), the assets attributable to the Employer and to each Participating Employer shall be accounted for separately. Except as provided below, wherever a right or obligation is imposed upon the Employer by the terms of the Plan, the same shall extend to each Participating Employer under the Plan, and shall be separate and distinct from that imposed upon the Employer.
- 14.03 Participating Employer's Participation. Except as otherwise provided below, it is the intention of the Employer that each Participating Employer shall be a party to the Plan and shall be treated in all respects as the Employer thereunder, with its employees to be considered as Employees or Participants, as the case may be, under the Plan. However, the participation of a Participating Employer in the Plan shall in no way diminish, augment, modify, or in any way affect the rights and duties of the Employer or its Employees under the Plan.
- 14.04 Severance from Employment. For purposes of Section 2.22 (Severance from Employment), the term Employer means the governmental entity that the Participant was employed by (or under contract with) at the time of his termination of employment.
- 14.05 Plan Administrator. For purposes of Article III (Administration), each Participating Employer shall serve as (or appoint another person to serve as) the Plan Administrator of such Participating Employer's plan. Each Participating Employer (or the person designated by such Participating Employer as the Plan Administrator of that Participating Employer's plan) shall have full power to adopt, amend, and revoke such rules and regulations consistent with and as may be necessary to implement, operate and maintain its participation in the Plan and to make discretionary decisions affecting the rights or benefits of its own Participants under the Plan.
- 14.06 Investments and Administrative Services. Only the Employer shall have the right to enter into contracts or agreements with investment providers or other companies providing administrative services to the Plan. The Employer shall act as the agent of each Participating Employer with respect to such investment contracts and/or services agreements. The Employer's choice of investment and administrative service providers shall be binding on each Participating Employer and, by signing the Participation Agreement, the Participating Employer agrees to be bound by the terms and conditions of any such investment contracts and/or services agreements.
- 14.07 Amendment or Termination of the Plan. Only the Employer shall have the right to amend or terminate the Plan under Article X. The Employer's amendment or termination of the Plan shall be binding on each Participating Employer and, by signing the Participation Agreement, the Participating Employer agrees to be bound by the terms and conditions of any such amendment or termination of the Plan.
- 14.08 Revocation of Participation. A Participating Employer may at any time (by written notice to the Employer) revoke its participation in the Plan, in which case the Participating Employer must adopt its own plan document and provide its own trust or other funding arrangement for the assets attributable to its Participants. If a Participating Employer revokes its participation in the Plan, the Employer shall direct the Trustee of the Plan's trust (and/or the issuer of any annuity contract or the custodian of any custodial account holding Plan assets) to transfer the Plan assets attributable to the Participating Employer's Participants to such separate funding arrangement as soon as administratively practicable following the Participating Employer's revocation of its participation in the Plan.



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**SECTION 457(b) DEFERRED COMPENSATION PLAN  
(for GOVERNMENTAL EMPLOYERS)  
EXPLANATION OF  
BASIC PLAN DOCUMENT**

**ARTICLE I - INTRODUCTION**

This article provides that this document sets forth the terms of a Section 457(b) eligible deferred compensation plan of a governmental employer. **This document may not be used to create or restate a Section 457(b) plan of a tax-exempt entity.** Governmental entities may adopt this document to create a new plan, or to bring an existing plan into compliance with legislation and regulatory guidance that has been enacted or issued since the specimen VALIC plan document was last updated. Some of the legislative changes must be adopted before December 31, 2011.

**ARTICLE II - DEFINITIONS**

This article defines certain terms used in the Plan document. Generally, most capitalized terms in the document will be defined in this article. **Some of the more significant definitions include:**

**Section 2.04 - Beneficiary or Beneficiaries**

This section provides that a Participant may name one or more primary beneficiaries as well as one or more contingent beneficiaries (who will be treated as the Participant's beneficiary if the primary beneficiary(ies) predeceases the Participant). It also provides that if a Participant fails to name a Beneficiary, the Participant's interest in the Plan will be payable to the Participant's estate.

**Section 2.06 - Compensation**

This section defines "Compensation" as the amount that would have been payable to the Participant but for the Participant's election to defer compensation under the Plan. Compensation also includes any pre-tax deferrals to another tax-favored plan, such as a Section 125 cafeteria plan. For years after December 31, 2008, the term "Compensation" shall also include "differential wage payments" (as defined in Section 2.17).

**Section 2.13 - Employee**

This section provides that for years after December 31, 2008, the term "Employee" includes certain individuals on military leave if such individuals are receiving "differential wage payments" as that term is defined in Section 2.17.

**Section 2.17 - Includible Compensation**

This section defines "Includible Compensation" as the Participant's compensation from the Employer for the year, including 401(k), 403(b), SEP and SIMPLE elective deferrals and other amounts contributed or deferred by the Employer at the Participant's election and excluded from the Participant's gross income under Code sections 125, 132(b)(4) or 457. For years beginning after 2008, it also includes "differential wage payments," which are payments by the Employer to an individual while the individual is performing service in the uniformed services on active duty for a period of more than 30-days, and which represent wages the individual would have received from the Employer if the individual were performing service for the Employer.

**Section 2.18 - Maximum Limitation**

This section sets forth the contribution limits under the Plan. For most years, the maximum amount that may be deferred under the Plan (*i.e.*, the "Normal Limitation") is the lesser of the dollar amount under Section 457(b) (\$16,500 for 2011, indexed for future years) or 100% of the Participant's Includible Compensation (as defined in Section 2.17). However, for the last three years before the year the Participant attains his/her "Normal Retirement Age" (as defined in Section 3.12), the maximum deferral limit (which is referred to as the "Catch-Up Limitation") is the lesser of (i) twice the dollar limit under Section 457(b) (*i.e.*, \$33,000 for 2011), or (ii) the Normal Limitation plus the unused portion of the deferral limit for post-1978 years that the Participant was eligible to participate in the Plan. Section 2.18(g) provides that any deferrals in excess of these contribution limits (and any income attributable to those excess deferrals) must be distributed to the Participant as soon as administratively practicable after the Plan determines that the amounts are excess deferrals.

**Section 2.19 - Normal Retirement Age**

This section provides that the Participant may choose (within certain limits) what age he/she wishes to use as the "Normal Retirement Age" under the Plan. This is the age that determines in which Plan years the Participant may use the Catch-up Limitation rather than the Normal Limitation. If the Participant does not elect an alternative age,



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The Variable Annuity Life Insurance Company  
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Amarillo, TX 79105

the "default" Normal Retirement Age will be 70½. The Participant may elect an earlier age, but no earlier than age 65 (or, if earlier, the earliest date the Participant may retire and receive an unreduced benefit under the Employer's defined benefit or money purchase pension plan), unless the Participant is a qualified police officer or firefighter, in which case the age elected can be as early as age 40.

#### Section 2.22 – Severance from Employment

This section provides that "Severance from Employment" means termination of the Participant's employment relationship with the Employer. For years after 2008, solely for purposes of the withdrawal restrictions under Code Section 457(b), an individual will be treated as having been severed from employment during any period the individual is performing service in the uniformed services.

### **ARTICLE III - ADMINISTRATION**

This article provides that the Plan shall be administered by either (i) the Employer or (ii) one or more persons appointed by the Employer. However, the Employer may enter into an agreement with a Service Provider (such as VALIC) to provide administrative services under the Plan.

### **ARTICLE IV - PARTICIPATION IN THE PLAN**

This article explains how an employee becomes a Participant, how the Participant elects to defer compensation, and what types of compensation may or may not be deferred. Significant sections of this article include:

#### **Section 4.02 - Enrollment in the Plan**

This section provides that, in order to defer salary for a given calendar month, a Participant must enter into a Deferred Compensation Agreement before the first day of the month in which such Compensation is paid or made available. However, a new Employee may defer salary for the calendar month in which he/she first begins employment by entering into a Deferred Compensation Agreement on or before the first day of employment.

#### **Section 4.06 – New Deferred Compensation Agreement Upon Return to Service or After Revocation**

This section provides that a Participant who returns to active service with the Employer after a Severance from Employment, or who has revoked his Deferred Compensation Agreement, may again become an active Participant by executing a new Deferred Compensation Agreement with the Employer prior to the beginning of the calendar month as to which it is to be effective. **If, however, an individual elected to receive a distribution because he/she was treated as having been severed from employment during any period he/she was performing service in the uniformed services, then such individual may not elect to defer compensation during the 6-month period beginning on the date of such distribution (see Section 6.13).**

#### **Section 4.08 - Deferrals of Sick, Vacation and Back Pay**

This section provides that a Participant who has not terminated employment may defer accumulated sick pay, vacation pay, or back pay only if an agreement providing for such deferral is entered into before the beginning of the month in which the amounts would otherwise be paid, and the Participant is still an Employee on the date the amounts would otherwise be paid.

#### **Section 4.09 - Deferrals of Amounts Paid After Severance from Employment**

This section provides that, if the Employer allows, a Participant may elect to defer certain amounts that are paid after Severance from Employment. This includes regular pay and payments of accrued sick, vacation or other leave, so long as the amounts are paid by the later of 2½ months after Severance from Employment or the end of the calendar year that includes the date of Severance from Employment. It also includes certain amounts that are paid to Participants on military leave, and amounts paid to Participants who are permanently and totally disabled (regardless of how long after Severance from Employment those amounts are paid).

#### **Section 4.10 - Designated Roth Contributions**

If elected by the Employer in the Adoption Agreement, the Plan allows a Participant to designate all or a portion of his/her elective contributions to the Plan as Designated Roth Contributions, which are after-tax contributions with special attributes.

#### **Section 4.11 - Employer Contributions**

This section provides that, if elected by the Employer in the Adoption Agreement, the Employer may make matching or non-matching Employer Contributions to the Plan as additional Deferred Compensation. These Employer Contributions must be accounted for separately from Designated Roth Contributions, rollover contributions and amounts converted to Roth contributions through an in-Plan conversion described in Section 6.12. If the Employer elects to contribute to the plan in lieu of withholding and paying FICA taxes for certain employees, the Employer must contribute (or mandate that the Employee contribute) at least 7.5% of Compensation for each pay period that the Participant is intended to be exempt from FICA taxes.

# VALIC

The Variable Annuity Life Insurance Company  
P.O. Box 15648  
Amarillo, TX 79105

## **Section 4.12 - Compliance with HEART Act**

This section provides that, in compliance with the requirements of the Heroes Earnings Assistance and Relief Tax Act of 2008 ("HEART"), in the case of a Participant who dies on or after January 1, 2007, while performing qualified military service, the Participant's Beneficiary shall be entitled to any additional benefits (other than benefit accruals during the period of military service) provided under the Plan as if the Participant had resumed employment and then terminated employment on account of death. However, if the Employer so elects in the Adoption Agreement, the Plan shall also treat an individual who dies or becomes disabled while performing qualified military service as if that individual had resumed employment (for purposes of that individual's right to certain benefit accruals under USERRA) on the day preceding death or disability and terminated employment on the actual date of death (or disability).

## **ARTICLE V - INVESTMENT OF DEFERRED COMPENSATION**

This article describes how a Participant's Account under the Plan is credited with earnings (or losses) based on the investment options selected by the Participant, and how the benefits payable to a Participant under the Plan are based on the value of that Account. It also provides that Plan Assets are held for the exclusive benefit of Plan participants and their beneficiaries in one or more annuity contracts, trusts, or custodial accounts.

## **ARTICLE VI - BENEFITS**

This article describes how and when benefits are distributed to Participants under the Plan. Significant sections of this article include:

### **Section 6.01 - Distribution of Benefits**

This section provides that benefits are distributable on the earlier of Severance from Employment or attainment of age 70½. If the Participant has had a Severance from Employment, distribution of his/her Account must commence by no later than April 1 of the calendar year following the calendar year the Participant attains age 70½. The Participant may change the distribution date at any time.

### **Section 6.03 - Payment Options**

This section provides that a Participant (or a Beneficiary) may elect to have the value of the Participant's Account under the Plan distributed in any one of several forms of payment, including (i) a lump sum, (ii) installments of a specific amount or for a specific period, or (iii) a single life or joint life annuity. The election as to the form of payment may be made at any time prior to the date benefits are scheduled to begin.

### **Section 6.04 - Required Minimum Distributions**

This section reflects the requirement that the Participant's account be distributed, or that distributions commence, no later than April 1 of the calendar year following the calendar year that the Participant attains age 70½, and that the Participant's entire interest in the Plan be distributed over a period that is not longer than the Participant's life expectancy (or the joint life expectancy of the Participant and his/her designated Beneficiary).

### **Section 6.05 - 2009 Required Minimum Distributions ("RMDs")**

This section describes how the Plan handled required minimum distributions (RMDs) for the 2009 calendar year. Under the Worker, Retiree, and Employer Recovery Act of 2008 (sometimes referred to as "WRERA"), such distributions were technically "optional" for the 2009 calendar year. However, Employers are generally required to document how distributions were actually handled for the 2009 year. **Section 6.05(a) (which is the "default" option under the Adoption Agreement) describes how required minimum distributions were handled operationally by plans administered by VALIC.** Under this option, participants receiving installment payments continued to receive such payments unless they affirmatively elected not to receive such payments, but RMDs were suspended for all other participants. Sections 6.05(b) and (c) describe other options that the Plan may have used to handle RMDs for 2009 (that the Employer may elect in the Adoption Agreement). If none of these options accurately describes how RMDs were handled for 2009, the Employer may choose "Other" in the Adoption Agreement and specify exactly how such distributions were handled for the 2009 year.

### **Section 6.06 - Post-Retirement Death Benefits**

This section reflects the requirement that if a Participant should die after benefits have commenced, but before all benefits have been distributed, payments to the Beneficiary must also comply with the minimum distribution requirements of the Code.

### **Section 6.07 - Pre-Retirement Death Benefits**

This section reflects the requirement that if a Participant should die before benefits commence, a death benefit equal to the Participant's Account balance will be payable to his/her Beneficiary, but any distributions to such Beneficiary must also comply with the minimum distribution requirements under the Internal Revenue Code ("code").

# VALIC

The Variable Annuity Life Insurance Company  
P.O. Box 15648  
Amarillo, TX 79105

## **Section 6.08 - Unforeseeable Emergency Withdrawals**

This section provides that, if elected by the Employer in the Adoption Agreement, a Participant may receive an in-service distribution from the Plan on account of an unforeseeable emergency. However, the amount of the distribution may not exceed the amount that is reasonably necessary to satisfy the unforeseeable emergency. An "unforeseeable emergency" is defined as a "severe financial hardship" of the Participant resulting from either (i) an illness or accident of the Participant, the Participant's spouse, the Participant's dependent (as defined under the Code) or, if the Employer elects in the Adoption Agreement, the Participant's primary Beneficiary; (ii) loss of the Participant's property due to casualty; or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the Participant's control. Effective as of August 17, 2006 (or such later date as the Employer elects in the Adoption Agreement) an unforeseeable emergency withdrawal may be based on certain financial hardships of the Participant's primary Beneficiary under the Plan.

## **Section 6.10 - Participant's Election to Receive In-Service Distribution**

The Employer may elect (in Item 7 of the Adoption Agreement) to allow a Participant to elect an in-service distribution from his/her Account under the Plan if the balance in the Account is small (currently \$5,000 or less), the Participant has not made any elective deferrals to the Plan for at least two years, and the Participant has not made a prior election under this section.

## **Section 6.11 - Distribution Without Participant's Consent**

The Employer may elect (in Item 8 of the Adoption Agreement) to "cash-out" Participants described in Section 6.10 with or without the Participant's consent, if the participant's Account balance is \$1,000 or less.

## **Section 6.12 - In-plan Roth Conversions.**

This section provides that, if the Plan allows Designated Roth Contributions, and if the Employer so elects in the Adoption Agreement, Participants may elect to convert certain pre-tax contributions (such as Elective Deferral Contributions or pre-tax amounts rolled into the Plan from another employer plan) to after-tax Roth contributions in a taxable "in-plan Roth conversion." If elected by the Employer, this option is limited to amounts that are currently distributable under Code Section 457(b) and the terms of the Plan. For example, although rollover contributions may be converted at any time, Elective Deferral Contributions may not be converted before the Participant has a Severance from Employment or attains age 70½. Amounts converted to Roth contributions will be taxable to the Participant (even though no amounts are distributed from the Plan) in the year of the conversion.

## **Section 6.13 - Distributions to Individuals Performing Service in Uniformed Services**

Under the HEART Act, individuals who are serving in the uniformed services for a period of active duty of at least 30-days are considered to have incurred a Severance from Employment (for purposes of the rules under Code Section 457(b) that normally restrict distributions prior to Severance from Employment or attainment of age 70½). This section provides that, if the Employer so elects in the Adoption Agreement, Participants serving in the uniformed services for the requisite period of active duty may, but are not required to, take a distribution of all or a portion of their Account under the Plan. However, if a Participant on military leave takes such a distribution, the Participant may not make Elective Deferral Contributions or designated Roth contributions under the Plan for a 6-month period beginning on the date of the distribution.

## **Section 6.14 - Eligible Retired Public Safety Officer Distribution Deduction Election**

Under the Pension Protection Act of 2006, an eligible retired public safety officer may elect to have up to \$3,000 of an otherwise taxable distribution from the Plan and pay non-taxable premiums for accident or health insurance (or qualified long-term care insurance) and exclude that amount from gross income. This section provides that, unless the Employer elects otherwise in the Adoption Agreement, Participants who qualify as "Eligible Retired Public Safety Officers" may designate that the Plan deduct a portion of a distribution from the Plan and pay that amount directly to the provider of an accident or health insurance plan or a qualified long-term care insurance contract.

## **ARTICLE VII - NON-ASSIGNABILITY**

This article provides that, in general, a Participant's interest in the Plan is not subject to the claims of the Participant's creditors, and is not assignable or transferable by the Participant, except in the case of Domestic Relations Order (in which case all or a portion of the Participant's interest in the Plan may be assigned and set aside for the benefit of an alternate payee, such as the Participant's spouse or former spouse or child).

## **ARTICLE IX - LOANS**

This article provides that, if the Employer so elects (in Item 5 of the Adoption Agreement), loans to Participants shall be allowed under the Plan, but only in the amount permitted under Code Section 72(p). The making of loans under the Plan, however, will be subject to the written terms of the Annuity Contract or other Plan investments.

# VALIC

The Variable Annuity Life Insurance Company  
P.O. Box 15648  
Amarillo, TX 79105

## **ARTICLE X - AMENDMENT OR TERMINATION OF PLAN**

This article discusses how and when the Plan may be amended or terminated by the Employer. Significant sections include:

### **Section 10.01 - Amendment or Termination**

This section provides that the Employer may amend the Plan at any time. The Employer may also terminate the Plan and distribute all Participant Accounts under the Plan as soon as administratively practicable after the termination of the Plan.

### **Section 10.02 - Amendment and Restatement of Previously Adopted Plan**

As noted above under Section 2.01, if this plan document is an amendment and restatement of a previously adopted 457(b) plan, the plan is generally effective as of the Effective Date and the terms of the preceding plan document remain in effect through such date.

## **ARTICLE XI - USERRA**

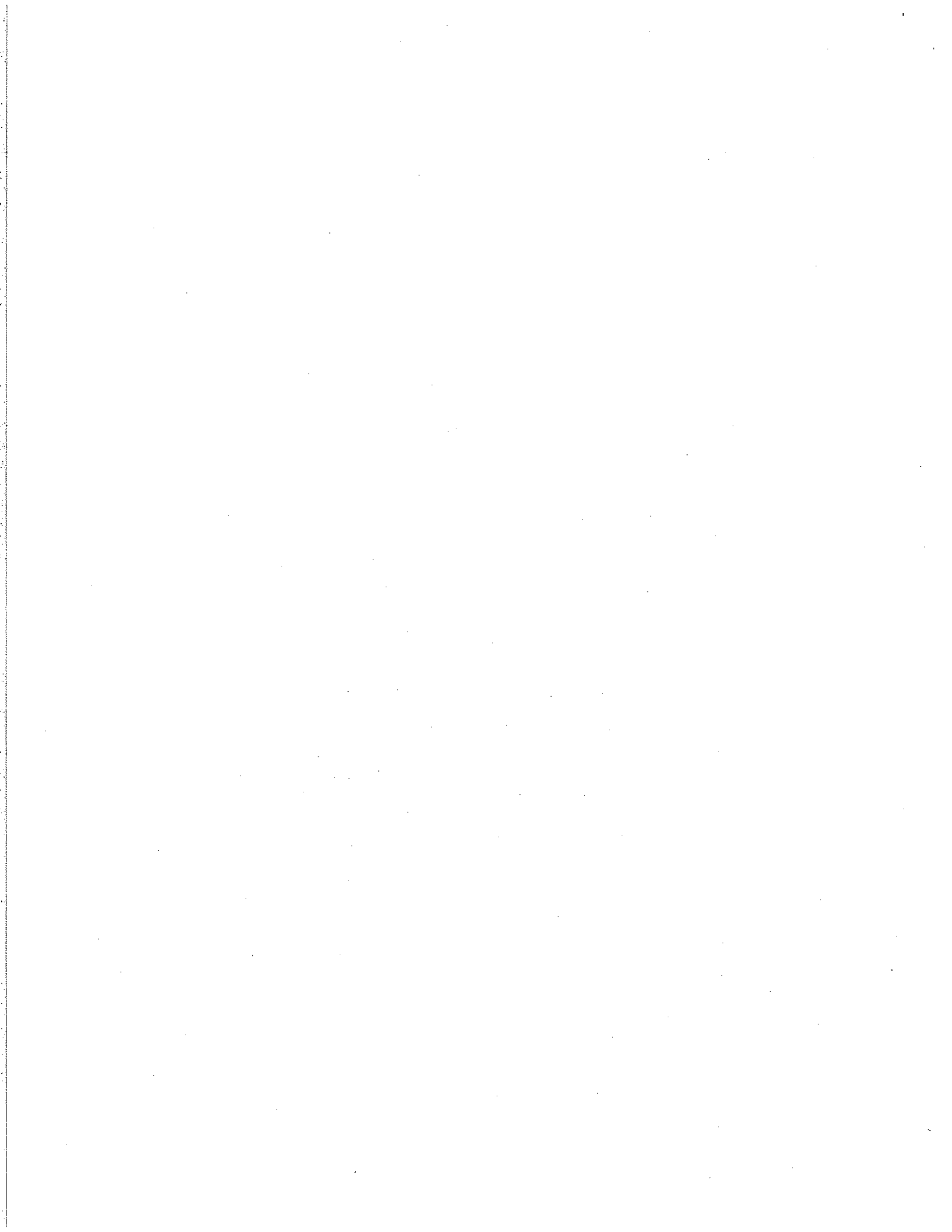
This article provides that the Plan shall comply with the requirements of the Uniformed Services Employment and Reemployment Rights Act ("USERRA"). Under USERRA, Participants whose employment is interrupted by (or who are on a leave of absence during) a period of qualified military service will have the right to defer additional Compensation upon resumption of employment with the Employer in an amount equal to the maximum amount of Compensation that could have been deferred during the period of military service.

## **ARTICLE XIII - RELATIONSHIP TO OTHER PLANS**

This article simply states that the Plan is separate from, and in addition to, any other retirement, pension or benefit plan of the Employer.

## **ARTICLE XIV - PARTICIPATING EMPLOYERS**

This article provides that, with the consent of the Employer, the Plan may be adopted by any other governmental entity that qualifies as an eligible employer under Code Section 457(e)(1)(A), and that such adopting entity shall be known as a Participating Employer. Such participation shall be evidenced by a written Participation Agreement signed by both the Employer and the adopting governmental entity. Although both employers will share a single plan document and a single funding mechanism, each Participating Employer shall be treated as the sponsor of its own separate governmental 457(b) plan.



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**Turner Construction**  
**Northern Inyo Hospital Construction**  
150 Pioneer Lane  
Bishop, CA 93514  
P.O. Box 1532  
Bishop, CA 93515  
phone: 760-582-9020  
fax: 760-873-7246

December 22, 2011

Mr. John Halfen  
Northern Inyo Hospital  
150 Pioneer Lane  
Bishop, CA 93514

RE: Northern Inyo Hospital Construction  
Project # 1495401  
**Change Order Request Number COR - 168 R2**

Dear Mr. Halfen,

We have finalized the required quotations for the additional work outlined below. Please see the attached supporting documentation for a complete labor, material and equipment estimate of the work.

<b>PCO No</b>	<b>Description</b>	<b>Amount</b>
431	IB 256 EJ for Track Centered Between Flutes	\$3,099.29
382	IB 223 EJs for Head of Wall	\$7,782.13

(See TCCO comments in red on RBB COR review comments sheet)

**Total Amount**            **\$10,881.42**

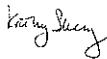
Funding Source: Owner Contingency

This change will also result in a possible schedule impact of 0 days to the project.

Please return one (1) copy of this letter indicating your approval of this Change Order Request which increases our Contract by **Ten thousand eight hundred eighty one and 42/100 dollars (\$10,881.42)**. This approval will also authorize us to issue Subcontract Change Orders accordingly.

If you have any questions regarding this Change Order Request, please call me at your earliest convenience.

Sincerely,



Kathy Sherry  
Project Manager

Approved By: \_\_\_\_\_ Date: \_\_\_\_\_

John Halfen  
CEO - Northern Inyo Hospital

cc: File





Turner Construction  
Northern Inyo Hospital Construction  
150 Pioneer Lane  
Bishop, CA 93514  
P.O. Box 1532  
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phone: 760-582-9020  
fax: 760-873-7246

December 21, 2011

Mr. John Halfen  
Northern Inyo Hospital  
150 Pioneer Lane  
Bishop, CA 93514

RE: Northern Inyo Hospital Construction  
Project # 1495401  
**Change Order Request Number COR - 263 R1**

Dear Mr. Halfen,

We have finalized the required quotations for the additional work outlined below. Please see the attached supporting documentation for a complete labor, material and equipment estimate of the work.

PCO No	Description	Amount
458	IB 267 RFI 1036, 1037: Revise curb and gutter location. Removal and replacement of the sidewalk west of the support building. (see RBB COR Review Comment sheet – TCCO comments in red)	\$10,928.83

**Total Amount \$10,928.83**

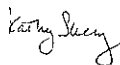
Funding Source: Owner Contingency

This change will also result in a possible schedule impact of 0 days to the project.

Please return one (1) copy of this letter indicating your approval of this Change Order Request which increases our Contract by **Ten thousand nine hundred twenty eight and 83/100 dollars (\$10,928.83)**. This approval will also authorize us to issue Subcontract Change Orders accordingly.

If you have any questions regarding this Change Order Request, please call me at your earliest convenience.

Sincerely,



Kathy Sherry  
Project Manager

Approved By: \_\_\_\_\_ Date: \_\_\_\_\_  
John Halfen  
CEO - Northern Inyo Hospital

cc: File



Turner Construction  
Northern Inyo Hospital Construction  
150 Pioneer Lane  
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Bishop, CA 93515  
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fax: 760-873-7246

December 05, 2011

Mr. John Halfen  
Northern Inyo Hospital  
150 Pioneer Lane  
Bishop, CA 93514

RE: Northern Inyo Hospital Construction  
Project # 1495401  
**Change Order Request Number COR - 270 R1**

Dear Mr. Halfen,

We have finalized the required quotations for the additional work outlined below. Please see the attached supporting documentation for a complete labor, material and equipment estimate of the work.

PCO No	Description	Amount
526	IB 294 RFI 1160/1175. Add of furred wall at the ICU nurses station to prevent casework attachment to shaftwall.	\$4,273.92

**Total Amount**            **\$4,273.92**

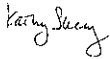
Funding Source: Owner Contingency

This change will also result in a possible schedule impact of 0 days to the project.

Please return one (1) copy of this letter indicating your approval of this Change Order Request which increases our Contract by **Four thousand two hundred seventy three and 92/100 dollars (\$4,273.92)**. This approval will also authorize us to issue Subcontract Change Orders accordingly.

If you have any questions regarding this Change Order Request, please call me at your earliest convenience.

Sincerely,



Kathy Sherry  
Project Manager

Approved By: \_\_\_\_\_ Date: \_\_\_\_\_

John Halfen  
CEO - Northern Inyo Hospital

cc: File



# Turner Healthcare

**Turner Construction**  
**Northern Inyo Hospital Construction**  
150 Pioneer Lane  
Bishop, CA 93514  
P.O. Box 1532  
Bishop, CA 93515  
phone: 760-582-9020  
fax: 760-873-7246

December 9, 2011

Mr. John Halfen  
Northern Inyo Hospital  
150 Pioneer Lane  
Bishop, CA 93514

RE: Northern Inyo Hospital Construction  
Project # 1495401  
**Change Order Request Number COR - 275 R1**

Dear Mr. Halfen,

We have finalized the required quotations for the additional work outlined below. Please see the attached supporting documentation for a complete labor, material and equipment estimate of the work.

<b>PCO No</b>	<b>Description</b>	<b>Amount</b>
603	IB 315 Line for Humidification in CRAH	\$4,486.72

**Total Amount**            **\$4,486.72**

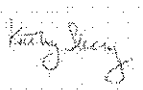
Funding Source: Owner Contingency

This change will also result in a possible schedule impact of 0 days to the project.

Please return one (1) copy of this letter indicating your approval of this Change Order Request which increases our Contract by **Four thousand four hundred eighty six and 72/100 dollars (\$4,486.72)**. This approval will also authorize us to issue Subcontract Change Orders accordingly.

If you have any questions regarding this Change Order Request, please call me at your earliest convenience.

Sincerely,



Kathy Sherry  
Project Manager

Approved By: \_\_\_\_\_ Date: \_\_\_\_\_

John Halfen  
CEO - Northern Inyo Hospital

cc: File



# Turner Healthcare

**Turner Construction**  
**Northern Inyo Hospital Construction**  
150 Pioneer Lane  
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fax: 760-873-7246

December 05, 2011

Mr. John Halfen  
Northern Inyo Hospital  
150 Pioneer Lane  
Bishop, CA 93514

RE: Northern Inyo Hospital Construction  
Project # 1495401  
**Change Order Request Number COR - 278**

Dear Mr. Halfen,

We have finalized the required quotations for the additional work outlined below. Please see the attached supporting documentation for a complete labor, material and equipment estimate of the work.

PCO No	Description	Amount
601	IB 309 Electrical for FSD	\$4,364.67
<b>Total Amount</b>	<b>\$4,364.67</b>	

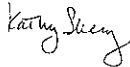
Funding Source: Owner Contingency

This change will also result in a possible schedule impact of 0 days to the project.

Please return one (1) copy of this letter indicating your approval of this Change Order Request which increases our Contract by **Four thousand three hundred sixty four and 67/100 dollars (\$4,364.67)**. This approval will also authorize us to issue Subcontract Change Orders accordingly.

If you have any questions regarding this Change Order Request, please call me at your earliest convenience.

Sincerely,



Kathy Sherry  
Project Manager

Approved By: \_\_\_\_\_ Date: \_\_\_\_\_

John Halfen  
CEO - Northern Inyo Hospital

cc: File



Turner Construction  
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150 Pioneer Lane  
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fax: 760-873-7246

December 20, 2011

Mr. John Halfen  
Northern Inyo Hospital  
150 Pioneer Lane  
Bishop, CA 93514

RE: Northern Inyo Hospital Construction  
Project # 1495401  
**Change Order Request Number COR - 279 R1**

Dear Mr. Halfen,

We have finalized the required quotations for the additional work outlined below. Please see the attached supporting documentation for a complete labor, material and equipment estimate of the work.

PCO No	Description	Amount
570A	IB 317 Handrails at Walkways and Radiology - This portion of the cost was not submitted with PCO 570 because it was not clear in IB 317 that the installed ramps would have to be removed and replaced. After the PCO 570 cost was approved the CEOR stated in a conversation that per the IB the removal was required. (see Turner comments in red on RBB COR review comments sheet)	\$7,298.09

**Total Amount**            **\$7,298.09**

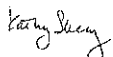
Funding Source: Owner Contingency

This change will also result in a possible schedule impact of 0 days to the project.

Please return one (1) copy of this letter indicating your approval of this Change Order Request which increases our Contract by **Seven thousand two hundred ninety eight and 09/100 dollars (\$7,298.09)**. This approval will also authorize us to issue Subcontract Change Orders accordingly.

If you have any questions regarding this Change Order Request, please call me at your earliest convenience.

Sincerely,



Kathy Sherry  
Project Manager

Approved By: \_\_\_\_\_ Date: \_\_\_\_\_  
                  John Halfen  
                  CEO - Northern Inyo Hospital

cc: File



# Turner Healthcare

Turner Construction  
Northern Inyo Hospital Construction  
150 Pioneer Lane  
Bishop, CA 93514  
P.O. Box 1532  
Bishop, CA 93515  
phone: 760-582-9020  
fax: 760-873-7246

December 12, 2011

Mr. John Halfen  
Northern Inyo Hospital  
150 Pioneer Lane  
Bishop, CA 93514

RE: Northern Inyo Hospital Construction  
Project # 1495401  
Change Order Request Number COR - 281

Dear Mr. Halfen,

We have finalized the required quotations for the additional work outlined below. Please see the attached supporting documentation for a complete labor, material and equipment estimate of the work.

PCO No	Description	Amount
631	IB 332 Boiler Anchorage, APC and Flue anchorage	\$4,753.77

**Total Amount**            **\$4,753.77**

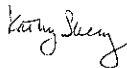
Funding Source: Owner Contingency

This change will also result in a possible schedule impact of 0 days to the project.

Please return one (1) copy of this letter indicating your approval of this Change Order Request which increases our Contract by **Four thousand seven hundred fifty three and 77/100 dollars (\$4,753.77)**. This approval will also authorize us to issue Subcontract Change Orders accordingly.

If you have any questions regarding this Change Order Request, please call me at your earliest convenience.

Sincerely,



Kathy Sherry  
Project Manager

Approved By: \_\_\_\_\_ Date: \_\_\_\_\_

John Halfen  
CEO - Northern Inyo Hospital

cc: File



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Northern Inyo Hospital Construction  
150 Pioneer Lane  
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fax: 760-873-7246

December 14, 2011

Mr. John Halfen  
Northern Inyo Hospital  
150 Pioneer Lane  
Bishop, CA 93514

RE: Northern Inyo Hospital Construction  
Project # 1495401  
**Change Order Request Number COR - 282**

Dear Mr. Halfen,

We have finalized the required quotations for the additional work outlined below. Please see the attached supporting documentation for a complete labor, material and equipment estimate of the work.

PCO No	Description	Amount
595	IB 328 (ZERO DOLLAR) Steam Boiler Anchorage	\$0.00
593	IB 325 (ZERO DOLLAR) EJ for flue penetration	\$0.00
633	IB 339 Boiler Anchorage Correction	\$0.00
<b>Total Amount</b>	<b>\$0.00</b>	

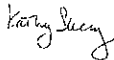
Funding Source: Owner Contingency

This change will also result in a possible schedule impact of 0 days to the project.

Please return one (1) copy of this letter indicating your approval of this Change Order Request which increases our Contract by **Zero and 00/100 dollars (\$0.00)**. This approval will also authorize us to issue Subcontract Change Orders accordingly.

If you have any questions regarding this Change Order Request, please call me at your earliest convenience.

Sincerely,



Kathy Sherry  
Project Manager

Approved By: \_\_\_\_\_ Date: \_\_\_\_\_  
John Halfen  
CEO - Northern Inyo Hospital

cc: File



**Turner Construction**  
**Northern Inyo Hospital Construction**  
150 Pioneer Lane  
Bishop, CA 93514  
P.O. Box 1532  
Bishop, CA 93515  
phone: 760-582-9020  
fax: 760-873-7246

December 14, 2011

Mr. John Halfen  
Northern Inyo Hospital  
150 Pioneer Lane  
Bishop, CA 93514

RE: Northern Inyo Hospital Construction  
Project # 1495401  
**Change Order Request Number COR - 283**

Dear Mr. Halfen,

We have finalized the required quotations for the additional work outlined below. Please see the attached supporting documentation for a complete labor, material and equipment estimate of the work.

<b>PCO No</b>	<b>Description</b>	<b>Amount</b>
632	IB 337 Canopy Support Attachment	\$2,286.65

**Total Amount**            **\$2,286.65**

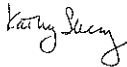
Funding Source: Owner Contingency

This change will also result in a possible schedule impact of 0 days to the project.

Please return one (1) copy of this letter indicating your approval of this Change Order Request which increases our Contract by **Two thousand two hundred eighty six and 65/100 dollars (\$2,286.65)**. This approval will also authorize us to issue Subcontract Change Orders accordingly.

If you have any questions regarding this Change Order Request, please call me at your earliest convenience.

Sincerely,



Kathy Sherry  
Project Manager

Approved By: \_\_\_\_\_ Date: \_\_\_\_\_

John Halfen  
CEO - Northern Inyo Hospital

cc: File





Northern Inyo Hospital Construction  
150 Pioneer Lane  
Bishop, CA 93514  
P.O. Box 1532  
Bishop, CA 93515  
phone: 760-582-9020  
fax: 760-873-7246

December 28, 2011

Mr. John Halfen  
Northern Inyo Hospital  
150 Pioneer Lane  
Bishop, CA 93514

RE: Northern Inyo Hospital Construction  
Project # 1495401  
**Change Order Request Number COR - 284**

Dear Mr. Halfen,

We have finalized the required quotations for the additional work outlined below. Please see the attached supporting documentation for a complete labor, material and equipment estimate of the work.

PCO No	Description	Amount
517	IB 279 - RFI's 1081, 1101, 1094 and 1093. Added door for the display area in the Gift Shop.	\$3,126.42

**Total Amount**            **\$3,126.42**

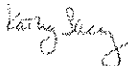
Funding Source: Owner Contingency

This change will also result in a possible schedule impact of 0 days to the project.

Please return one (1) copy of this letter indicating your approval of this Change Order Request which increases our Contract by **Three thousand one hundred twenty six and 42/100 dollars (\$3,126.42)**. This approval will also authorize us to issue Subcontract Change Orders accordingly.

If you have any questions regarding this Change Order Request, please call me at your earliest convenience.

Sincerely,



Kathy Sherry  
Project Manager

Approved By: \_\_\_\_\_  
John Halfen  
CEO - Northern Inyo Hospital

Date: \_\_\_\_\_

 01/09/12

cc: File



**RBB NOTE**  
COR approved contingent on no project time impact inclusive of any extended General Requirements or General Conditions. No additional claims related to this bulletin will be considered at a later date. All costs associated with this bulletin were believed to be included.

**Turner Construction**  
**Northern Inyo Hospital Construction**  
150 Pioneer Lane  
Bishop, CA 93514  
P.O. Box 1532  
Bishop, CA 93515  
phone: 760-582-9020  
fax: 760-873-7246

December 29, 2011

Mr. John Halfen  
Northern Inyo Hospital  
150 Pioneer Lane  
Bishop, CA 93514

RE: Northern Inyo Hospital Construction  
Project # 1495401  
**Change Order Request Number COR - 285**

Dear Mr. Halfen,

We have finalized the required quotations for the additional work outlined below. This cost was not included in the original IB 035 proposal, the seismic portion was excluded by all subs. Please see the attached supporting documentation for a complete labor, material and equipment estimate of the work.

<b>PCO No</b>	<b>Description</b>	<b>Amount</b>
555	RFI 1216 IB 035 CRAH Unit Floor Stand	\$7,116.57
<b>Total Amount</b>	<b>\$7,116.57</b>	

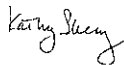
Funding Source: Owner Contingency

This change will also result in a possible schedule impact of 0 days to the project.

Please return one (1) copy of this letter indicating your approval of this Change Order Request which increases our Contract by **Seven thousand one hundred sixteen and 57/100 dollars (\$7,116.57)**. This approval will also authorize us to issue Subcontract Change Orders accordingly.

If you have any questions regarding this Change Order Request, please call me at your earliest convenience.

Sincerely,



Kathy Sherry  
Project Manager

Approved By: \_\_\_\_\_ Date: \_\_\_\_\_  
John Halfen  
CEO - Northern Inyo Hospital

cc: File



Northern Inyo Hospital Construction  
150 Pioneer Lane  
Bishop, CA 93514  
P.O. Box 1532  
Bishop, CA 93515  
phone: 760-582-9020  
fax: 760-873-7246

December 22, 2011

Mr. John Halfen  
Northern Inyo Hospital  
150 Pioneer Lane  
Bishop, CA 93514

RE: Northern Inyo Hospital Construction  
Project # 1495401  
Change Order Request Number COR - 286

Dear Mr. Halfen,

We have finalized the required quotations for the additional work outlined below. Please see the attached supporting documentation for a complete labor, material and equipment estimate of the work.

PCO No	Description	Amount
596	IB 331 Room H2032 TV Bracket Anchorage	\$856.45
<b>Total Amount</b>		<b>\$856.45</b>

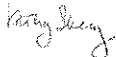
Funding Source: Owner Contingency

This change will also result in a possible schedule impact of 0 days to the project.

Please return one (1) copy of this letter indicating your approval of this Change Order Request which increases our Contract by **Eight hundred fifty six and 45/100 dollars (\$856.45)**. This approval will also authorize us to issue Subcontract Change Orders accordingly.

If you have any questions regarding this Change Order Request, please call me at your earliest convenience.

Sincerely,



Kathy Sherry  
Project Manager

Approved By: \_\_\_\_\_  
John Halfen  
CEO - Northern Inyo Hospital

Date: \_\_\_\_\_

 01/09/12

cc: File



**RBB NOTE**

COR approved contingent on no project time impact inclusive of any extended General Requirements or General Conditions. No additional claims related to this bulletin will be considered at a later date. All costs associated with this bulletin were believed to be included.

**Turner Construction**  
**Northern Inyo Hospital Construction**  
150 Pioneer Lane  
Bishop, CA 93514  
P.O. Box 1532  
Bishop, CA 93515  
phone: 760-582-9020  
fax: 760-873-7246

December 29, 2011

Mr. John Halfen  
Northern Inyo Hospital  
150 Pioneer Lane  
Bishop, CA 93514

RE: Northern Inyo Hospital Construction  
Project # 1495401  
**Change Order Request Number COR - 287**

Dear Mr. Halfen,

We have finalized the required quotations for the additional work outlined below. Please see the attached supporting documentation for a complete labor, material and equipment estimate of the work.

PCO No	Description	Amount
475	IB 271 RFI 1034, 1058 Minor ceiling height revisions in 1066, 1074, 1074.1, 1108B and 1037.	\$1,831.82

**Total Amount**            **\$1,831.82**

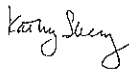
Funding Source: Owner Contingency

This change will also result in a possible schedule impact of 0 days to the project.

Please return one (1) copy of this letter indicating your approval of this Change Order Request which increases our Contract by **One thousand eight hundred thirty one and 82/100 dollars (\$1,831.82)**. This approval will also authorize us to issue Subcontract Change Orders accordingly.

If you have any questions regarding this Change Order Request, please call me at your earliest convenience.

Sincerely,



Kathy Sherry  
Project Manager

Approved By: \_\_\_\_\_ Date: \_\_\_\_\_  
John Halfen  
CEO - Northern Inyo Hospital

cc: File



Turner Construction  
Northern Inyo Hospital Construction  
150 Pioneer Lane  
Bishop, CA 93514  
P.O. Box 1532  
Bishop, CA 93515  
phone: 760-582-9020  
fax: 760-873-7246

December 29, 2011

Mr. John Halfen  
Northern Inyo Hospital  
150 Pioneer Lane  
Bishop, CA 93514

RE: Northern Inyo Hospital Construction  
Project # 1495401  
Change Order Request Number COR - 288

Dear Mr. Halfen,

We have finalized the required quotations for the additional work outlined below. Please see the attached supporting documentation for a complete labor, material and equipment estimate of the work.

PCO No	Description	Amount
578	IB 324 Removal and Replace Curb at Entrance	\$0.00
580	IB 326 Sidewalk Orientation Change North of CP	\$0.00
551	IB 312 Add Drive ramp, remove and replace sidewalk adjacent to south side of Support building	\$5,993.08
577	IB 323 Curb at Oxygen Tank	\$0.00

**Total Amount \$5,993.08**

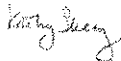
Funding Source: Owner Contingency

This change will also result in a possible schedule impact of 0 days to the project.

Please return one (1) copy of this letter indicating your approval of this Change Order Request which increases our Contract by **Five thousand nine hundred ninety three and 08/100 dollars (\$5,993.08)**. This approval will also authorize us to issue Subcontract Change Orders accordingly.

If you have any questions regarding this Change Order Request, please call me at your earliest convenience.

Sincerely,



Kathy Sherry  
Project Manager

Approved By: \_\_\_\_\_  
John Halfen  
CEO - Northern Inyo Hospital

Date: \_\_\_\_\_



01/09/12

cc: File



**RBB NOTE:**  
COR approved contingent on no project time impact inclusive of any extended General Requirements or General Conditions. No additional claims related to this bulletin will be considered at a later date. All costs associated with this bulletin were believed to be included.

**THIS SHEET  
INTENTIONALLY  
LEFT BLANK**

# Turner Healthcare

**Turner Construction**  
**Northern Inyo Hospital Construction**  
150 Pioneer Lane  
Bishop, CA 93514  
P.O. Box 1532  
Bishop, CA 93515  
phone: 760-582-9020  
fax: 760-873-7246

January 03, 2012

Mr. John Halfen  
Northern Inyo Hospital  
150 Pioneer Lane  
Bishop, CA 93514

RE: Northern Inyo Hospital Construction  
150 Pioneer Lane  
Bishop, CA 93514  
P.O. Box 1532  
Bishop, CA 93515  
Project # 1495401  
**Change Order Request Number COR - 289**

Dear Mr. Halfen,

This COR is intended to align Turner's contract with the current Substantial Completion date of 3/28/12. In previous COR 187R which captured the time extension from 11/16/11 to 1/3/12, Turner only requested a change in contract language and did not request any monetary compensation for the time extension. We have decreased staff based on our proposal leaving only the staff currently on site to complete the project. This is the same staffing plan as when our project Substantial Completion was 1/3/12. The extended timeline results in the following estimated cost.

<b>PCO No</b>	<b>Description</b>	<b>Amount</b>
452A	Schedule Extension Part 2	\$367,330.13
<b>Total Amount</b>	<b>\$367,330.13</b>	

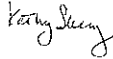
We have reviewed the scopes of work and have verified that they are in compliance with our contract agreement. See the attached for a detailed breakdown of the costs included in this Change Order Request.

This change will also result in a possible schedule impact of 61 days to the project.

Please return one (1) copy of this letter indicating your approval of this Change Order Request which increases our Contract by **Three hundred sixty seven thousand three hundred thirty and 13/100 dollars (\$367,330.13)**. This approval will also authorize us to issue Subcontract Change Orders accordingly.

If you have any questions regarding this Change Order Request, please call me at your earliest convenience.

Sincerely,



Kathy Sherry  
Project Manager

Approved By: \_\_\_\_\_ Date: \_\_\_\_\_  
John Halfen  
CEO - Northern Inyo Hospital

cc: File, PCO 452A



Turner Construction

Project No.: 1495401

Project Name: Northern Inyo Hospital Construction

PCO DETAILED REPORT  
Potential Change Orders

Print Date: 05-Jan-2012  
Print Time: 12:52 pm

PCO No	Bdgt Code No	Description	Estimated Budget				Indicated Cost				Sub Cntr	(Savings) Overrun	
			COR/ TCO	Apprv Rev	Pend Rev	Approx Rev	Adjusted Estimate	Auth Doc	Com Doc	Committed Cost			Uncommitted Cost
452A - 001	02-01-01851-3SD-05-001	Schedule Extension Part 2		0	100,338	0	100,338	0	100,338	100,338	CO	TURCON	0
452A - 002	02-90-00851-3SD-05-001	*Extended/Additional General Requirme	288/	0	283,162	0	283,162	0	283,162	283,162	CO	TURCON	0
452A - Level 002	02-01-01831-3SD-05-001	General Liability (1%)	288/	0	3,879	0	3,879	0	3,879	3,879	CO	TURCON	0
452A - Level 003	02-01-01640-3SD-05-001	Builder's Risk (1%)	288/	0	3,918	0	3,918	0	3,918	3,918	CO	TURCON	0
452A - Level 004	02-01-01650-3SD-05-001	Payment and Performance Bond (1.1%)	288/	0	4,353	0	4,353	0	4,353	4,353	CO	TURCON	0
Total 452A	Open/Closed: Open			0	395,650	0	395,650	0	395,650	395,650			0
Project Totals:				0	395,650	0	395,650	0	395,650	395,650			0



Per Article 4.8.1 - Hourly Rates (5% escalation per Article 4.1.2)											
Staff	2005 Rate	2006 Rate	2007 Rate	2008 Rate	2009 Rate	2010 Rate	2011 Rate	2012 Rate			
Project Executive	\$175	\$185	\$194	\$204	Freeze	Freeze	\$214	\$225			
Project Manager	\$130	\$140	\$147	\$154	Freeze	Freeze	\$162	\$170			
Field Superintendent	\$130	\$140	\$147	\$154	Freeze	Freeze	\$162	\$170			
Project Engineering	\$98	\$105	\$110	\$116	Freeze	Freeze	\$122	\$128			
Administrative Assistant	\$42	\$46	\$48	\$51	Freeze	Freeze	\$53	\$56			

General Requirements - compensated on an actual cost basis		
	Estimate to Complete	
January	\$35,590	
February	\$27,600	
March	\$18,574	
April (estimated)	\$18,574	
	\$100,338	Final value is reconciled with actual cost

ACT ID	ACTIVITY NAME	ORIG DUR	RANG DUR	Start	Finish
<b>NORTHERN INYO HOSPITAL PHASE II - Production Plan DD: 22DEC11</b>					
<b>MILESTONES</b>					
<b>MILESTONES - ACTUAL/PROJECTED - CONSTRUCTION</b>					
MA-330	PROJECTED DURATION IN WORK DAYS - Construction	484	57	23-Mar-09 A	27-Mar-12
MA-350	PROJECTED DURATION IN CAL DAYS - Construction	702	97	23-Mar-09 A	27-Mar-12
MA-389	CONTRACTUAL FINISH after WEATHER BUDGET - Construction	0	0		28-Mar-12
MA-395	WEATHER BUDGET IN WORK DAYS - Construction	0	0	28-Mar-12	28-Mar-12
<b>CONSTRUCTION</b>					
<b>FOUNDATION, RC UTILITIES, FUG &amp; SLAB ON GRADE</b>					
<b>GRADE BEAMS &amp; FTGS</b>					
<b>WALKWAYS FUGS (incl. SUPPORT/RAD)</b>					
XXFD-450	IB #117 - STRUCT GLAZING (PROCURE/INSTALL)	5	15	22-Dec-11 A	13-Jan-12
FD-410	PAINT TUBE STEEL FLASHING - Walkways SUPPRAD/ISW	4	4	16-Jan-12	19-Jan-12
FD-420	INSTALL DOORS - Walkways SUPPRAD/ISW	4	4	20-Jan-12	25-Jan-12
FD-430	INSTALL GLASS SIDING / DOORS - Walkways SUPPRAD/ISW	5	5	25-Jan-12	01-Feb-12
<b>EXTERIOR FINISHES</b>					
<b>EXTERIOR FINISHES - SOUTH ELEV</b>					
XS-570	SIGNAGE @ EXTERIOR - South Elev	4	4	15-Jan-12	19-Jan-12
<b>EXTERIOR FINISHES - EAST ELEV</b>					
XE-570	SIGNAGE @ EXTERIOR - East Elev	4	4	20-Jan-12	25-Jan-12
<b>EXTERIOR FINISHES - WEST ELEV</b>					
XW-570	SIGNAGE @ EXTERIOR - West Elev	4	4	26-Jan-12	31-Jan-12
<b>EXTERIOR FINISHES - NORTH ELEV</b>					
MA-590	EXTERIOR FINISHES - COMPLETE	0	0		31-Jan-12
<b>NETWORK - NEW SCHEDULE</b>					
<b>SITEWORK -- WORK ADJACENT TO SUPPORT BLDG</b>					
SI-410	STRIPING & SIGNAGE - Adj to Support Bldg	3	3	27-Dec-11*	29-Dec-11
<b>SITEWORK -- SOUTH SIDE</b>					
SI-570	STRIPING, SIGNAGE & STOPS - South	3	3	27-Dec-11*	29-Dec-11
<b>SITEWORK -- NORTH SIDE</b>					
SI-670	STRIPING, SIGNAGE & STOPS - North	1	1	22-Dec-11	22-Dec-11
<b>SITEWORK -- PUNCHLIST</b>					
SIW-900	** TURNER SITE INSPECTIONS & PREPARE PUNCHLIST	2	2	01-Feb-12*	02-Feb-12
SIW-910	SUBCONTRACTOR ABATE TURNER PUNCHLIST	5	5	03-Feb-12	09-Feb-12
SIW-920	CIVIL ENGINEER PREPARE FINAL SITE PUNCHLIST	1	1	10-Feb-12	10-Feb-12
SIW-930	SUBCONTRACTORS ABATE CIVIL ENGINEER'S PUNCHLIST	5	5	13-Feb-12	17-Feb-12
SIW-940	** CITY FINAL INSPECTION	2	2	21-Feb-12	22-Feb-12
<b>INTERIOR FINISHES</b>					
<b>RI's thru FINISHES -- AREA 1A (B.5 to 6 and B.2 to 6)</b>					
<b>AREA 1A - FINISHES</b>					
XX1A-970	OSHPD RE-INSPECTION SET FOR 1/14/12 DUE TO INSP SCHEDULE / WO...	1	9	01-Nov-11 A	05-Jan-12
1A-950	ACOUS CEILING TILES - 1A	3	3	06-Jan-12	10-Jan-12
1A-960	PRE PUNCHLIST - 1A	2	2	11-Jan-12	12-Jan-12
MA-695	AREA FINISHES COMPLETE & READY for PUNCHLIST - 1A	0	0		12-Jan-12
<b>RI's thru FINISHES -- AREA 1B (B to 2 and A to E)</b>					
<b>AREA 1B -- FINISHES</b>					
OSHPD RE-INSPECTION SET FOR 1/14/12 DUE TO INSP SCHEDULE / WORK READY FOR REINSPECT 12/8/11					
ACOUS CEILING TILES - 1A					
PRE PUNCHLIST - 1A					
AREA FINISHES COMPLETE & READY for PUNCHLIST - 1A					

PROJECTED DURATION IN WORK DAYS - Construction  
 PROJECTED DURATION IN CAL DAYS - Construction  
 CONTRACTUAL FINISH after WEATHER BUDGET - Construction  
 WEATHER BUDGET IN WORK DAYS - Construction

IB #117 - STRUCT GLAZING (PROCURE/INSTALL)  
 PAINT TUBE STEEL FLASHING - Walkways SUPPRAD/ISW  
 INSTALL DOORS - Walkways SUPPRAD/ISW  
 INSTALL GLASS SIDING / DOORS - Walkways SUPPRAD/ISW

SIGNAGE @ EXTERIOR - South Elev  
 SIGNAGE @ EXTERIOR - East Elev  
 SIGNAGE @ EXTERIOR - West Elev  
 EXTERIOR FINISHES - COMPLETE

STRIPING & SIGNAGE - Adj to Support Bldg  
 STRIPING, SIGNAGE & STOPS - South  
 STRIPING, SIGNAGE & STOPS - North

\*\* TURNER SITE INSPECTIONS & PREPARE PUNCHLIST  
 SUBCONTRACTOR ABATE TURNER PUNCHLIST  
 CIVIL ENGINEER PREPARE FINAL SITE PUNCHLIST  
 SUBCONTRACTORS ABATE CIVIL ENGINEER'S PUNCHLIST  
 \*\* CITY FINAL INSPECTION

OSHPD RE-INSPECTION SET FOR 1/14/12 DUE TO INSP SCHEDULE / WORK READY FOR REINSPECT 12/8/11  
 ACOUS CEILING TILES - 1A  
 PRE PUNCHLIST - 1A  
 AREA FINISHES COMPLETE & READY for PUNCHLIST - 1A



ACT ID	ACTIVITY NAME	ORIG DUR	FINISH DUR	Start	Finish	2012											
						Dec	Jan	Feb	Mar	Apr	May	Jun	Jul				
1B-980	ACOUS CEILING TILES - 1B	3	3	11-Jan-12	13-Jan-12												
1B-990	PRE PUNCHLIST - 1B	2	2	18-Jan-12	17-Jan-12												
MA-700	AREA FINISHES COMPLETE & READY FOR PUNCHLIST - 1B	0	0		17-Jan-12												
RIT's thru FINISHES -- AREA 1C (B to .5 and E to L)																	
AREA 1C - FINISHES																	
1C-850	ACOUS CEILING TILES - 1C	2	2	11-Jan-12	12-Jan-12												
1C-850	PRE PUNCHLIST - 1C	2	2	18-Jan-12	19-Jan-12												
MA-705	AREA FINISHES COMPLETE & READY FOR PUNCHLIST - 1C	0	0		19-Jan-12												
AREA 1C - DATA ROOM COMPLETION SCHEDULE																	
1C-982	WIRELESS ACCESS POINTS (REX MOORE)	65	4	28-Aug-11 A	28-Dec-11												
1C-982	CCTV CAMERA SYSTEM (REX MOORE)	105	15	26-Aug-11 A	13-Jan-12												
1C-972	ACCESS CONTROL SYSTEM - ACS (REX MOORE)	60	4	09-Sep-11 A	28-Dec-11												
1C-922	IT SPACE ROOM READINESS - H1048 / H2103 (REX MOORE)	55	18	09-Sep-11 A	16-Jan-12												
1C-952	FIRE ALARM (REX MOORE)	55	4	16-Sep-11 A	28-Dec-11												
1C-982	VIDEO INTERCOM (REX MOORE)	75	15	07-Oct-11 A	13-Jan-12												
1C-984	INFANT SECURITY (REX MOORE)	50	12	07-Oct-11 A	10-Jan-12												
1C-988	EMERGENCY RADIO SYSTEM (REX MOORE)	45	12	07-Oct-11 A	10-Jan-12												
1C-1002	INSTALL UNISTRUT / LADDER RACKS (SUBM/FAB/INSTALL)	30	10	25-Oct-11 A	06-Jan-12												
1C-940	INSTALL COOLING SYSTEM DATA RM - 1C	5	11	25-Oct-11 A	09-Jan-12												
1C-960	OWNER BUILD OUT / INTEGRATION OF DATA RM - 1C	20	20	17-Jan-12	13-Feb-12												
RIT's thru FINISHES -- AREA 2A (B.5 to 6 and B.2 to F)																	
AREA 2A - FINISHES																	
2A-840	DOORS & HARDWARE - 2A	6	8	28-Nov-11 A	04-Jan-12												
2A-860	ACOUS CEILING TILES - 2A	5	5	06-Jan-12	12-Jan-12												
2A-950	PRE PUNCHLIST - 2A	2	2	13-Jan-12	16-Jan-12												
MA-710	AREA FINISHES COMPLETE & READY FOR PUNCHLIST - 2A	0	0		16-Jan-12												
RIT's thru FINISHES -- AREA 2B (B to 1.7 and 4A to F)																	
AREA 2B - FINISHES																	
2B-840	DOORS & HARDWARE - 2B	10	4	28-Nov-11 A	04-Jan-12												
2B-850	ACOUS CEILING TILES - 2B	5	5	06-Jan-12*	12-Jan-12												
2B-950	PRE PUNCHLIST - 2B	2	2	17-Jan-12	18-Jan-12												
MA-715	AREA FINISHES COMPLETE & READY FOR PUNCHLIST - 2B	0	0		18-Jan-12												
CENTRAL PLANT																	
EXISTING HEATING PLANT																	
CP-2480	SEQ 4 - NEW OVERHEAD DOM. WATER TO U/G RISER	3	5	21-Nov-11 A	29-Dec-11												
CP-2490	SEQ 5 - SET NEW MED AIR COMPRESSOR & WATER HEATERS	3	3	19-Dec-11 A	30-Dec-11												
CP-2500	SEQ 3 - WATER HEATER FLUES THROUGH ROOF	3	3	22-Dec-11	28-Dec-11												
CP-2510	SEQ 5 - PATCH ROOF	1	1	28-Dec-11	28-Dec-11												
CP-2520	SEQ 5 - FILL/FLUSH CHLORINATION/TEST DOMESTIC	5	5	29-Dec-11	05-Jan-12												
CP-2530	SEQ 5 - START-UP & CERTIFICATION OF ALL MED GAS	10	10	06-Jan-12	19-Jan-12												
CP-2540	SEQ 3 - NEW BOILERS SUPPLY NEW FACILITY BLANCE/BLE	3	3	16-Jan-12*	18-Jan-12												
CP-2350	SEQ 6 - INSTALL MED AIR/VAC CONNECTIONS TO EXIST	2	2	20-Jan-12	23-Jan-12												
CP-2350	SEQ 6 - DEMO EXIST MED AIR COMP/PUMP/INTAKE/EJECT	5	5	24-Jan-12	30-Jan-12												
CP-2370	SEQ 6 - FINAL ROOFING	1	1	31-Jan-12	31-Jan-12												
NORTH MECH ROOM RHP SEQUENCE																	
NM-15	INSTALL CONTROL COMPONENTS	3	3	22-Dec-11	27-Dec-11												
NM-16	WATER BALANCE ON IWH	2	2	28-Dec-11	29-Dec-11												

2011 Dec Jan Feb Mar Apr May Jun Jul

2012

ACOUS CEILING TILES - 1B  
PRE PUNCHLIST - 1B  
AREA FINISHES COMPLETE & READY FOR PUNCHLIST - 1B

ACOUS CEILING TILES - 1C  
PRE PUNCHLIST - 1C  
AREA FINISHES COMPLETE & READY FOR PUNCHLIST - 1C

WIRELESS ACCESS POINTS (REX MOORE)  
CCTV CAMERA SYSTEM (REX MOORE)  
ACCESS CONTROL SYSTEM - ACS (REX MOORE)  
IT SPACE ROOM READINESS - H1048 / H2103 (REX MOORE)  
FIRE ALARM (REX MOORE)  
VIDEO INTERCOM (REX MOORE)  
INFANT SECURITY (REX MOORE)  
EMERGENCY RADIO SYSTEM (REX MOORE)  
INSTALL UNISTRUT / LADDER RACKS (SUBM/FAB/INSTALL)  
INSTALL COOLING SYSTEM DATA RM - 1C  
OWNER BUILD OUT / INTEGRATION OF DATA RM - 1C

DOORS & HARDWARE - 2A  
ACOUS CEILING TILES - 2A  
PRE PUNCHLIST - 2A  
AREA FINISHES COMPLETE & READY FOR PUNCHLIST - 2A

DOORS & HARDWARE - 2B  
ACOUS CEILING TILES - 2B  
PRE PUNCHLIST - 2B  
AREA FINISHES COMPLETE & READY FOR PUNCHLIST - 2B

SEQ 4 - NEW OVERHEAD DOM. WATER TO U/G RISER  
SEQ 5 - SET NEW MED AIR COMPRESSOR & WATER HEATERS  
SEQ 3 - WATER HEATER FLUES THROUGH ROOF  
SEQ 5 - PATCH ROOF  
SEQ 5 - FILL/FLUSH CHLORINATION/TEST DOMESTIC  
SEQ 5 - START-UP & CERTIFICATION OF ALL MED GAS  
SEQ 3 - NEW BOILERS SUPPLY NEW FACILITY BLANCE/BLE  
SEQ 6 - INSTALL MED AIR/VAC CONNECTIONS TO EXIST  
SEQ 6 - DEMO EXIST MED AIR COMP/PUMP/INTAKE/EJECT  
SEQ 6 - FINAL ROOFING

INSTALL CONTROL COMPONENTS  
WATER BALANCE ON IWH



ACT ID	ACTIVITY NAME	2011			2012			Finish
		Dec	Jan	Feb	Mar	Apr	May	
NM-17	FACTORY START UP ON EQUIPMENT	10	10	28-Dec-11				11-Jan-12
NM-18	TOUCH-UP PAINT	3	3	12-Jan-12				16-Jan-12
NM-19	STEAM / HW / CA-1 AVAIL TO MECH EQUIPMENT	1	1	12-Jan-12				17-Jan-12
NM-20	START-UP ON STEAM HUMIDIFIERS	3	3	13-Jan-12				17-Jan-12
NM-1340	NORTH MECH ROOM COMPLETE	0	0					17-Jan-12
NM-1350	WATER BALANCE	10	10	18-Jan-12				31-Jan-12
NM-28	STEAM BOILERS CONTROL / COMMISSIONING	2	2	01-Feb-12				02-Feb-12
NM-25	HUMIDIFIERS START-UP/CONTROL TEST	3	3	03-Feb-12				07-Feb-12
CP-780	COMMISSIONING - CENTRAL PLANT	0	0					31-Jan-12
CP-780	CENTRAL PLANT COMPLETE	0	0					31-Jan-12
<b>EQUIPMENT</b>								
<b>AIR HANDLERS</b>								
AH144	AHU CHW COILS WATER BALANCE	1	1	09-Jan-12*				09-Jan-12
AH104	OPERATE AND TEST EACH AHU	3	3	19-Jan-12				17-Jan-12
AH108	CAV BOX OPERATIONAL TESTING	4	4	18-Jan-12				23-Jan-12
AH110	PRELIM TEST / ADJUST / BALANCE EACH AHU	5	5	24-Jan-12				30-Jan-12
AH118	LOCATE/MOUNT WIRELESS SENSORS/HUMIDITY SENSORS	4	4	24-Jan-12				27-Jan-12
AH112	TEST FIRE / SMOKE DAMPERS EACH AHU	3	3	31-Jan-12				02-Feb-12
AH114	AHU FIRE ALARM TEST	3	3	31-Jan-12				02-Feb-12
AH116	FINAL TEST / ADJUST / BALANCE AIR SYSTEM (AHU/VAV)	15	15	09-Feb-12				23-Feb-12
AH134	FINAL TEST / ADJUST / BALANCE AIR SYSTEM (EF/MAU/FCU)	5	5	07-Feb-12				13-Feb-12
AH124	PREP TEST & ADJUST BALANCE REPORT	15	15	24-Feb-12				15-Mar-12
AH122	MECH ENGR REVIEW TEST & BALANCE REPORT	3	3	16-Mar-12				20-Mar-12
<b>COMPUTER R/W AC UNITS</b>								
HVC102	VENDOR START-UP - CRAC UNITS	2	2	09-Jan-12*				10-Jan-12
HVC108	COMPL POINT-TO-POINT CHECK TEMP SENSORS	3	3	11-Jan-12				13-Jan-12
<b>EXHAUST FANS</b>								
EF102	START-UP - EXHAUST & SUPPLY FANS	4	4	18-Jan-12				23-Jan-12
EF108	COMMISSION CONTROL CHECK OUT - EXHAUST FANS	2	2	24-Jan-12				25-Jan-12
<b>MISC EQUIPMENT</b>								
EQ108	DOMESTIC HOT WATER BALANCE	2	2	20-Jan-12				23-Jan-12
EQ102	BOOSTER FAN (BF-13) START-UP/FILTERS/VFD/COMMISSION	2	2	28-Jan-12				27-Jan-12
EQ104	ISOLATION RM CONTROLS INSTALL/SET/TEST	2	2	30-Jan-12				31-Jan-12
EQ106	MAKE-UP AIR SYSTEM START-UP/TEST	4	4	01-Feb-12				06-Feb-12
<b>FINAL INSPECTIONS/TURNOVER/PLUMBING STARTUP</b>								
<b>DSE INSPECTIONS</b>								
DSE106	SEISMIC BRACING INSPECTIONS	1	1	22-Dec-11*				22-Dec-11
DSE106	** DSE INSPECT MISC EQUIP SEISMIC BRACING	1	1	22-Dec-11*				22-Dec-11
<b>ACO INSPECTIONS</b>								
ACO102	ACO TEST PLUMBING FIXTURE TEMPERATURE / FLOW	1	1	17-Jan-12				17-Jan-12
<b>ELECTRICAL INSPECTIONS/VERIFICATIONS</b>								
ACO106	ACO TEST EMERGENCY ELEC CIRCUITS	1	1	12-Jan-12				12-Jan-12
<b>MEDICAL GAS INSPECTIONS/VERIFICATIONS</b>								
ACO110	ACO REVIEW FINAL CYA O2 CONCENTRATION REPORT	1	1	25-Jan-12				25-Jan-12
ACO112	ACO CYCLE MED GAS CONTROLS / ALARM	1	1	25-Jan-12				25-Jan-12
ACO114	ACO VERIFY CYA MED GAS PURITY, PRESSURE, ALARM	1	1	25-Jan-12				25-Jan-12
<b>FIRE SAFETY/EXITING INSPECTIONS</b>								

RUN DATE: 22-Dec-11 10:45 DATA DATE: 22-Dec-11 PAGE 3 of 6

NORTHERN INYO HOSPITAL PHASE II - Production Plan DD: 22DEC11







ACT ID	ACTIVITY NAME	ORIG DUR	RMKG DUR	Start	Finish	2011											
						Dec	Jan	Feb	Mar	Apr	May	Jun	Jul				
IR138	IOR TEST NURSE CALL SYSTEM	2	2	13-Jan-12	16-Jan-12												
IR140	IOR VERIFY BATTERY BACKUP POWER TO FACP	1	1	13-Jan-12	13-Jan-12												
MEDICAL GAS INSPECTIONS/VERIFICATIONS																	
IR142	IOR VERIFY CYA MED GAS PURITY / PRESSURE / ALARM	1	1	24-Jan-12	24-Jan-12												
IR144	** IOR INSPECTION OF EXP TANK INSTALLATION	1	1	24-Jan-12	24-Jan-12												
FIRE SAFETY / EXTINGUISHERS																	
IR150	IOR VERIFY FIRE EXTINGUISHERS ALL FLOORS	1	1	12-Jan-12	12-Jan-12												
IR152	** IOR INSPECT EXIT PASSAGE EVAC AND SIGNAGE	1	1	12-Jan-12	12-Jan-12												
IR154	IOR VERIFY EMERG LIGHTS WITH LIGHTING PLAN	2	2	12-Jan-12	13-Jan-12												
IR162	** IOR INSPECT PRIVACY CURTAIN LABELS	5	5	12-Jan-12	18-Jan-12												
IR164	IOR TEST ELEVATOR AND FIRE INTERACTION	2	2	12-Jan-12	13-Jan-12												
IR166	IOR TEST ELEVATOR AND SECURITY SYS INTERACTION	2	2	12-Jan-12	13-Jan-12												
IR168	IOR CHECK INTERIOR BLG WAYFINDING / ROOM SIGNAGE	2	2	12-Jan-12	13-Jan-12												
IR180	** IOR INSPECT EQUIPMENT SIGNAGE	2	2	01-Feb-12	02-Feb-12												
HVAC SYSTEM INSPECTIONS/VERIFICATIONS																	
IR174	IOR TEST SMOKE DAMPERS - PER FLR	5	5	19-Jan-12	25-Jan-12												
IR176	IOR VERIFY ISO ROOM PRESSURE ALARM	2	2	19-Jan-12	20-Jan-12												
IR178	IOR VERIFY HUMIDIFICATION OPERATION	1	1	24-Jan-12	24-Jan-12												
IR170	IOR TEST HYDRONIC PUMPS	2	2	01-Feb-12	02-Feb-12												
DOOR INSPECTIONS / VERIFICATIONS																	
IR180	** IOR DOOR INSPECT DOOR FRAME / LABELS	5	5	05-Jan-12	11-Jan-12												
IR182	** IOR DOOR INSP - GASKETS, GAPS PER FLOOR	5	5	05-Jan-12	11-Jan-12												
IR184	IOR COLLING DR FIRE SMOKE TEST / LABELS	1	1	05-Jan-12	05-Jan-12												
IR186	** IOR DOOR INSPECT - OPEN / CLOSE / PRESSURE	5	5	05-Jan-12	11-Jan-12												
FIRE ALARM SYSTEM INSPECTIONS/VERIFICATIONS																	
IR200	IOR STAIR DOOR SECURITY / FA INTERFACE	10	10	12-Jan-12	25-Jan-12												
IR202	** IOR DOOR INSP - SECURITY / FIRE ALARM INTERFACE	10	10	12-Jan-12	25-Jan-12												
IR172	IOR TEST FIRE DAMPERS / HEAT SENSORS - PER AHU	5	5	18-Jan-12	24-Jan-12												
IR188	IOR VERIFY POINT-TO-POINT TEST	10	10	18-Jan-12	31-Jan-12												
IR190	IOR TEST FIRE ALARM PULL STATIONS	3	3	18-Jan-12	20-Jan-12												
IR192	IOR VERIFY HEAT DET ADDRESS / STROBE SYNC	6	6	18-Jan-12	25-Jan-12												
IR194	IOR VERIFY SMOKE DET ADDRESS / STROBE SYNC / MAG DRS	6	6	18-Jan-12	25-Jan-12												
IR198	IOR DUCT DETECTOR TEST ON AHUS	1	1	18-Jan-12	18-Jan-12												
IR196	IOR CHECK AHU SHUTDOWN IN GENERAL ALARM	2	2	21-Mar-12	22-Mar-12												
COMMISSIONING & INSTALL OF HOSPITAL EQUIPMENT																	
CM-230	HOOK-UP & TEST EQUIPMENT	4	4	24-Jan-12	27-Jan-12												
MA-795	TURNER MOVE OUT OF FIELD OFFICE AND INTO HOSPITAL (TEMP OFFICE)	0	0		16-Feb-12												
TURNER PUNCHLIST SEQUENCES																	
CM-410	TURNER FINAL PUNCHLIST SEQUENCE & FINAL CLEAN	21	21	19-Jan-12	16-Feb-12												
MA-730	TURNER PUNCHLIST - COMPLETE	0	0		16-Feb-12												
OWNER PUNCHLIST SEQUENCES																	
CM-510	ARCH / OWNER INSPECTIONS & PUNCHLIST & SIGN OFF BY ENGINEER...	20	20	17-Feb-12	15-Mar-12												
MA-740	ARCH / OWNER PUNCHLIST - COMPLETE	0	0		15-Mar-12												
OSHPD CERTIFICATION																	
CM-580	OSHPD FINAL INSPECTION TEAM	5	5	21-Mar-12	27-Mar-12												
MA-390	PROJECTED FINISH prior to WEATHER - Construction	0	0		27-Mar-12												
CM-660	OBTAIN OSHPD CONDITIONAL CERT of OCCUPANCY	0	0		27-Mar-12												
CM-670	SUBSTANTIAL COMPLETION prior to WEATHER BUDGET	0	0		27-Mar-12												
MILESTONES - CONTRACTUAL																	



ACT ID	ACTIVITY NAME	ORIG DUR	RMSG DUR	Start	Finish
	<b>MILESTONES - CONTRACTUAL - CONSTRUCTION</b>				
MC-330	CONTRACTUAL DURATION IN WORK DAYS - Construction	500	24	23-Mar-09 A	26-Jan-12
MC-380	CONTRACTUAL DURATION IN CAL DAYS - Construction	730	38	23-Mar-09 A	27-Jan-12
MC-380	CONTRACTUAL FINISH prior to WEATHER - Construction	0	0		27-Jan-12
MC-389	CONTRACTUAL FINISH after WEATHER BUDGET - Construction	0	0		27-Jan-12*
	<b>OWNER MOVE-IN &amp; LICENSING</b>				
	<b>OWNER MOVE-IN &amp; LICENSING</b>				
CM-820	HOSPITAL EQUIPMENT - TURNER LOGISTICS GROUP 2 & 3	15	15	02-Feb-12	22-Feb-12
CM-840	TRAINING / STOCKING / STORAGE	5	5	02-Feb-12	08-Feb-12
CM-810	BEGIN - OWNER MOVE-IN PHASE	0	0	02-Feb-12	
CM-830	** STATE LICENSING INSPECTION (5 WK LAG FROM OSHPD COND C O...	2	2	02-May-12	03-May-12
CM-850	HOSPITAL OPERATIONAL & FULLY LICENSED	0	0		03-May-12
CM-860	DECOMMISSION (E) HOSPITAL	10	10	04-May-12	17-May-12
CM-870	NEW HOSP COMMISSIONED & READY for PATIENTS	0	0		17-May-12
	<b>SUBMITTALS &amp; PROCUREMENT / LONG LEAD MATERIALS</b>				
	<b>FINISHES SUBMITTALS</b>				
	<b>SPECIALTIES</b>				
	SIGNAGE ( 10440 )	27	10	07-Oct-11 A	06-Jan-12
10440-180	FABRICATION - Signage	5	5	08-Jan-12	13-Jan-12
10440-190	ROJ / DELIVERY - Signage				
	<b>SUMMARY (RACS)</b>				
RACS-1	GENERAL REQUIREMENTS / GENERAL CONDITIONS (ITEMS 1,2,41-46)	500	67	23-Mar-09 A	27-Mar-12
RACS-311	ELECTRICAL (ITEMS 34)	5	67	06-May-09 A	27-Mar-12
RACS-30	SITE UTILITIES (ITEM 6)	87	67	05-Aug-09 A	27-Mar-12
RACS-381	PLUMBING (ITEM 33)	333	67	08-Jun-10 A	27-Mar-12
RACS-271	FIRE SUPPRESSION (ITEM 30)	212	26	08-Jul-10 A	30-Jan-12
RACS-301	HVAC (ITEM 33)	294	67	08-Jul-10 A	27-Mar-12
RACS-81	MISC METAL (ITEM 11)	0	24	28-Oct-10 A	27-Jan-12
RACS-161	DOORS/FRAMES/HARDWARE (ITEM 19)	121	19	01-Nov-10 A	19-Jan-12
RACS-291	PNEUMATIC TUBE SYSTEM (ITEM 32)	171	67	23-Nov-10 A	27-Mar-12
RACS-341	COMMISSIONING / COLD (ITEM 37)	174	67	31-Jan-11 A	27-Mar-12
RACS-331	NURSECALL / TELE / DATA (ITEMS 35, 36, 40)	101	15	05-Jul-11 A	13-Jan-12
RACS-281	ELEVATORS (ITEM 31)	86	14	15-Jul-11 A	12-Jan-12
RACS-241	ACT CEILINGS (ITEM 27)	71	19	17-Aug-11 A	19-Jan-12
RACS-181	ELEVATOR SMOKE CONTAINMENT (ITEM 21)	7	7	22-Dec-11	03-Jan-12
RACS-91	UNISTRUT (ITEM 12)				

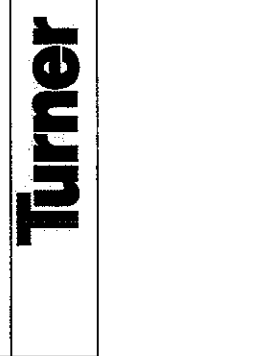
CONTRACTUAL DURATION IN WORK DAYS - Construction  
 CONTRACTUAL DURATION IN CAL DAYS - Construction  
 CONTRACTUAL FINISH prior to WEATHER - Construction  
 CONTRACTUAL FINISH after WEATHER BUDGET - Construction

HOSPITAL EQUIPMENT - TURNER LOGISTICS GROUP 2 & 3  
 TRAINING / STOCKING / STORAGE  
 BEGIN - OWNER MOVE-IN PHASE

\*\* STATE LICENSING INSPECTION (5 WK LAG FROM OSHPD COND C O...  
 HOSPITAL OPERATIONAL & FULLY LICENSED  
 DECOMMISSION (E) HOSPITAL  
 NEW HOSP COMMISSIONED & READY for PATIENTS

FABRICATION - Signage  
 ROJ / DELIVERY - Signage

GENERAL REQUIREMENTS / GENERAL CONDITIONS (ITEMS 1, 2, 41-46)  
 ELECTRICAL (ITEMS 34)  
 SITE UTILITIES (ITEM 6)  
 PLUMBING (ITEM 33)  
 FIRE SUPPRESSION (ITEM 30)  
 HVAC (ITEM 33)  
 MISC METAL (ITEM 11)  
 DOORS/FRAMES/HARDWARE (ITEM 19)  
 PNEUMATIC TUBE SYSTEM (ITEM 32)  
 COMMISSIONING / COLD (ITEM 37)  
 NURSECALL / TELE / DATA (ITEMS 35, 36, 40)  
 ELEVATORS (ITEM 31)  
 ACT CEILINGS (ITEM 27)  
 ELEVATOR SMOKE CONTAINMENT (ITEM 21)  
 UNISTRUT (ITEM 12)



For Reference

# Turner Healthcare

**Turner Construction**  
**Northern Inyo Hospital Construction**  
150 Pioneer Lane  
Bishop, CA 93514  
P.O. Box 1532  
Bishop, CA 93515  
phone: 760-582-9020  
fax: 760-873-7246

May 26, 2011

Mr. John Halfen  
Northern Inyo Hospital  
150 Pioneer Lane  
Bishop, CA 93514

RE: Northern Inyo Hospital Construction  
Project # 1495401  
Change Order Request Number COR - 187R1 (PCO 452)

Dear Mr. Halfen,

The intent of this COR is to contractually extend the schedule to reflect the current construction status. COR 20, approved at the December 2009 Board Meeting, extended the project schedule to an 11/16/11 completion, as a result of the unforeseen conditions associated with the drilled piers and the OSHPD Permit delay. Since that time we have incorporated over 160 Instructional Bulletins issued by the Design Team at various phases of the work. We have reworked the construction plan sequencing and scheduling of work to mitigate schedule extensions to the best of our ability. However throughout this process, as you are aware via OAC Meetings, there are several IB approvals which took an unprecedented amount of time to get approved through OSHPD and/or complete the design. Major examples are as follows:

- IB 12/83/84/85/119: Department Layout Changes
- IB 35: Server Room (OSHPD Approved 5/6/11)
- IB 36/37: Steel Stair Design (stair 1 and 2)
- IB 84: Central Plant Booster Pump
- IB 76/77: Medical Equipment and Utility Coordination (Still in Review at OSHPD)
- IB 111/113: Chiller Plant and Existing Central Plant Redesign
- IB 123: Emergency Generator
- IB 233: North Mechanical Room
- IB 251/254: Central Plant pipe racks and supports

Aside from the direct delays that have been caused, many of these have caused indirect delays due to the requirement to recoordinate overhead or in wall utilities.

As a result, we are requesting a schedule extension of 48 calendar days to reflect Substantial Completion as 1/3/12. COR 49R1 has been processed to account for the additional cost associated with Builders Risk insurance and the Payment and Performance Bond. Turner has not to date incorporated extended overhead to each COR processed as allowable per Article 4.8 of our Contract. In an act of good faith, we have attempted to manage the changes received within the staff allotted. In addition, we do not intend, at this time, to request additional staff costs for the schedule extension noted above. Instead we plan to manage our staff costs to include the schedule extension by earlier than planned staff reductions. In order to implement this plan we need and request the following change to our Contract Terms.

Article 4.2 currently indicates the following:

"CMA shall be compensated in a lump sum amount for construction phase staffing and staffing chart per proposal of each phase, based upon the Final Project Budget, which shall also contain the appropriate profit percentage (3.5% or 6%) for the CMA based on the projected staffing costs."

We propose the following language in its place:

"CMA shall be compensated on a Cost Plus basis for approved staffing chart. If the staff costs exceed the current GMP approved as of 5/11/11, Construction Contingency may be utilized to fund any overrun, subject to approval of Northern Inyo Hospital. Should the Construction Contingency be exhausted, Turner will submit a Change Order for appropriate compensation, which shall also contain the appropriate profit percentage (3.5%) for the CMA based on the final staffing costs." K

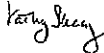
We respectfully request your consideration of the above proposal.

Please return one (1) copy of this letter indicating your approval of this Change Order Request which increases our Contract by Zero and 00/100 dollars (\$0.00).

This change will also incorporate into our Contract a schedule extension of 48 days.

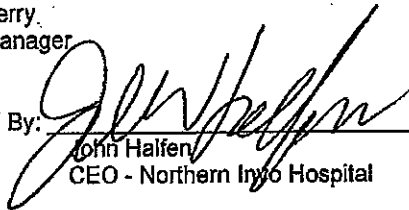
If you have any questions regarding this Change Order Request, please call me at your earliest convenience.

Sincerely,



Kathy Sherry  
Project Manager

Approved By: \_\_\_\_\_

  
John Halfen  
CEO - Northern Inyo Hospital

Date: 5-26-11

cc: File

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# McKESSON

Empowering Healthcare

## Quote Summary

Northern Inyo Hospital  
Customer Number: 1009366  
Opportunity Number: 1-19EMPO  
December 30, 2011

### Facilities

Northern Inyo Hospital- Customer #1009366

	One Time List Price	One Time Net Price	List Annual Recurring Fees (Excluding Maintenance)	Net Annual Recurring Fees (Excluding Maintenance)	Annual Maintenance Fee
<b>Software:</b>					
Software and Software Maintenance Services	\$154,000	\$66,220	N/A	N/A	\$27,720
<b>Services:</b>					
Implementation Services	\$88,792	\$71,034	N/A	N/A	N/A
<b>TOTAL</b>	<b>\$242,792</b>	<b>\$137,254</b>	<b>N/A</b>	<b>N/A</b>	<b>\$27,720</b>

McKesson Payment Terms are available on request. The pricing identified in this Quote Summary is based on McKesson Standard Terms and Conditions (including Payment Terms) for the identified Products and Services, or where applicable, on alternate terms provided in an existing agreement with Customer. Please note that changes to McKesson Standard Terms and Conditions may impact the pricing in this Quote Summary and terms for Third Party Software may vary.

Software & Services pricing is valid for 90 days from quote date.  
Equipment pricing is valid for 60 days from quote date.  
Facilities may vary per Exhibit.

#### Confidentiality:

The terms and conditions set forth herein of this Pricing Proposal are confidential and proprietary to McKesson. Except as required by applicable law, all confidential information received from McKesson (including pricing) shall be kept strictly confidential by the receiving party and shall not, without prior written consent of McKesson, be disclosed by the receiving party to any third party. All right, title, and interest in and to the confidential information shall remain the property of McKesson.

EXHIBIT \_\_\_\_\_  
**SOFTWARE AND SOFTWARE MAINTENANCE SERVICES**  
 Northern Inyo Hospital  
 Customer Number: 1009366  
 Opportunity Number: 1-19EMPO  
 Pricing Expiration Date: 03/29/2012

Facilities included in pricing:  
 Northern Inyo Hospital- Customer #1009366

SW Discount: 57.0%

Net Annual SW Maint based off List SW: 18.0%

Software Product No.	Software Maint Services No.	Module / Description	Third Party Software	Non-GA	List Software License Fee	Net Software License Fee	List Annual Recurring Term License Fee (excluding SW Maint.)	Net Annual Recurring Term License Fee (excluding SW Maint.)	Term (Yrs)	Annual Software Maintenance Fee
71004380	73018706	Paragon : Paragon Physician Documentation		X	\$154,000	\$66,220			N/A	\$27,720

	Total List Software License Fee	Total Net Software License Fee	Total List Annual Recurring Term Software License Fee (excluding SW Maint.)	Total Net Annual Recurring Term Software License Fee (excluding SW Maint.)	Total Annual Software Maintenance Fee
One Time McKesson Software	\$154,000	\$66,220	N/A	N/A	\$27,720
One Time Third Party Software	N/A	N/A	N/A	N/A	N/A
Interface License Fees	N/A	N/A	N/A	N/A	N/A
Subtotal One Time Software	\$154,000	\$66,220	N/A	N/A	\$27,720
Term McKesson Software	N/A	N/A	N/A	N/A	N/A
Term Third Party Software	N/A	N/A	N/A	N/A	N/A
Subtotal Term Software	N/A	N/A	N/A	N/A	N/A
Grand Total	\$154,000	\$66,220	N/A	N/A	\$27,720

**General Assumptions:**

**Statistics that contribute to the pricing are noted below**

**Facilities included in pricing:**

Northern Inyo Hospital- Customer #1009366 / # of Licensed Beds: 25 / Operating Expense = \$48M / # of Discharges: 1008

An Operating Expense of \$48 million dollars was used to calculate applicable products.

*The pre-requisites in this Exhibit are based on the current assets in Siebel.*

*The pricing is based on the assumption that all products in this Software Exhibit will be purchased simultaneously.*

*Interfaces and third-party software are non-discountable.*

*Customer shall not incur any Software License Fees for McKesson to McKesson interfaces. Customer acknowledges that McKesson may charge implementation service fees for any McKesson interfaces licensed under the Agreement.*

*In the event Customer elects to not purchase Equipment from McKesson, Customer shall be responsible for providing McKesson with the number of users and the required number of processors.*

*Customer acknowledges that the Non-GA (Not Generally Available) Software is under development ("Development Software") and is expressly excluded from all warranties of performance and functionality of any type until such time, if any, that McKesson deems the Development Software as Generally Available, at which time (a) the Development Software will be considered "Software" as defined in the Agreement, and (b) Customer may purchase Software Maintenance Services on McKesson's customary terms and prices. Customer further acknowledges that the Development Software may never become Generally Available.*



**EXHIBIT \_\_\_\_  
IMPLEMENTATION AND EDUCATION SERVICES LIST**

Northern Inyo Hospital  
 Customer Number: 1009366  
 Opportunity Number: 1-19EMPO  
 Services Pricing Expiration Date: 03/29/12

**Scope of Services**

Without an executed McKesson Service Agreement, prices quoted in this document are budgetary.

Service Description	Estimated List	
	Fixed Fees	T&M Fees
86000054 Paragon		\$ 88,792
Additional Application Modules Included:		
Paragon Physician Documentation		
<b>Totals</b>	<b>\$0</b>	<b>\$88,792</b>
<b>Discount on McKesson Services - 20.0%</b>	<b>\$0</b>	<b>(\$17,758)</b>
<b>Total Fees After Discount</b>	<b>\$0</b>	<b>\$71,034</b>
<b>Total, Fixed and Time and Material Fees</b>	<b>\$71,034</b>	

**EXHIBIT \_\_\_\_\_**  
**IMPLEMENTATION AND EDUCATION SERVICES LIST**

Northern Inyo Hospital  
Customer Number: 1009366  
Opportunity Number: 1-19EMPO  
Services Pricing Expiration Date: 03/29/12

**Confidentiality**

The terms and conditions of this Exhibit are confidential and proprietary to McKesson. Except as required by applicable law, all confidential information received from McKesson (including pricing) shall be kept strictly confidential by the receiving party and shall not, without prior written consent of McKesson, be disclosed by the receiving party to any third party. All right, title, and interest in and to the confidential information shall remain the property of McKesson.

**GENERAL ASSUMPTIONS**

Services quoted are for McKesson Implementation Services only at the facilities listed below and any Implementation Services at Customer facilities other than those listed below must be quoted separately.

Unless otherwise expressly set forth in this Contract Supplement, Fixed Fee(s), Time and Materials Fee(s), and Additional Fee(s) for Implementation Services involving training and education assume; (a) Implementation Services associated with Software must be used by Customer within the earlier of six months after Live Date for the Software or related suites of Products or Services, or 18 months after the CS Effective Date, with no refunds or credits being due Customer for the same, (b) McKesson will train a single Customer team which is responsible for education and training of other Customer users ("train the trainer" approach), (c) McKesson will not provide education and training for non-McKesson products, including: Microsoft SQL Server, ORACLE, Windows, UNIX, and LINUX), Business Objects and Crystal Reports, and if education and training for the same are required by Customer as listed in McKesson Implementation Services Guide, then Customer will purchase and obtain the same from an appropriate third party provider, and (d) any distance learning education and training provided by McKesson will use internet protocol audio or teleconferencing with the majority of such education and training provided using internet protocol audio.

Contracting Entity Business Name: Northern Inyo Hospital

Implementation Services apply to the following Customer Facilities and no other:

**Northern Inyo Hospital**

In the event (i) any of the Assumptions which follow prove to be inaccurate, McKesson reserves the right to revise the Service Pricing to more accurately reflect the revised Assumption(s) and (ii) Customer requests any additional services not defined in this Exhibit such services shall be deemed additional services ("Additional Services"). McKesson and Customer will determine the scope of the Additional Services to be provided, and the terms and conditions (including fees to be paid) pursuant to which such Additional Services shall be provided by McKesson upon execution of a separate agreement. Any modifications to the Implementation Services set forth herein will be agreed upon in writing by Customer and McKesson.

Unless otherwise specified herein a single / centralized Customer project team implementation is assumed.

**Definitions:**

**Fixed Fee**

Means any predetermined prevailing rate(s) charged by McKesson for the provision of Implementation Services set forth on the applicable contract.

### **Time and Materials Fees**

McKesson's hourly prevailing rate(s) set forth on the applicable exhibit for providing Implementation Services multiplied by the actual (not estimated) hours or days spent by McKesson in providing Implementation Services, including all hours incurred by McKesson (both at Customer's site and at various McKesson sites, whether or not previously estimated) to perform the required Implementation Services, including tasks, administrative duties, status reports, problem analysis, attendance of meetings or telephone calls, and research of Customer questions and issues.

Time and Materials Hourly Bill Rate: \$139.20 / hour (\$174.00 / hour discounted 20.0%)

Such hourly rate shall be valid for twelve (12) months after this contract is executed, after which the McKesson current prevailing rate for that service level shall apply. McKesson may estimate the amount of hours and / or days necessary to provide the services; however, Customer will be responsible for the actual time spent by McKesson.

The following services in this agreement are considered Time and Materials:

#### **Paragon**

Paragon Physician Documentation

### **INTERFACE AND CONVERSION ASSUMPTIONS**

Interface engine services, such as interface translations, communications protocol, filtering, etc. are not included in the Scope of Services, as they are the responsibility of the Customer's interface engine resources.

Unless otherwise specifically listed in the Scope of Services, interface or data conversion services are not included in the Implementation Services pricing.

Pricing for interfaces to non-McKesson third-party systems assumes that Customer will work with third-party vendors to adapt the third-party interfaces to current McKesson interface specifications.

Pricing for interfaces and integration is provided without knowledge of the order of implementation of the Products. Once the implementation order is established, some interfaces may not be needed, while others not identified may be required. If additional interfaces not listed herein are determined by Customer to be required (and are Generally Available from McKesson), Additional Implementation Service Fees may be required.

All interfaces will activate no later than their related products, unless by mutual agreement of McKesson and Customer, or where specifically noted herein. If this is not the case, Additional Implementation Service Fees may be required.

Unless otherwise specifically stated in the Scope of Services pricing assumes all facilities will go live on interfaces concurrently. If this is not the case Additional Implementation Service Fees may apply.

### **EDUCATION ASSUMPTIONS**

Pricing assumes a train-the-trainer methodology for a single project team. Unless otherwise specified in the Scope of Services Customer will deliver end-user training and education.

McKesson does not provide training for the following products: Microsoft SQL Server, ORACLE, Windows NT and Crystal Reports. If such training is required, it must be purchased directly from an appropriate provider.

Learning Units (education days) associated with a specific Software product must be used within the later of (i) six (6) months after Live Date of the applicable product or related suites of products; or (ii) thirty-six (36) months after the Contract Supplement Effective Date. Any unused Learning Units after this specified time period will be deemed forfeited.

McKesson reserves the right to replace one delivery methodology with another as these changes are made with the sole purpose of increasing the efficiency of the training solution to ensure learning takes place.

#### **EPM / PMO ASSUMPTIONS**

Program Management Office (PMO) senior-level project management services are not included. Additional project management services are appropriate and available for additional fees if the Customer will be deploying multiple applications requiring senior-level project management oversight. These PMO services can be quoted upon request.

#### **Discounting**

Implementation Service pricing includes a discount for the McKesson provided Implementation Services only.

CAPITAL EXPENDITURE BUDGET REQUEST

Department: IT - 8480  
Requested by: Adam Taylor

Budget year: 2011/2012  
Estimated cost: \$190,000.00  
Requested  
Priority: 1

GENERAL INFORMATION:

Item description:  
*McKesson Physician Documentation*

Purpose:  
*Additonal module in Paragon for physician charting. This was not available at the time of contract signing and will be available in the Fall of 2011*

Is this item required or recommended by third-party or regulatory agencies?  
Yes  No  N/A

If yes, please explain:

Is this item a replacement item?  
Yes  No  N/A

If yes, please explain:

Describe any associated installation costs, site preparation, construction costs, additional equipment or supply costs or additional staffing requirements:

Additional comments:

Department Head Signature: \_\_\_\_\_ Date:

## Paragon® Physician Documentation

### Benefits

- Reduces transcription cost
- Limits the need for double documentation by tightly integrating templates with Paragon applications
- Automatically transfers existing patient information from Paragon into the note
- Improves physician workflow
- enables hospitals to develop their own custom note templates to supplement the standard forms
- Allows more than one user to add to notes

Patient-specific information documented by a physician is a required portion of a physician's responsibility. Paragon® Physician Documentation, an additional tab within Paragon® WebStation for Physicians, is an integrated documentation solution which will support the three primary end goals of documentation: care communication, billing and medical/legal support.

Historically, a large amount of information that is available elsewhere in the record is repeated in the note. This repetition of data is not necessary within Paragon® because much of the information is accessible from anywhere within the system. Through electronic health records, the goal is to make the documentation, as much as possible, a natural by-product of physician workflow and, therefore, a non-repetitive activity.

### Easy-To-Use Templates

Paragon Physician Documentation comes loaded with pre-designed templates that will help to facilitate data entry and documentation. The templates included are as follows: history and physical, consult note, procedure note, operative note, daily progress and discharge summary. Your facility will be able to develop as many custom templates as needed. During implementation, the Paragon team will work with your facility to help develop site-specific templates.

Once templates are created, users will be able to save templates to their favorites list, providing a means to retrieve the templates that are most often used. Physicians will be able to search the entire library of available templates to find those that are less frequently used.

### Seamless Navigation and Workflow

Paragon Physician Documentation inherently facilitates workflow. For example, in sections where data can be updated, the user will be sent to the appropriate modules within Paragon. After the data is changed, the user will be returned to the same place within the document. The enhanced user interface with navigation buttons enables the user to move through the document being created. Physicians are able to go to other tabs within Paragon WebStation for Physicians to review data and then return to the same point within Paragon Physician Documentation.

### Fully Integrated Data Entry

Strong links to the patient profile tab make data entry simple. The entire problem list automatically appears in the medical history note section while "active this visit" problems appear in the assessment and plan section. Physicians are alerted if they are adding a problem which is already on the problem list. Permanent information (such as demographics) currently existing

## Features

- Flexible documentation templates used by clinicians to create clinical documentation
- Various data entry options (point and click, macros/ canned text, voice recognition, pen markup)
- Unstructured text sections and structured, validated-field sections for entering data
- Ability to carry forward information from transcribed notes
- Ability to insert photographs
- Access to the Note section in the EHR to anyone with appropriate security
- Ability to create shared notes with a supervisor
- Immediate availability of added documents to others

within Paragon will automatically populate the note. Data such as lab and radiology results can also be imported into the note. Information can also be carried forward from prior notes. Various data entry options (point and click, macros/ canned text, voice recognition, pen markup) are used so that the patient narrative is not lost and the notes remains a useful clinical communication tool while still maximizing the use of structured data.

## Improved Care Team Communication

Paragon Physician Documentation creates a communication forum for the entire care team. Dual documentation from multiple care providers is supported if you choose to design the templates in such a manner. Each author's contribution will be clearly indicated on the note. When a note is completed by the primary author, a notification will be sent if it requires a co-signature (for example, if the note author is a medical student, nurse practitioner or physician assistant). Once the proper signature is obtained, the note then becomes visible within the Paragon HIS to anyone who has the appropriate security.

## For More Information

For more information about Paragon Physician Documentation, contact your account executive or visit [www.mckesson.com/paragon](http://www.mckesson.com/paragon).

McKesson Provider Technologies

5995 Windward Parkway  
Alpharetta, GA 30005

<http://www.mckesson.com>

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PGN406-12/11

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1/11/2012

Dear Mr. Halfen,

I am writing this letter as an official grievance of my termination of employment and unfair working practices at Northern Inyo Hospital.

I have been employee at Northern Inyo Hospital for over three years. During my employment I have been highly praised by physicians, staff, patients and community members. Additionally, the average length of stay has decreased significantly and due to my active role in the ER I have been able to prevent several social admits that may cost the hospital thousands of dollars for each admit. Lastly because of my active role in social services at Northern Inyo Hospital nurses and nursing supervisors have been able to concentrate on direct care of patients while I am dealing with social issues giving them more time to address patient care. I have been available 24/7 unless I am out of town with no additional compensation or time off.

I believe that my termination is the result of retaliation on the part of Dan David and Lucy Alarid. The reason given for my termination is that I did not follow a 90 day plan and I was disruptive during a meeting. Additionally I believe that I was bullied by Dan and his behavior hindered my ability to do my job appropriately.

I was placed on the 90 day plan because I complained to Charleen Ryan and Susan Batchelder about Dan's practices and how they impacted my ability to appropriately advocate for patients. It is my belief that Dan was using his position as my supervisor to complete his job as UR. If I complained or advocated for a patient I was generally not supported and many times chastised. Additionally I complained that I was being held to a different standard than others on the social service team, but I did not have any ability to address these issues as again I would be chastised. The other members were not held to the same documentation standards and their documentation did not follow the policy. In this meeting with Dan, Susan and Charleen I did state that I did have some trust issues with Dan as I felt he had been blaming me for the changes in supervision that had occurred and when I asked him to stop he would tell me to go to Susan because he was a good manager and did not do anything wrong.

At the end of this meeting we agreed to start over which I naively thought that meant both of us. We met about a week later and I was placed on a 90 day plan that was very punitive. I brought ideas to address some of the concerns that Dan had shared in the meeting; however Dan did not want to address any of these concerns, he implied that I was the problem and that my work was poor and I had several issues.

Throughout this 90 day plan I was severely micromanaged. The level of expectation was so high for me that it did set me up for failure. I did not feel that I could address any

of my concerns regarding the 90 day plan as if I said anything negative about Dan or anyone else I would be severely chastised. On one occasion I disagreed with a swing bed decision that Dan had made. Because I disagreed with this to others I was taken into his office then I was brought into a meeting with HR and then it was discussed at our Friday meeting. Dan had been told previously that swing bed decisions were to be made as a team and because he was covering social services he became the team and made the decision without input from any other members of the team. This decision put me in an awkward position with the family and the staff as I was not sure what the plan was. When I questioned it not only was it addressed in the above three meetings, but I was also made to feel guilty because he was covering social services since I asked for time off. I also stated during these meeting that I felt unsafe and I felt that some of Dan's behaviors were inappropriate, but I was scolded in the Friday meeting for saying those things because Dan might feel unsafe. At no time to my understanding were my concerns investigated. The more I attempted to address my concerns the more punitive Dan became.

During this time period I also met with you several times. In August I went on a 10 day stress leave under workman's comp. I also took an additional week in September after an additional incident of bullying and being ambushed by the 90 day plan. I let you know that I did not follow through with the claim because I was afraid of additional retribution. I informed you of my concerns and every time I met with you I did state that I did not come forward with my concerns earlier because I feared retaliation. On December 28th I also sent an email to Charleen Ryan discussing my concerns of the final meeting that I had regarding electronic charting. In that email I also stated that I feared retaliation. On January 3 I was terminated.

We met on 1/10/12 and I would like to clarify in writing a statement that was made. You stated that I had been under three supervisors. I have only been under Lucy Alarid and Dan David. I did not request the change of supervisor only that some of the issue would be addressed. I was assigned Leo Fries as an advocate however a conflict of interest developed when he became Lucy's supervisor. I was told my Dan David in December 2010 that he became my supervisor after several people complained about Lucy. I was also told that he volunteered to become my supervisor. I did let you know that this has been used on a regular basis to bully me. Several times in the past year, Dan would tell me that he became my supervisor because there was a problem always implying that I was the reason for the change.

Throughout this time period I have requested representation of an employee advocate. I have been denied appropriate witnesses at my meetings. I was told that others cannot come to these meetings unless it is the employee advocate. I was also denied a person of my choice at my separation meeting. I was given Doug as a witness even though I

brought Cheryl Underhill to stay with me at that meeting. When we arrived, she was told to wait in the hall even though you instructed her to come with me.

There is a lot more to this and I have also attached my response to the written warning that I received. I have been isolated and bullied. I have attempted to utilize the chain of command appropriately, but as I have used the chain of command then I have been written up or scolded all of this leading to my termination.

My termination has created fear among the employees. If they have a problem with administration and attempt to address it will it lead to their termination. I know that I am not perfect and I attempted to address all the issues in the 90 day plan, but some of the requirements in the 90 day plan were unreasonable. I cannot be expected to get along with everyone especially those who are not willing to get along with me.

Lastly, I am thoroughly disappointed that some of the details of my termination have been made public by management. Employees were told they have been working on this for months. This statement tells me that the 90 day plan was being used to start my termination and that other members of management were aware. Therefore not only have my rights as an employee been violated, but it's clear that a plan has been in place for a while.

This time period has been very difficult for me. In addition to losing my job this week, I also lost my grandmother. Although Dan was aware of my situation, he showed little support and at times made me feel guilty for wanting to care for my grandmother.

I would like to return to work and do so without fear of retribution or retaliation. Additionally I would suggest that a policy on bullying is written so that others can do their job without fear of retaliation or retribution.

Thank you for your consideration of this matter. I have asked to be placed on the next board meeting agenda as the next step in this process. I would like to resolve this without going to the board. I hope we can resolve this quickly so that we can all move, heal and provide excellent patient care.

If you would like to discuss any of these issues with me I am available this week, you can call me and I will make myself available.

Sincerely,

*Deborah Morales, MSW*

Deborah Morales, MSW

1/11/2012

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**NORTHERN INYO HOSPITAL  
PRIVATE PRACTICE PHYSICIAN  
PRACTICE MANAGEMENT AGREEMENT**

This Agreement is made and entered into on this first day of February 2012 by and between Northern Inyo County Local Hospital District ("District") and Alice Casey, M.D. ("Physician").

**RECITALS**

- A. District, which is organized and exists under the California Local Health Care District Law, *Health & Safety Code section 32000, et seq.*, operates Northern Inyo Hospital ("Hospital"), a general acute care hospital serving northern Inyo County, California, including the communities of Bishop and Big Pine.
- B. The District Board of Directors has found, by Resolution No. 09-01, that it will be in the best interests of the public health of the aforesaid communities to obtain a licensed physician and surgeon who is a board-certified/eligible specialist in the practice of General Pediatrics, to practice in said communities, on the terms and conditions set forth below.
- C. Physician is a physician and surgeon, engaged in the private practice of medicine, licensed to practice medicine in the State of California, and certified by the American Board of Pediatrics. Physician desires to maintain her practice ("Practice") in Bishop, California, and practice Pediatrics in the aforesaid communities.

**IN WITNESS WHEREOF, THE PARTIES AGREE AS FOLLOWS:**

**I.  
COVENANTS OF PHYSICIAN**

Physician shall maintain her Practice in medical offices ("Offices") provided by District at a place to be mutually agreed upon in Bishop, California and shall, for the term of this Agreement, do the following:

- 1.01. Services.** Physician shall provide Hospital with the benefit of her direct patient care expertise and experience, and shall render those services necessary to enable Hospital to achieve its goals and objectives for the provision of Pediatric Services. The scope of services to be performed by Physician is described in Exhibit A attached hereto and incorporated by reference herein. Physician shall provide Hospital with patient medical record documentation of all direct patient care services rendered hereunder; such documentation shall be submitted to Hospital on an ongoing basis, and shall be in the form, and contain the information, requested by the Hospital such that a complete medical record can be assembled.

1.02. **Limitation on Use of Space.** No part of any offices provided by the District either by lease or other arrangement shall be used at any time by Physician as anything other than the private practice of pediatric medicine unless specifically agreed to, in writing, by the parties.

1.03. **Medical Staff Membership and Service:** Physician shall:

- a) Maintain Active Medical Staff ("Medical Staff") membership with Pediatric privileges sufficient to support a part time PEDIATRIC practice, for the term of this Agreement.
- b) Provide on-call coverage to the Hospital's Emergency Services within the scope of privileges granted to her by Hospital and as required by the Hospital Medical Staff. Physician shall not be required to provide more than fifty percent (50%) of the annual call in weekly increments unless otherwise agreed upon from time to time. Physician shall be solely responsible for call coverage for her personal private practice.
- c) Maintain books, records, documents, and other evidence pertaining to all costs and expenses incurred, and revenue acquired, pursuant to this Agreement to the extent, and in such detail, as will properly reflect all net costs, direct and indirect, of labor, materials, equipment, supplies, services, and other costs and expenses of whatever nature, for which she may claim payment or reimbursement from the District. Physician acknowledges and agrees that any federal office authorized by law shall have access, for the purpose of audit and examination, to any books, documents, papers, and records of Physician which are relevant to this Agreement, at all reasonable times for a period of four (4) years following the termination of this Agreement, during which period Physician shall preserve and maintain said books, documents, papers, and records. Physician further agrees to transfer to the District, upon termination of this Agreement, any books, documents, papers or records which possess long-term [*i.e.*, more than four (4) years] value to the Hospital. Physician shall include a clause providing similar access in any sub-contract she may enter with a value of more than Ten Thousand Dollars (\$10,000) or for more than a twelve (12) month period, when said sub-contract is with a related organization.
- d) At all times comply with all relevant policies, rules and regulations of the Hospital, subject to California and federal statutes governing the practice of medicine.
- e) District expressly agrees that said services might be performed by such other qualified physicians as the Physician may employ or otherwise provide so long as each such physician has received proper training, is properly licensed, has been granted privileges by the Hospital Medical Staff, and has received approval in writing from the Hospital.

## II.

### **COVENANTS OF THE DISTRICT**

2.01. **Practice Management Services.** Hospital will provide the following services in exchange for the fees agreed to in 3.05

- a) **Space.** Hospital shall make the Offices available for the operation of Physician's Practice either through a direct let at no cost to the physician or through an arrangement with a landlord.

- b) **Equipment**. In consultation with Physician, Hospital shall provide all equipment as may be reasonably necessary for the proper operation and conduct of Physician's practice. Hospital shall repair, replace or supplement such equipment and maintain it in good working order.
- 2.02. **General Services**. District shall furnish ordinary janitorial services, maintenance services, and utilities, including telephone service, as may be required for the proper operation and conduct of Physician's Practice.
- 2.03. **Supplies**. District shall purchase and provide all supplies as may be reasonably required for the proper treatment of Physician's Practice patients. Physician shall inform Hospital of supply needs in a timely manner and shall manage the use of supplies in an efficient manner that promotes quality and cost-effective patient care.
- 2.04. **Personnel**. District shall determine the initial number and types of employees and place them in the Practice initially. Physician and Hospital will mutually agree to subsequent staffing requirements. Physician shall not be required to maintain any personnel that she does not feel is appropriate for the practice.
- 2.05. **Business Operations**. District shall be responsible for all business operations related to operation of the Practice, including personnel management, billing and payroll functions. Physician will provide the appropriate billing codes, which will be used unless changed by mutual consent of the Physician and Hospital. Hospital will incur and pay all operating expenses of the Practice.
- 2.06. **Hospital Performance**. The responsibilities of District under this Article shall be subject to District's discretion and its usual purchasing practices, budget limitations and applicable laws and regulations.
- 2.07. **Practice Hours**. The District desires, and Physician agrees, that Physician's Practice shall operate on a part-time basis, maintaining hours of operation in keeping with the part time practice of one physician while permitting a Pediatrics schedule sufficient to service the patients of the Practice. Part time shall mean approximately 19.5 hours per week or less, except when another physician is on leave.. Specific shifts will be scheduled according to normal operating procedures of the Practice and will be mutually agreed upon with Physician.

### **III. COMPENSATION**

- 3.01. **Compensation**. During the term of this agreement, District shall remit to Physician 50% of fees collected for services rendered in Section II. Payment will be made by the tenth of the following month.
- 3.02. **Malpractice Insurance**. Physician will secure and maintain her own malpractice insurance with limits of no less than \$1 million per occurrence and \$3 million per year. District will reimburse Physician eighty percent (80%) of the premiums for said insurance paid for by Physician.

3.03. **Health Insurance.** None provided.

3.04. **Billing for Professional Services.** Subject to section 2.05 above, Physician assigns to District all claims, demands and rights of Physician to bill and collect for all professional services rendered to Practice patients, for all billings for Pediatric services and consultations performed or provided by the Physician. Physician acknowledges that Hospital shall be solely responsible for billing and collecting for all professional services provided by Physician to Practice patients at Practice and for all Pediatric services performed at the Hospital, and for managing all Practice receivables and payables, including those related to Medicare and MediCal beneficiaries. Physician shall not bill or collect for any services rendered to Practice patients or Hospital patients, and all Practice receivables and billings shall be the sole and exclusive property of Practice. In particular, any payments made pursuant to a payer agreement (including co-payments made by patients) shall constitute revenue of the Practice. In the event payments are made to Physician pursuant to any payer agreement, Physician shall promptly remit the payments directly to Hospital.

3.05. **Retention.** Hospital will retain 50% of all fees collected from the activities of physician/practice in exchange for the services rendered in II above.

#### IV. **TERM AND TERMINATION**

4.01. **Term.** The term of this Agreement shall be two (2) years beginning on February 1, 2012 and ending on January 31, 2014. The Agreement may be renewed, by written instrument signed by both parties, no later than 120 days before its expiration date.

4.02. **Termination.** Notwithstanding the provisions of section 4.01, this Agreement may be terminated:

- a) By Physician at any time, without cause or penalty, upon one hundred and eighty (180) days' prior written notice to the other party;
- b) Immediately by Hospital in its sole discretion if Physician fails to maintain the professional standards described in Article V of this Agreement;
- c) Immediately upon closure of the Hospital or Practice;
- d) By either party upon written notice to the other party in the event that any federal, state or local government or agency passes, issues or promulgates any law, rule, regulation, standard or interpretation at any time while this Agreement is in effect that prohibits, restricts, limits or in any way substantially changes the arrangement contemplated herein or which otherwise significantly affects either party's rights or obligations under this Agreement; provided that in such event, Hospital must give notice to Physician equal to that provided to Hospital by the relevant federal, state or local government or agency. If this Agreement can be amended to the satisfaction of both parties to compensate for any such prohibition, restriction, limitation or change, this clause shall not be interpreted to prevent such amendment; or



- e) By either party in the event of a material breach by the other party and, in such event, the non-breaching party shall have the right to terminate this Agreement after providing thirty (30) days' written notice to the breaching party, explaining the breach, unless such breach is cured to the satisfaction of the non-breaching party within the thirty (30) days.

4.03. **Rights Upon Termination.** Upon any termination or expiration of this Agreement, all rights and obligations of the parties shall cease except those rights and obligations that have accrued or expressly survive termination.

## V. **PROFESSIONAL STANDARDS**

5.01. **Medical Staff Membership.** It is a condition of this Agreement that Physician maintains Active Medical Staff membership on the Hospital Medical Staff with appropriate clinical privileges and maintains such membership and privileges throughout the term of this Agreement.

5.02. **Licensure and Standards.** Physician shall:

- a) At all times be licensed to practice medicine in the State of California;
- b) Comply with all policies, bylaws, rules and regulations of Hospital, Hospital Medical Staff, and Practice, including those related to documenting all advice to patients and proper sign-off of lab and X-ray reports;
- c) Be a member in good standing of the Provisional or Active Medical Staff of Hospital;
- d) Maintain professional liability coverage in an amount required for membership on the Active Medical Staff of Hospital;
- e) Participate in continuing education as necessary to maintain licensure and the current standard of practice; and
- f) Comply with all applicable laws, rules and regulations of any and all governmental authorities, and applicable standards and recommendations of the Joint Commission on Accreditation of Healthcare Organizations.
- g) At all times conduct herself, professionally and publicly, in accordance with the standards of the medical profession, the American College of Pediatricians, the Hospital Medical Staff, and the District. Further, she shall not violate any California law which prohibits (1) driving a motor vehicle under the influence of alcohol or prescription drugs or the combined influence of such substances, (2) unlawful use of controlled substances, (3) being intoxicated in a public place in such a condition as to be a danger to herself or others, and/or (4) conduct justifying imposition of an injunction prohibiting harassment of Hospital employees in their workplace. Entry of any injunction, judgment, or order against Physician based upon facts, which constitutes the above offenses, shall be a material breach of this Agreement.

## VI. **RELATIONSHIP BETWEEN THE PARTIES**

**6.01. Professional Relations.**

- a) **Independent Contractor.** No relationship of employer and employee is created by this Agreement. In the performance of Physician's work and duties, Physician is at all times acting and performing as an independent physician contractor, practicing the profession of medicine. District shall neither have nor exercise control or direction over the methods by which Physician performs professional services pursuant to this Agreement; provided, however, that Physician agrees that all work performed pursuant to this Agreement shall be in strict accordance with currently approved methods and practices in Physician's professional specialty and in accordance with the standards set forth in this Agreement.
- b) **Benefits.** Except as specifically set forth in this Agreement, it is understood and agreed that Physician shall have no claims under this Agreement or otherwise against Hospital for social security benefits, worker's compensation benefits, disability benefits, or any other employee benefit of any kind. In addition, Hospital shall have no obligation to reimburse Physician for any costs or expenses associated with Physician's compliance with continuing medical education requirements.

**6.02. Responsibility for Own Acts.** Each party will be responsible for its own acts or omissions and all claims, liabilities, injuries, suits, demands and expenses for all kinds which may result or arise out of any malfeasance or neglect, caused or alleged to have been caused by either party, their employees or representatives, in the performance or omission of any act or responsibility of either party under this contract. In the event that a claim is made against both parties, it is the intent of both parties to cooperate in the defense of said claim and to cause their insurers to do likewise. However, both parties shall have the right to take any and all actions they believe necessary to protect their interest.

**VII.**

**GENERAL PROVISIONS**

- 7.01. No Solicitation.** Physician agrees that she will not, either directly or indirectly, during and after the term of this Agreement, call on, solicit or take away, or attempt to call on, solicit or take away any patients or patient groups with whom Physician dealt or became aware of as a result of Physician's past, present or future affiliation with Hospital and Practice.
- 7.02. Access to Records.** To the extent required by Section 1861(w)(1)(D) of the Social Security Act, as amended, and by valid regulation which is directly applicable to that Section, Physician agrees to make available upon valid written request from the Secretary of HHS, the Comptroller General, or any other duly authorized representatives, this Agreement and the books, documents and records of Physician to the extent that such books, documents and records are necessary to certify the nature and extent of Hospital's costs for services provided by Physician.

Physician shall also make available such subcontract and the books, documents, and records of any subcontractor if that subcontractor performs any of the Physician's duties under this Agreement at a cost of \$10,000.00 or more over a twelve (12) month period, and if that subcontractor is organizationally related to Physician.

Such books, documents, and records shall be preserved and available for four (4) years after the furnishing of services by Physician pursuant to this Agreement. If Physician is requested to disclose books, documents or records pursuant to this subsection for purposes of an audit, Physician shall notify Hospital of the nature and scope of such request, and Physician shall make available, upon written request of Hospital, all such books, documents or records. Physician shall indemnify and hold harmless Hospital in the event that any amount of reimbursement is denied or disallowed because of the failure of Physician or any subcontractor to comply with its obligations to maintain and make available books, documents, or records pursuant to this subsection. Such indemnity shall include, but not be limited to the amount of reimbursement denied, plus any interest, penalties and legal costs.

This section is intended to assure compliance with Section 1861 of the Social Security Act, as amended, and regulations directly pertinent to that Act. The obligations of Physician under this section are strictly limited to compliance with those provisions, and shall be given effect only to the extent necessary to insure compliance with those provisions. In the event that the requirements or those provisions are reduced or eliminated, the obligations of the parties under this section shall likewise be reduced or eliminated.

- 7.003. **Amendment.** This Agreement may be amended at any time by mutual agreement of the parties, but any such amendment must be in writing, dated, and signed by both parties.
- 7.004. **No Referral Fees.** No payment or other consideration shall be made under this Agreement for the referral of patients, by Physician, to Hospital or to any nonprofit corporation affiliated with District.
- 7.005. **Repayment of Inducement.** The parties stipulate and agree that the income guaranteed to Physician under this Agreement, and the covenants of the District to provide office space, personnel, equipment, and certain other benefits, are the minimum required to enable Physician to practice in Bishop, California; that she is not able to repay such inducement, and no such repayment shall be required.
- 7.006. **Assignment.** Physician shall not assign, sell, transfer or delegate any of the Physician's rights or duties, including by hiring or otherwise retaining additional physicians to perform services pursuant to this Agreement, without the prior written consent of Hospital.
- 7.007. **Attorneys' Fees.** If any legal action or other proceeding is commenced, by either party, to enforce rights, duties, and/or responsibilities under this Agreement, the prevailing party shall be entitled to recover reasonable attorney's fees and costs. As used in this Section 7.007, the term "prevailing party" shall have the meaning assigned by Section 1032(a)(4) of the California Code of Civil Procedure.
- 7.008. **Choice of Law.** This Agreement shall be construed in accordance with, and governed by, the laws of the State of California.
- 7.009. **Exhibits.** All Exhibits attached and referred to herein are fully incorporated by this reference.

7.10. **Notices.** All notices or other communications under this Agreement shall be sent to the parties at the addresses set forth below:

**Hospital:** Administrator  
Northern Inyo Hospital  
150 Pioneer Lane  
Bishop, CA 93514

**Physician:** Alice Casey, M.D.  
684 Autumn Leaves  
Bishop, CA 93514

Notice may be given either personally or by first-class mail, postage prepaid, addressed to the party designated above at the address designated above, or an address subsequently specified in writing by the relevant party. If given by mail, notice shall be deemed given two (2) days after the date of the postmark on the envelope containing such notice.

- 7.11. **Records.** All files, charts and records, medical or otherwise, generated by Physician in connection with services furnished during the term of this Agreement are the property of Physician. Physician agrees to maintain medical records according to Practice policies and procedures and in accordance with community standards. Each party agrees to maintain the confidentiality of all records and materials in accordance with all applicable state and federal laws. Hospital agrees to permit Physician to have access, during or after the term of the Agreement, to specific medical records if necessary in connection with claims, litigation, investigations, or treatment of patients.
- 7.12. **Prior Agreements.** This Agreement represents the entire understanding and agreement of the parties as to those matters contained in it. No prior oral or written understanding shall be of any force or effect with respect to the matters contained in this Agreement. This Agreement may be modified only by a writing signed by each party or his/its lawful agent.
- 7.13. **Referrals.** This Agreement does not impose any obligation or requirement that Hospital shall make any referral of patients to Physician or that Physician shall make any referral of patients to Hospital. The payment of compensation pursuant to section 3.01 is not based in any way on referrals of patients to Hospital.
- 7.14. **Severability.** If any provision of this Agreement is determined to be illegal or unenforceable, that provision shall be severed from this Agreement, and the remaining provisions shall remain enforceable between the parties.
- 7.15. **Waiver.** The failure of either party to exercise any right under this Agreement shall not operate as a waiver of that right.
- 7.16. **Gender and Number.** Use of the masculine gender shall mean the feminine or neuter, and the plural number the singular, and vice versa, as the context shall indicate.

- 7.17. **Authority and Executive.** By their signature below, each of the parties represent that they have the authority to execute this Agreement and do hereby bind the party on whose behalf their execution is made.
- 7.18. **Construction.** This Agreement has been negotiated and prepared by both parties and it shall be assumed, in the interpretation of any uncertainty, that both parties caused it to exist.

NORTHERN INYO COUNTY  
LOCAL HOSPITAL DISTRICT

PHYSICIAN

By \_\_\_\_\_  
Peter J. Watercott, President  
Board of Directors

By \_\_\_\_\_  
Alice Casey, M.D.

APPROVED AS TO FORM:

\_\_\_\_\_  
Douglas Buchanan  
NICLHD Legal Counsel

## EXHIBIT A

### SCOPE OF DUTIES OF THE PHYSICIAN

#### POSITION SUMMARY

The Physician is a Member of the Northern Inyo Hospital Active Medical Staff. Physician provides direct primary medical diagnosis and treatment to Practice and Hospital patients. The Physician will provide services commensurate with the equivalent of a part time Pediatric Practice. Part time shall mean regularly scheduled office hours to meet the service area demand and performance of surgeries as may be required.

Specifically, the Physician will:

1. Provide high quality primary medical care services.
2. Direct the need for on-going educational programs that serve the patient.
3. Evaluate and develop treatment plans to facilitate the individual healthcare needs of each patient.
4. Work with all Practice personnel to meet the healthcare needs of all patients.
5. Assess, evaluate, and monitor on-going health care and medication of Practice patients.
6. Manage all Pediatric emergencies within scope of Physician's expertise, upon request by Emergency Room or other physician.
7. Participate in professional development activities and maintain professional affiliations.
8. Participate with Hospital to meet all federal and state regulations.
9. Accept emergency call as provided herein.

**END**