November 20, 2020

NOTICE

The Board of Directors of the Kaweah Delta Health Care District will meet in the Kaweah Delta Lifestyle Center Conference Room {5105 W. Cypress Avenue, Visalia} on Monday November 23, 2020 beginning at 3:30PM. Due to the maximum capacity allowed in this room per CDC social distancing guidelines, members of the public are requested to attend the Board meeting via GoTo meeting - https://www.gotomeet.me/CindyMoccio/kaweahdeltaopenregularboardmeetings or you can also dial in 669-224-3412 Access Code: 468-246-165.

The Board of Directors of the Kaweah Delta Health Care District will meet in an Open Board of Directors at 3:30PM (location and GoTo information above).

The Board of Directors of the Kaweah Delta Health Care District will meet in a Closed Board of Directors meeting at 3:31PM pursuant to Government Code 54956.8, and Health and Safety Code 1461 and 32155.

The Board of Directors of the Kaweah Delta Health Care District will meet in an Open Board of Directors meeting at 4:00PM (location and GoTo information above).

The Board of Directors of the Kaweah Delta Health Care District will meet in a Closed Board of Directors meeting immediately following the 4:00PM open meeting pursuant to Government Code 54957(b)(1).

All Kaweah Delta Health Care District regular board meeting and committee meeting notices and agendas are posted 72 hours prior to meetings (special meetings are posted 24 hours prior to meetings) in the Kaweah Delta Medical Center, Mineral King Wing entry corridor between the Mineral King lobby and the Emergency Department waiting room.

Due to COVID 19 visitor restrictions to the Medical Center - the disclosable public records related to agendas can be obtained by contacting the Board Clerk at Kaweah Delta Medical Center – Acequia Wing, Executive Offices (Administration Department) {1st floor}, 400 West Mineral King Avenue, Visalia, CA via phone 559-624-2330 or email: cmoccio@kdhcd.org, or on the Kaweah Delta Health Care District web page http://www.kaweahdelta.org.

KAWEAH DELTA HEALTH CARE DISTRICT
David Francis, Secretary/Treasurer

Cindy Moccio - Board Clerk / Executive Assistant to CEO

DISTRIBUTION:
Governing Board
Legal Counsel
Executive Team
Chief of Staff
www.kaweahdelta.org
KAWEAH DELTA HEALTH CARE DISTRICT - BOARD OF DIRECTORS MEETING

The Lifestyle Center – Conference Rooms - 5105 W. Cypress Avenue, Visalia, CA

Join from your computer, tablet or smartphone
https://www.gotomeet.me/CindyMoccio/kaweahdeltaopenregularboardmeetings
or Dial In: 669-224-3412 / Access Code: 468-246-165

Monday November 23, 2020

OPEN MEETING AGENDA {3:30PM}

1. CALL TO ORDER

2. APPROVAL OF AGENDA

3. PUBLIC PARTICIPATION – Members of the public may comment on agenda items before action is taken and after it is discussed by the Board. Each speaker will be allowed five minutes. Members of the public wishing to address the Board concerning items not on the agenda and within the subject matter jurisdictions of the Board are requested to identify themselves at this time.

4. APPROVAL OF THE CLOSED AGENDA – 3:31PM

   4.3. Conference with Real Property Negotiator {Government Code 54956.8}: Property: Intersection of Highway 99 and Caldwell Avenue (Lots 13, 14, 15, 16, 17, 18 of Sequoia Gateway Commerce Center). Negotiating party: Kaweah Delta Health Care District: Marc Mertz and Sequoia Gateway, LLC – price and terms – Marc Mertz, Vice President – Chief Strategy Office
   4.4. Credentialing - Medical Executive Committee (MEC) requests that the appointment, reappointment and other credentialing activity regarding clinical privileges and staff membership recommended by the respective department chiefs, the credentials committee and the MEC be reviewed for approval pursuant to Health and Safety Code 1461 and 32155 – Byron Mendenhall, MD Chief of Staff
   4.5. Quality Assurance pursuant to Health and Safety Code 32155 and 1461, report of quality assurance committee — Byron Mendenhall, MD Chief of Staff

5. ADJOURN
CLOSED MEETING AGENDA {3:31PM}

1. CALL TO ORDER

   Recommended Action: Approval of the October 26 closed meeting minutes.

   *Marc Mertz, Vice President – Chief Strategy Officer*

4. CONFERENCE WITH REAL PROPERTY NEGOTIATOR {Government Code 4956.8}: Property: Intersection of Highway 99 and Caldwell Avenue (Lots 13, 14, 15, 16, 17, 18 of Sequoia Gateway Commerce Center). Negotiating party: Kaweah Delta Health Care District: Marc Mertz and Sequoia Gateway, LLC – price and terms – Marc Mertz, Vice President – Chief Strategy Officer
   *Marc Mertz, Vice President – Chief Strategy Officer*

5. CREDENTIALING - Medical Executive Committee (MEC) requests that the appointment, reappointment and other credentialing activity regarding clinical privileges and staff membership recommended by the respective department chiefs, the credentials committee and the MEC be reviewed for approval pursuant to Health and Safety Code 1461 and 32155.
   *Byron Mendenhall, MD Chief of Staff*

   *Byron Mendenhall, MD Chief of Staff*

7. ADJOURN

OPEN MEETING AGENDA {4:00PM}

Join from your computer, tablet or smartphone
https://www.gotomeet.me/CindyMoccio/kaweahdeltaopenregularboardmeetings
or Dial In: 669-224-3412 / Access Code: 468-246-165

1. CALL TO ORDER

2. APPROVAL OF AGENDA

3. PUBLIC PARTICIPATION – Members of the public may comment on agenda items before action is taken and after Board discussion. Each speaker will be allowed five minutes.

   Members of the public wishing to address the Board concerning items not on the agenda and within the subject matter jurisdictions of the Board are requested to identify themselves at this time.
4. **CLOSED SESSION ACTION TAKEN** – Report on action(s) taken in closed session.

5. **OPEN MINUTES** – Request approval of the October 26, 2020, November 17, 2020 open meeting minutes.

   **Public Participation** – Members of the public may comment on agenda items before action is taken and after the item has been discussed by the Board.

   **Action Requested** – Approval of the open meeting minutes – October 26, 2020, November 17, 2020 open board of directors meeting minutes.

6. **RECOGNITIONS** – David Francis


   6.2. Presentation of Resolution 2106 – Nevin House, Board of Directors – in recognition of his service on the Kaweah Delta Board from 2016-2020.

7. **PROVIDER NEEDS ASSESSMENT** – Board action requested relative to the Kaweah Delta physician recruitment annual physician recruitment plan – 2021 based on the Provider Needs Assessment for Kaweah Delta Medical Center presented at the September 28, 2020 Board of Director meeting.

   Marc Mertz, VP & Chief Strategy Officer and Brittany Taylor – Director of Physician Recruitment & Relations

   **Recommended Action:** Having reviewed and analyzed the Provider Needs Assessment conducted by Sg2 in 2020, which includes a specific list of the needed physician specialties for 2020 and 2021 in communities served by the District “Needed Physician Specialties,” the Board hereby finds that it will be in the best interests of the public health of the communities served by the District to have the District provide appropriate assistance in order to obtain licensed physicians and surgeons in the Needed Physician Specialties to practice in the communities served by the District. Therefore, the Board authorizes the District to provide the types of assistance authorized by Cal. Health & Safety Code §32121.3, to obtain licensed physicians and surgeons in the Needed Physician Specialties to practice in the communities served by the District.

8. **CONSENT CALENDAR** - All matters under the Consent Calendar will be approved by one motion, unless a Board member requests separate action on a specific item.

   **Public Participation** – Members of the public may comment on agenda items before action is taken and after the item has been discussed by the Board.

   **Action Requested** – Approval of the November 23, 2020 Consent Calendar.

8.1. **REPORTS**

   A. **Physician Recruitment**

   B. **Orthopedic**

   C. **Rural Health Clinics**

   D. **Urgent Care Centers**
8.2. BOARD COMMITTEE MINUTES
A. Quality Council (October 15, 2020)
B. Patient Experience (October 28, 2020)
C. Human Resources (October 29, 2020)
D. Marketing & Community Relations (November 4, 2020)
E. Audit and Compliance (November 10, 2020)

8.3. Kaweah Delta Health Care District Employees’ Salary Deferral Plan (401(k)) and Kaweah Delta Health Care District 457(b) Deferred Compensation Plan as reviewed by the Board Human Resources Committee on October 29, 2020.
A. Approval of Resolution 2107 of the Board of Directors of Kaweah Delta Health Care District amending the Employee Salary Deferral Plan effective January 1, 2020 and January 1, 2021.
B. Approval of Resolution 2108 of the Board of Directors of Kaweah Delta Health Care District amending the 457(b) Deferred Compensation Plan effective January 1, 2020 and January 1, 2021.

8.4. Committee Charter for the Kaweah Delta Health Care District 401(k), 457(b), and Defined Benefit Pension Plan as reviewed by the Board Human Resources Committee on October 29, 2020.
A. Approval of Kaweah Delta Health Care District Retirement Plan Committee Charter effective October 1, 2020 with respect to the Kaweah Delta Health Care District Employees’ Salary Deferral Plan [401(k)] and the Kaweah Delta Health Care District 457(b) Deferred Compensation Plan.
B. Approval of Kaweah Delta Health Care District Retirement Plan Committee Charter effective October 1, 2020 with respect to the Kaweah Delta Health Care District Employees’ Retirement Plan.

8.5. Approval of appointments to the Kaweah Delta Health Care, Inc. Board effective November 1, 2020: November 1, 2020 – September 30, 2023 - Gary Herbst and Ralph Kingsford, MD.

9. QUALITY - LENGTH OF STAY – Review of the revised plan to approach length of stay reduction.
Kassie Waters, Director of Critical Care Services and Rebekah Foster, Director of Care Management

10. STRATEGIC PLAN – Kaweah Care Culture - Review and discussion of the metrics, strategies, and tactics of the strategic initiative; Kaweah Care Culture.
Dianne Cox, Vice President Chief Human Resources Officer
11. **ORGANIZATIONAL REBRANDING INITIATIVE** – Review and discussion of potential rebranding initiative and implementation considerations as reviewed by the Marketing and Community Relations Committee on November 17, 2020.

*Marc Mertz, Vice President and Chief Strategy Officer*

*Recommended Action: Authorize management to proceed with the immediate planning and implementation of an organizational rebranding initiative.*

12. **CREDENTIALS** - Medical Executive Committee requests that the appointment, reappointment and other credentialing activity regarding clinical privileges and staff membership recommended by the respective department chiefs, the credentials committee and the Medical Executive Committee be reviewed for approval.

*Public Participation* – Members of the public may comment on agenda items before action is taken and after the Board has discussed the item.

*Recommended Action: Whereas a thorough review of all required information and supporting documentation necessary for the consideration of initial applications, reappointments, request for additional privileges, advance from provisional status and release from proctoring and resignations (pursuant to the Medical Staff bylaws) has been completed by the Directors of the clinical services, the Credentials Committee, and the MEC, for all of the medical staff scheduled for reappointment, Whereas the basis for the recommendations now before the Board of Trustees regarding initial applications, reappointments, request for additional privileges, advance from provisional status and release from proctoring and resignations has been predicated upon the required reviews, including all supporting documentation, Be it therefore resolved that the following medical staff be approved or reappointed (as applicable), as attached, to the organized medical staff of Kaweah Delta Health Care District for a two year period unless otherwise specified, with physician-specific privileges granted as recommended by the Chief of Service, the Credentials Committee, and the Executive Committee of the Medical Staff and as will be documented on each medical staff member’s letter of initial application approval and reappointment from the Board of Trustees and within their individual credentials files.*

13. **ELECTION OF OFFICERS** - Request Board’s consent to a special one-time waiver of the ordinary District Bylaws provisions in order to permit election of officers in this year, an election year of the District, since the President will be leaving the Board. Further, request Board’s consent to a special one-time waiver of the ordinary District Bylaws provisions to permit the third most experienced remaining member of the Board to be eligible to be elected to an office, despite being one month shy of the ordinary requirement that to hold the office of President, Vice President, or Secretary/Treasurer, a Board member must have at least one year of service on the Board of Directors. Any specially elected officers would hold office for a period of one (1) year or until their successors have been duly elected (or in the case of an unfulfilled term, appointed) and qualified. The officer positions shall be by election of the Board itself.
Next year, election of officers would follow the ordinary processes described in the Bylaws: “The offices of President, Vice President, and Secretary/Treasurer shall be selected at the first regular meeting in December of a non-election year of the District. To hold the office of President, Vice President, or Secretary/Treasurer a Board member must have at least one year of service on the Board of Directors. These officers shall hold office for a period of two (2) years or until the successors have been duly elected (or in the case of an unfulfilled term, appointed) and qualified. The officer positions shall be by election of the Board itself.”

Dennis Lynch, Legal Counsel

Action Requested  Election of Kaweah Delta Health Care District Board of Directors Officers.


15. REPORTS

15.1. Chief of Staff – Report relative to current Medical Staff events and issues. Byron Mendenhall, MD, Chief of Staff

15.2. Chief Executive Officer Report -Report relative to current events and issues.

Gary Herbst, Chief Executive Officer

15.3. Board President - Report relative to current events and issues.

Nevin House, Board President

16. APPROVAL OF CLOSED AGENDA AS follows:

Closed Meeting Agenda – Immediately following the open session

- CEO Evaluation – Discussion of with the Board and the Chief Executive Officer relative to the evaluation of the Chief Executive Officer pursuant to Government Code 54957(b)(1) – Dennis Lynch, Legal Counsel & Board of Directors

ADJOURN

CLOSED MEETING AGENDA

1. CALL TO ORDER

2. CEO EVALUATION – Board and the Chief Executive Officer relative to the evaluation of the Chief Executive Officer pursuant to Government Code 54957(b)(1)

Dennis Lynch, Legal Counsel & Board of Directors

ADJOURN

In compliance with the Americans with Disabilities Act, if you need special assistance to participate at this meeting, please contact the Board Clerk (559) 624-2330. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to the Kaweah Delta Health Care District Board of Directors meeting.
BOARD OF DIRECTORS MEETING – CLOSED SESSION

KDHCDC - BOARD OF DIRECTORS MEETING

MONDAY NOVEMBER 23, 2020

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MINUTES OF THE OPEN MEETING OF THE KAWEAH DELTA HEALTH CARE DISTRICT BOARD OF DIRECTORS HELD MONDAY OCTOBER 26, 2020, AT 3:30PM, IN THE LIFESTYLE CENTER CONFERENCE ROOMS / 5105 W. CYPRUS AVENUE, VISALIA AND VIA GOTO MEETING (CALL IN OPTION DUE TO STAY IN PLACE ORDER BY GOVERNOR OF CALIFORNIA), NEVIN HOUSE PRESIDING

PRESENT: Directors Francis, Gipson, Havard Mirviss, Hawkins & House; G. Herbst, CEO; B. Mendenhall, MD, Chief of Staff; K. Noeske, VP & CNO; M. Tupper, VP & CFO; D. Cox, VP Chief Human Resources Officer; M. Mertz, VP & Chief Strategy Officer; D. Leeper, VP & CIO; R. Gates, VP Population Health; A. Banerjee, VP & Chief Quality Officer; D. Allain, VP Cardiac & Surgical Services; J. Batth, VP of Rehabilitation & Post-Acute Care Services; D. Lynch, Legal Counsel; and Cindy Moccio, recording

The meeting was called to order at 3:30PM by Director House.

Director Housed asked for approval of the agenda.

MMSC (Hawkins/Havard Mirviss) to approve the open agenda. This was supported unanimously by those present. Vote: Yes – Havard Mirviss, Hawkins, House, Gipson, and Francis

PUBLIC PARTICIPATION – none

CLOSED AGENDA – 3:31PM

Approval of closed meeting minutes – September 28, 2020.
Conference with Legal Counsel – Anticipated Litigation – Significant exposure to litigation pursuant to Government Code 54956.9(d)(2) – 3 Case – Dennis Lynch, Legal Counsel, Anu Banerjee, VP & Chief Quality Officer
Credentialing - Medical Executive Committee (MEC) requests that the appointment, reappointment and other credentialing activity regarding clinical privileges and staff membership recommended by the respective department chiefs, the credentials committee and the MEC be reviewed for approval pursuant to Health and Safety Code 1461 and 32155 – Byron Mendenhall, MD Chief of Staff
Quality Assurance pursuant to Health and Safety Code 32155 and 1461, report of quality assurance committee — Byron Mendenhall, MD Chief of Staff

MMSC (Francis/Havard Mirviss) to approve the closed agenda. This was supported unanimously by those present. Vote: Yes – Havard Mirviss, Hawkins, Gipson, House, and Francis

ADJOURN - Meeting was adjourned at 3:31PM

Nevin House, President
Kaweah Delta Health Care District and the Board of Directors

ATTEST:

Dave Francis, Secretary/Treasurer
Kaweah Delta Health Care District Board of Directors
MINUTES OF THE OPEN MEETING OF THE KAWEAH DELTA HEALTH CARE DISTRICT BOARD OF DIRECTORS – MONDAY OCTOBER 26, 2020 4:00PM, IN THE LIFESTYLE CENTER – CONFERENCE ROOMS / 5105 W. CYPRESS AVENUE, VISALIA AND VIA GOTO MEETING (CALL IN OPTION DUE TO STAY IN PLACE ORDER BY GOVENOR OF CALIFORINA) NEVIN HOUSE PRESIDING

PRESENT: Directors Francis, Gipson, Havard Mirviss, Hawkins & House; G. Herbst, CEO, B. Mendenhall, MD, Chief of Staff, C. Moccio, Recording K. Noeske, VP & CNO, M. Tupper, VP & CFO; D. Cox, VP Chief Human Resources Officer, M. Mertz, VP Chief Strategy Officer, D. Leeper, VP & CIO; R. Gates, VP Population Health; A. Banerjee, VP Chief Quality Officer; D. Allain, VP Cardiac & Surgical Services; J. Batth, VP of Rehabilitation & Post Acute Services; D. Lynch, Legal Counsel

The meeting was called to order at 4:18PM by Director House.

Director House asked for approval of the agenda.

MMSC (Francis/Gipson) to approve the open agenda. This was supported unanimously by those present. Vote: Yes – Gipson, Francis, Havard Mirviss, Hawkins, and House

PUBLIC PARTICIPATION – none

CLOSED SESSION ACTION TAKEN: Approval of closed minutes September 28, 2020.

OPEN MINUTES – Request approval of the September 28, 2020 meeting minutes.

Public Participation – Members of the public may comment on agenda items before action is taken and after the item has been discussed by the Board.

MMSC (Hawkins/Francis) Approval of the open meeting minutes – September 28 2020 open board of directors meeting minutes. This was supported unanimously by those present. Vote: Yes – Gipson, Francis, Havard Mirviss, Hawkins, and House

RECOGNITIONS – Director Lynn Havard Mirviss presenting

- Presentation of Resolution 2096 to Betty Lynch, Bed Allocation, retiring from Kaweah Delta after 32 years of service.
- Presentation of Resolution 2097 to Charles “David” Gaylor, Physical Therapist III, retiring from Kaweah Delta after 24 years of service.
- Presentation of Resolution 2099 to Sharmyir “Myra” Walker, Registered Nurse, Service Excellence October 2020.

ANNUAL AUDITED FINANCIAL STATEMENT – Report to Board from Moss Adams relative to the annual audited financial statement for fiscal year 2019/2020 (copy attached to the original of these minutes and considered a part thereof) - Kaweah Delta; Malinda Tupper, VP & Chief Financial Officer, Jennifer Stockton, Director of Finance, Moss Adams; John Feneis and Chris Pritchard

MMSC (Hawkins/Havard Mirviss) Approval of the 2019/2020 Annual Audited Financial Statement. This was supported unanimously by those present. Vote: Yes – Gipson, Francis, Havard Mirviss, Hawkins, and House

CONSENT CALENDAR – Director House entertained a motion to approve the consent calendar (copy attached to the original of these minutes and considered a part thereof).
Director Francis requested the removal of item 8.1B, 8.1C, and 8.2A4.

**Public Participation** – Members of the public may comment on agenda items before action is taken and after the item has been discussed by the Board.

**MMSC (Havard Mirviss/Gipson)** to approve the consent calendar with the removal of items 8.1B {Reports: Neuroscience Services}, 8.1C {Reports: Surgical Services}, and 8.2A4 {Policies-Administrative-Use of non-district approved medical devices}. This was supported unanimously by those present. Vote: Yes – Gipson, Francis, Havard Mirviss, Hawkins, and House

8.1B {Reports: Neuroscience Services} – Discussion relative to outpatient service revenue, revenue per case and total patients. Is there any way to make money on outpatient services? Mr. Herbst noted we are taking a very broad and deep look into the neuro program - we have to rethink how we are staffing the outpatient clinics.

8.1C {Reports: Surgical Services} - Surgical Services discussion relative to patient options to stay in the community or go out of the area. Outpatient elective surgery is very competitive - we are the only surgery center that accepts Medi-Cal patients - 20% of the Medical Center outpatient surgeries are Medi-Cal. We are currently evaluating surgeries that are being performed in the hospital that could be done in a physician office. Discussion regarding ways to improve payer sources.

8.2A4 {Policies-Administrative - Use of non-district approved medical devices} Mr. Herbst noted that this policy was put in place because we have physicians bringing in new technology that has not been approved at Kaweah Delta and we created a committee to formally review any new proposed equipment/technology. It was requested that this policy be tabled and reviewed to if do heed this policy in place.

**MMSC (Francis/Havard Mirviss)** to approved 8.1B {Reports: Neuroscience Services}, 8.1C {Reports: Surgical Services}, and to table 8.2A4 {Policies-Administrative-Use of non-district approved medical devices} for further review. This was supported unanimously by those present. Vote: Yes – Gipson, Francis, Havard Mirviss, Hawkins, and House

**QUALITY – Sepsis Quality Focus Team Report** – An update on key performance measures and action plans focused on the care of the septic patient population. (copy attached to the original of these minutes and considered a part thereof) - Tom Gray, MD, Medical Director of Quality and Patient Safety, and Evelyn McEntire, Manager of Quality and Patient Safety

**CREDENTIALING** – Medical Executive Committee requests that the appointment, reappointment and other credentialing activity regarding clinical privileges and staff membership recommended by the respective department chiefs, the credentials committee and the Medical Executive Committee be reviewed for approval.

**Public Participation** – Members of the public may comment on agenda items before action is taken and after the item has been discussed by the Board.

**CREDENTIALING** – Byron Mendenhall, MD –Chief of Staff - Medical Executive Committee request that the appointment, reappointment and other credentialing activity regarding clinical privileges and staff membership recommended by the respective department chiefs, the credentials committee and the Medical Executive Committee be reviewed for approval.
Director House requested a motion for the approval of the credentials report excluding Carla Aldaco NP-C (copy attached to the original of these minutes and considered a part thereof).

MMSC (Francis/Havard Mirviss) Whereas a thorough review of all required information and supporting documentation necessary for the consideration of initial applications, reappointments, request for additional privileges, advance from provisional status and release from proctoring and resignations (pursuant to the Medical Staff bylaws) has been completed by the Directors of the clinical services, the Credentials Committee, and the Executive Committee of the Medical Staff, for all of the medical staff scheduled for reappointment, Whereas the basis for the recommendations now before the Board of Trustees regarding initial applications, reappointments, request for additional privileges, advance from provisional status and release from proctoring and resignations has been predicated upon the required reviews, including all supporting documentation, Be it therefore resolved that the following medical staff, excluding Emergency Medicine Providers as highlighted on Exhibit A (copy attached to the original of these minutes and considered a part thereof), be approved or reappointed (as applicable), to the organized medical staff of Kaweah Delta Health Care District for a two year period unless otherwise specified, with physician-specific privileges granted as recommended by the Chief of Service, the Credentials Committee, and the Executive Committee of the Medical Staff and as will be documented on each medical staff member’s letter of initial application approval and reappointment from the Board of Trustees and within their individual credentials files. This was supported unanimously by those present. Vote: Yes – Gipson, Francis, Havard Mirviss, Hawkins, and House

CHIEF OF STAFF REPORT – Report from Byron Mendenhall, MD – Chief of Staff

▪ No report.

CHIEF EXECUTIVE OFFICER REPORT – Report relative to current events and issues - Gary Herbst, Chief Executive Officer

▪ COVID update: 14 patients as of Saturday today we are at 20 with on 6 in ICU We are experiencing spikes in cases but fewer are ending up in the hospital and few are dying. Early treatment and identification is key. Visitors – we began allowing visitors for surgical patients and visitors for patients. We had a COVID testing event 160 people show up for testing and were all run on the county platform and will be counted on for the county’s numbers.

▪ Kaweah Delta will be celebrating Halloween on Friday October 30th.

BOARD PRESIDENT REPORT – Report from Nevin House, Board President

▪ No report.

ADJOURN - Meeting was adjourned at 6:22PM

Nevin House, President
Kaweah Delta Health Care District and the Board of Directors

ATTEST:

David Francis, Secretary/Treasurer
Kaweah Delta Health Care District Board of Directors
MINUTES OF THE SPECIAL OPEN MEETING OF THE KAWEAH DELTA HEALTH CARE DISTRICT BOARD OF DIRECTORS – TUESDAY NOVEMBER 17, 2020 9:30AM, IN THE LIFESTYLE CENTER – CONFERENCE ROOMS / 5105 W. CYPRUS AVENUE, VISALIA AND VIA GOTO MEETING NEVIN HOUSE PRESIDING

PRESENT: Directors Francis, Gipson, Havard Mirviss, Hawkins & House; G. Herbst, CEO, C. Moccio, Recording; K. Noeske, Interim VP & CNO, M. Tupper, VP & CFO; D. Cox, VP Chief Human Resources Officer, D. Leeper, VP & CIO; R. Gates, VP Population Health; A. Banerjee, VP Chief Quality Officer; D. Allain, VP Cardiac & Surgical Services; J. Batth, VP of Rehabilitation & Post Acute Services; D. Lynch, Legal Counsel

The meeting was called to order at 9:30AM by Director House.

Director House asked for approval of the agenda.

MMSC (Hawkins/Francis) to approve the open agenda. This was supported unanimously by those present. Vote: Yes – Gipson, Francis, Havard Mirviss, Hawkins, and House

PUBLIC PARTICIPATION – none

2020/2021 ANNUAL OPERATING AND CAPITAL BUDGET AND FINANCIALS – Review and discussion of the budget and the current financials (copy attached to the original of these minutes and considered a part thereof) - Malinda Tupper, VP & Chief Financial Officer

- Following all of the presentations Ms. Tupper requested feedback from the Board – in general the Board was very appreciative of the level of detail and information presented.

MASTER PLANNING – Review and discussion of master planning process and options for Kaweah Delta Health Care District (copy attached to the original of these minutes and considered a part thereof) - Joseph Balbona, CEO and Kevin Boots, Senior Vice President – RBB Architects, Inc.

CHIEF EXECUTIVE OFFICER REPORT

- Mr. Herbst noted that our COVID admissions are increasing.

BOARD PRESIDENT REPORT

- No report.

No Closed Meeting - closed meeting was cancelled.

ADJOURN - Meeting was adjourned at 12:35PM

Nevin House, President
Kaweah Delta Health Care District and the Board of Directors

ATTEST:

David Francis, Secretary/Treasurer
Kaweah Delta Health Care District Board of Directors
RESOLUTION 2105

WHEREAS, the Department Heads of the KAWEAH DELTA HEALTH CARE DISTRICT are recognizing Kelly Pierce, with the Service Excellence Award for the Month of November 2020, for consistent outstanding performance, and,

WHEREAS, the Board of Directors of the KAWEAH DELTA HEALTH CARE DISTRICT is aware of her excellence in caring and service,

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the KAWEAH DELTA HEALTH CARE DISTRICT on behalf of themselves, the hospital staff, and the community they represent, hereby extend their congratulations to Kelly Pierce for this honor and in recognition thereof, have caused this resolution to be spread upon the minutes of the meeting.

PASSED AND APPROVED this 23rd day of November 2020 by a unanimous vote of those present.

President, Kaweah Delta Health Care District

ATTEST:

Secretary/Treasurer, Kaweah Delta Health Care District
and of the Board of Directors, thereof
RESOLUTION 2106

WHEREAS, Mr. Nevin House has served as a member of the Board of Director representing Zone V of the Kaweah Delta Health Care District from 2016–2020, and

WHEREAS, in that capacity Mr. House has supported the mission of the hospital through years of tremendous challenges and unprecedented growth, and;

WHEREAS, Mr. House has always been available, attentive, and responsive to the Board, Medical Staff, and Executive Team in carrying out the duties of his position, and;

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors of the Kaweah Delta Health Care District on behalf of themselves, the District staff and the community they represent, hereby extend their appreciation to Nevin House and, in recognition thereof, have caused this resolution to be spread upon the minutes of this meeting.

PASSED AND APPROVED this 23rd day of November 2020 by a unanimous vote of those present.

President, Kaweah Delta Health Care District

ATTEST:

Secretary/Treasurer, Kaweah Delta Health Care District
and of the Board of Directors, thereof
Physician Recruitment Annual Physician Recruitment Plan - 2021

As supported by the Provider Needs Assessment conducted by Sg2 in 2020, below is a list of the specialties included in our 2021 physician recruitment plan.

- Adult Hospitalist
- Anesthesiology
- Colorectal Surgery
- Dermatology
- Diagnostic Radiology
- EP Cardiology
- Family Medicine
- Family Medicine Associate Program Director
- Family Medicine Core Faculty
- Gastroenterology
- General Surgery
- Gynecology
- Intensivist
- Internal Medicine
- Maternal Fetal Medicine
- Neonatology
- Neurology
- OB/GYN
- Orthopedic Surgery_Hand
- Orthopedic Surgery_Trauma
- Otolaryngology
- Palliative Medicine
- Psychiatry
- Rheumatology
- Urology

*Attachments – Provider Needs Assessment for Kaweah Delta Medical Center

Date Prepared: November 13, 2020
Prepared by: Brittany Taylor, Director of Physician Recruitment and Relations | btaylor@kdhcd.org | (559)624-2899
Provider Needs Assessment for Kaweah Delta Medical Center

Final Report: October 1, 2020
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<td></td>
</tr>
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<td></td>
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</tbody>
</table>
Purpose, Methodology, and Background

Executive Summary
Service Area Definitions & Demographics
Community Physician Needs
Physician Market Profile
Recruitment Recommendations
Appendices
Purpose and Objectives

Sg2 Consulting, a healthcare consulting firm headquartered in Chicago with regional offices in Los Angeles and Denver was retained by Kaweah Delta Medical Center (“KDMC” or “the Hospital”) under the Central Valley Health Care Alliance (1) to complete a provider needs planning analysis.

Objectives

1. **Assess & Quantify** current physician/provider supply and demand for selected market-based specialties/subspecialties for seven service areas. The first three service areas include the Counties of Tulare and Kings, and the Counties combined. Three additional service area definitions were provided by the Hospital, which include the Primary Service Area, Total Service Area, and Facility Planning Service Area. The last service area is defined by KDMC’s inpatient discharges which conforms to regulatory guidelines for CMS’s and IRS’s community physician needs service area definition. This is referred to as “GASH” (Geographic Area Served By Hospital). Refer to Appendix C pg 65 for legal definition.

2. **Profile the physician market** to highlight market indicators that include but are not limited to depth and breadth of specialty coverage, age mix, potential succession planning needs, and other relevant areas of need going forward.

3. **Interview and obtain qualitative feedback** from physician leaders and senior leadership management regarding physician/provider manpower needs, strategic recruitment/development objectives, current environmental impacts, and other relevant issues at KDMC.

4. **Create an objective, empirically-based, and legally supportable physician recruitment platform** for the Hospital to use over the next 24 to 36 months.

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(1) Joint Powers Agreement formed between Sierra View Medical Center & Kaweah Delta Medical Center

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Methodology

Provider Needs Assessment

- Physician Needs
  - Demand: Physician-to-Population ratio modeling
  - FTE validation
  - Other drivers

- Area Analysis
  - Area geographic definitions
  - Area demographics
  - Health Status
  - HPSA/MUA-P

- Physician Market Profile
  - Age/Specialty mix
  - Succession planning needs based on age
  - Physician Distribution by Community & Type
  - Sub-market findings

- Interviews with Physician Leaders and Discussion with Senior Management
  (Refer to Appendix A)
Sg2’s analysis incorporated a quantitative and qualitative approach and is as follows:

- **Assess and quantify physician/provider needs in the defined service areas**

  - Evaluate net needs for physicians within the Hospital’s service areas listed below using physician-to-population ratio (demand) and applying against current supply using KDMC’s service areas’ population. (Hospital-based physicians such as anesthesiology, emergency medicine, radiology, intensivists, & hospitalists were excluded)
    
    1. Tulare County  
    2. Kings County  
    3. Tulare & Kings County combined  
    4. KDMC PSA  
    5. KDMC TSA  
    6. KDMC FPSA  
    7. Community physician needs service area. The service area is referred to as “GASH” (Geographic Area Served By Hospital).

  - A review of nationally published physician-to-population ratios such as GMENAC (Graduate Medical Education National Advisory Committee), Hicks and Glenn, Merritt Hawkins, Sg2’s proprietary dataset, and other available data.

  - Determination of appropriate ratios by specialty based on market-specific factors, including managed care penetration, age/sex distribution, and regional physician practice patterns.

  - Identification of current practicing physicians within the geographic service area(s) (supply). We have estimated clinical full-time equivalent status of physicians by specialty based on knowledge of the market, feedback/information from researching and calling physician groups and individual offices, and input from KDMC’s administrative staff and staff physicians during our interviews. APPs were included in primary care at 0.80 FTE for this analysis, and excluded in medical and surgical specialties.
Methodology – cont’d

• Profile physician market
  – Assessment of physician market to identify
    ▪ Depth and breadth of specialty coverage;
    ▪ Specialty/coverage gaps; and
    ▪ Succession planning needs.
  – Profile physician market age by specialty.
  – Comparison of physician needs by sub-market.
  – Physician distribution by community.

• Interview and obtain qualitative feedback
  – Individual interviews were conducted with community physician leaders and senior leadership management. Refer to Appendix A on pg 58.
  – Highlight needs identified by interviewees.

• Create a medical staff development plan
  – Provide an objective recruitment plan for KDMC based on a review of pertinent internal and external planning information, relevant market information including demographics, health status, and health professional shortage area designations.
Physician Needs Indicators

The following indicators were evaluated in conjunction with assessing community ambulatory physician needs:

- Macro-level modeling: physician-to-population ratios were used for the defined service areas.
- Health Professional Shortage Area (HPSA) and Medically Underserved Area/Population (MUA/P) designations.
- Extent to which needs are indicated (through discussion) based on:
  - Availability/waiting time for consumers/patients to access physician practices (primary care and across specialties) indicated through interviews.
    - Extent to which practices are closed (completely or to certain payers).
  - Clinical gaps or desire to broaden out a subspecialty.
  - Other considerations.
- Physicians slowing practices/retiring/leaving area (succession planning).
- Service line gaps/development initiatives/market share growth opportunities (ie., curbing outmigration).
Purpose, Methodology, and Background

Executive Summary

Service Area Definitions & Demographics
Community Physician Needs
Physician Market Profile
Recruitment Recommendations
Appendices
Executive Summary

- KDMC’s total service area has an estimated population of approximately 600,000. The sub-markets being evaluated range in population size from 388K to 600K residents.

- This area is designated as both a HPSA and MUA and is a fast-growing, young region with a high indigent population.
  - The percentage of Medi-Cal patients in the area ranges from 40% to 55% of the population.
  - The health status of the region is not favorable compared to California as a whole. Cancer and heart-related diseases are high.

- The area is surrounded by smaller acute care providers, which include Adventist Health and Sierra View Medical Center, with Kaweah being the preferred destination for care within this region.

- The physician operating landscape is a composite of several operating vehicles, providing flexibility and choice for physicians to operate under – Key Medical Associates, Visalia Medical Clinic (1206(I) medical foundation), and FQHC/RHC clinic models.

- On a geographic basis, the PSA has the highest per capita physician supply. As the geographic footprint expands, physician per capita continues to decrease at a higher rate. Care is heavily concentrated around the Hospital.
Given the challenging market landscape (payer mix, location, etc), there are deficiencies in terms of manpower in many of the specialties in this analysis. Recruitment and retention has also been of concern and continues to be a challenge.

- Many providers (Primary Care APPs) leave after fulfilling the requirements of their student loan forgiveness programs (typically 2-3 years).

Aging of the physician workforce/succession planning vulnerability is a key theme for this region. While physicians in this market continue to provide care beyond the age of 65, there are anecdotes of older physicians expressing the desire to retire sooner than anticipated in response to COVID-19. The aging workforce and associated wave of potential retirements could leave the area with gaps in care.

Specialties with particular vulnerabilities (aging workforce, supply challenges) include the following:

- Primary Care
- Oncology/Hematology
- Orthopedic Surgery
- Gastroenterology
- Urology
- ENT
Executive Summary – cont’d

• Due to low reimbursement rates, many specialists in the region are not accepting Medi-Cal beneficiaries. This has been challenging for the residents in the community and also for hospital inpatient coverage.

• Physician recruitment in the area is challenging based on national shortages of (and competition for) physicians in several specialties, financial/economic realities, and lifestyle issues.
  • When evaluating physician needs, it is important to consider whether there is enough volume to support additional physicians given the large Medi-Cal population to which private practices are closed and the financial challenges that arise in operating practices that are largely skewed toward government payors.
  • As a way to ameliorate shortages and retain physicians in the area, KDMC continues to build out residency programs. Currently, there are five programs and a transitional year program. There are anecdotal reports of success in residents (about half) staying in the community upon completion of training.

• The area is saturated with FQHCs who cater to Medi-Cal patients and care continuity has been a growing challenge. The model is very volume driven. APPs for primary care are heavily utilized under this model.
# Physician Landscape Scorecard

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Metric</th>
<th>Rating</th>
<th>Comments</th>
</tr>
</thead>
</table>
| Physician age mix assessment                   | Average age (53-55)                         |        | 30% of physician workforce is over the age of 60  
Some specialties are heavily skewed towards a more senior workforce |
| Physician supply/availability                  | Need indicators                             |        | There are many community shortages in the area                                                                                         |
| Succession planning/high risk for departures   | Key specialties present with above retirement age physicians |        | Succession planning vulnerability present within the region  
Many high-producing providers are operating beyond retirement age (65)                     |
| Use of APPs                                    | Extent to use of APPs                       |        | PCP APPs are heavily utilized in this area  
1:1 Physician to APP  
Medical and surgical specialties have not fully adopted the use of APPs               |
| Physician availability to all payor type/mix   | Physicians/providers available to provide coverage to the population |        | Coverage in primary care is not restricted regardless of payor type (FQHC and RHC establishments)  
Many community-based/private physicians do not accept Medi-Cal |

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<table>
<thead>
<tr>
<th>Indicator</th>
<th>Metric</th>
<th>Rating</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physician use of telemedicine</td>
<td>Extent of use of telemedicine to provide care</td>
<td></td>
<td>Telemedicine has been actively used during COVID.</td>
</tr>
<tr>
<td>Physician growth (net new providers)</td>
<td>Recruitment</td>
<td></td>
<td>Recruitment – physician recruitment is challenging (location and payor mix).</td>
</tr>
<tr>
<td></td>
<td>Retention</td>
<td></td>
<td>Retention of primary care providers has been difficult. PCP APPs are leaving after completing their student loan forgiveness obligation.</td>
</tr>
<tr>
<td>Presence of Value-based care</td>
<td>Fee for value vs fee for service behavior</td>
<td></td>
<td>Sequoia Integrated Healthcare – Medicare Advantage 15K full risk.</td>
</tr>
<tr>
<td></td>
<td>Managed care coverage (Capitation/risk arrangements)</td>
<td></td>
<td>Additional value-based delivery models are being discussed/contemplated (bundle payments, Medi-Cal cap).</td>
</tr>
</tbody>
</table>
## Hospital Landscape Scorecard

<table>
<thead>
<tr>
<th>Hospital Landscape</th>
<th>Indicator</th>
<th>Metric</th>
<th>Rating</th>
<th>Comments</th>
</tr>
</thead>
</table>
|                    | Hospital capacity and availability of services | ➢ Occupancy rate  
➢ Diversion  
➢ Operating room capacity | | ➢ Critical care issues and OR capacity issues  
➢ No diversion (emergency department volume) |
|                    | Population health | ➢ PCMH – primary care/disease management focus  
➢ Telemedicine – both o/p and i/p  
➢ Managed care  
➢ Risk arrangements  
➢ Clinically integrated network | | ➢ Kaweah application to form an FQHC integrated delivery medical home – to comprise of PCP, medical, and surgical specialist coverage  
➢ SIQ – managed care full risk  
➢ Moderate clinical alignment – 1206 (I) Visalia Medical Clinic fully clinically aligned (40+ providers), Key Medical Associates (growing) |
|                    | Hospital and Physician Alignment/Relationship | ➢ Relationship between physicians and hospital (positive/negative)  
➢ Degree of physician/hospital alignment (fragmentation-silo’d/integrated) | | ➢ Relationship between the Hospital and the physicians has been positive. Kaweah has been flexible creating different vehicles to support physicians in the area and tightening the relationship-Delta Doctors, Key Medical Associates, Visalia Medical Clinic (employed-like), and SIQ risk arrangement  
➢ The market is a hybrid - slightly more fragmented than integrated – but has made positive and progressive strides |
## Hospital Landscape Scorecard – cont’d

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Metric</th>
<th>Rating</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital competition</td>
<td>Degree of competition present in the area (low/high)</td>
<td></td>
<td>Low degree of competition</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Kaweah is the preferred hospital destination within Tulare County</td>
</tr>
<tr>
<td>Quality of care</td>
<td>HCAHPs</td>
<td></td>
<td>Patient experience: 2 out of 5 stars</td>
</tr>
<tr>
<td></td>
<td>Timely Effective Care</td>
<td></td>
<td>Timely effective care: 2 out of 5 stars</td>
</tr>
<tr>
<td></td>
<td>VBC</td>
<td></td>
<td>VBC: 2 out of 5 stars</td>
</tr>
<tr>
<td>Clinically Integrated Delivery Network</td>
<td>Physician/Hospital Leadership</td>
<td></td>
<td>Sequoia Integrated Healthcare (Humana contract 10-15K senior lives)</td>
</tr>
<tr>
<td></td>
<td>Clinical Guidelines/Measurements</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Synchronized Data Technology</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lateral or Vertical Alignment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Patient Population Landscape Scorecard

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Metric</th>
<th>Rating</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health status</td>
<td>➢ Overall health of the population</td>
<td></td>
<td>➢ The health of Tulare and Kings Counties residents is not favorable. A majority of the health status metrics fall below that of State levels.</td>
</tr>
<tr>
<td></td>
<td>➢ Degree of commercial payors vs government assisted payors</td>
<td></td>
<td>➢ The area has an unfavorable payor mix and is expected to possibly worsen due to the current economic challenges our nation is facing.</td>
</tr>
<tr>
<td>Payor mix</td>
<td>➢ Waiting period</td>
<td></td>
<td>➢ The proliferation of FQHCs/RHCs has made primary care services more accessible to this region.</td>
</tr>
<tr>
<td>Consumer accessibility to care PCP</td>
<td>➢ Waiting period</td>
<td></td>
<td>➢ Access to care for commercial and Medicare patients is not of an issue.</td>
</tr>
<tr>
<td></td>
<td>➢ Network Exclusion</td>
<td></td>
<td>➢ A majority of independents do not provide coverage for the Medi-Cal population.</td>
</tr>
<tr>
<td></td>
<td>➢ Outmigration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical/Surgical specialties</td>
<td>➢ Senior population – aging, growth</td>
<td></td>
<td>➢ The area is expected to grow 3-4% within the next five years.</td>
</tr>
<tr>
<td></td>
<td>➢ Median age</td>
<td></td>
<td>➢ Median age is 33.9 vs 38.1 for CA</td>
</tr>
<tr>
<td></td>
<td>➢ Population growth</td>
<td></td>
<td>➢ Senior cohort will experience the highest growth.</td>
</tr>
<tr>
<td>Demographics</td>
<td>➢ Medically underserved</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>➢ Health professional shortage</td>
<td></td>
<td>➢ Most of the region is HPSA/MUA designated.</td>
</tr>
</tbody>
</table>

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Service Area Definitions Being Evaluated

- There are seven service areas being evaluated and are defined as the following:

  1. **Tulare County** area
  2. **Kings County** area
  3. **Tulare County & Kings County** combined
  4. **KDMC Strategic Service Areas (3)** - Service area definitions provided by the Hospital
     1. KDMC Primary Service Area (PSA)
     2. KDMC Total Service Area (PSA & SSA combined)
     3. KDMC Facility Planning Service Area (FPSA)
  5. **KDMC GASH (Community Provider Needs)** - Geographic Area Served By Hospital (GASH). 75% of KDMC inpatient discharges and is consistent with CMS’s and IRS’s legal requirement for defining community physician needs area definition. Should a hospital elect to provide income support (income guarantees, relocation payment, recruitment payment, etc.) and a need is present, monetary support is applicable.

- The following page displays the service area definitions for all sub-markets being evaluated.
## KDMC Service Area Definitions

### KDMC Total Service Area

<table>
<thead>
<tr>
<th>Zip Code</th>
<th>Community</th>
<th>Strategic Service Area</th>
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</thead>
<tbody>
<tr>
<td>93603</td>
<td>Badger</td>
<td>PSA</td>
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<tr>
<td>93615</td>
<td>Cutler</td>
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<tr>
<td>93670</td>
<td>Yettem*</td>
<td>PSA</td>
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### KDMC Total Service Area

<table>
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<tr>
<th>Zip Code</th>
<th>Community</th>
<th>Strategic Service Area</th>
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<td>Alpaugh</td>
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<td>93258</td>
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<td>93675</td>
<td>Squaw Valley</td>
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<td>93666</td>
<td>Sultana</td>
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### KDMC Facility Planning Service Area

<table>
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<th>Zip Code</th>
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<td>SSA</td>
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<tr>
<td>93277</td>
<td>Visalia</td>
<td>SSA</td>
</tr>
<tr>
<td>93291</td>
<td>Visalia</td>
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<td>SSA</td>
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<tr>
<td>93257</td>
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### KDMC GASH

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<td>Tulare</td>
</tr>
<tr>
<td>93282</td>
<td>Waukena</td>
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</tbody>
</table>

Source: KDMC 2020

*Per US Postal Service, these ZIP Codes are for Post Office

Note: TSA = PSA + SSA
Service Area(s) Demographics Summary

- KDMC has defined three strategic service areas ranging in population size from 230K to 600K residents:
  - PSA: 229K
  - TSA: 597K
  - FPSA: 451K
- In addition, other service areas being evaluated have the following number of residents:
  - GASH: 388K
  - Tulare County: 464K
  - Kings County: 151K
- The area is predominantly Hispanic (60%-70%) followed by White (25%-30%).
- The median age of Tulare County is 33.9, compared to 38.1 for California as a whole.
- The proportion of females age 15-44 is higher in Tulare County than the State (21% vs 18%).
  - Within this subset of the female population, the median age in Tulare County is 28.8 vs 29.6 in California as a whole.
- The communities in the service areas have high-growth rates.
  - Communities anticipated to have the most growth (between 5% to 6%) include the City of Visalia (est. 60K residents) and Parlier (est.18K residents) while many of the remaining communities are projected to have a 3% to 4% growth range.
- While each service area has an estimated 50% of residents under age 44, the senior population (age 65+) is projected to increase the most within the next five years.
- See Appendix C pg 60-69 for sub-market demographics and regulatory GASH definition.
Tulare County & Kings County: Health Insights

- Compared to California, residents of Tulare County and Kings County have a lower life expectancy and a higher premature age-adjusted mortality.

- Compared to California, both Counties have higher rates of:
  - Infant mortality
  - Frequent mental and physical distress
  - Food insecurity
  - Limited access to healthy foods
  - Uninsured adults

<table>
<thead>
<tr>
<th>Health Indicator</th>
<th>Tulare County</th>
<th>Kings County</th>
<th>California</th>
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<tr>
<td>Life expectancy</td>
<td>78.5</td>
<td>79.7</td>
<td>81.6</td>
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<tr>
<td>Premature age-adjusted mortality</td>
<td>360</td>
<td>340</td>
<td>270</td>
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<td>Infant mortality (per 1,000 live births)</td>
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<td>4</td>
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<tr>
<td>Frequent physical distress</td>
<td>15%</td>
<td>13%</td>
<td>11%</td>
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<tr>
<td>Frequent mental distress</td>
<td>15%</td>
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<td>11%</td>
</tr>
<tr>
<td>Diabetes prevalence</td>
<td>9%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Food insecurity</td>
<td>13%</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>Limited access to healthy foods</td>
<td>8%</td>
<td>5%</td>
<td>3%</td>
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<tr>
<td>Uninsured adults</td>
<td>12%</td>
<td>12%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: County Health Rankings and Roadmaps accessed May 2020
Red text indicates below state levels; Green text indicates above state levels
Bold red indicates less desirable health indicator between Kings and Tulare County
The top two leading causes of death in both Counties include **heart-related diseases** and **cancer**, and are continuing to rise.

![Leading Cause of Death 2014-2018](image)

**Source:** California Health and Human Services Open Data Portal accessed May 2020

**HTD:** Disease of the Heart

**CAN:** Malignant Neoplasms (Cancers)

**Notes:** Cause-of-death between 1999 to present were coded using the Tenth Revision of the International Classification of Diseases codes (ICD-10). Counts that are less than 11 have been excluded.
Residents in both Tulare and Kings County are proportionally younger when compared to the State.

Tulare County is anticipated to grow by 3% while Kings County is projected to have minimal growth (0.8%) in the next five years.

While the age 65+ cohort comprises a small percentage of both Tulare and Kings County residents when compared to the State and Nation, this group is projected to have to highest growth (14% and 10% respectively).
Ethnic Profile – Tulare County & Kings County

Tulare and Kings County are predominantly Hispanic (60%-70%) and White (~30%).

Compared to California, the Hispanic population is proportionally higher in both Counties.

The Hispanic population is projected to have the most growth in Tulare County (9%) and Kings County (7%).
Tulare County is a fast-growing area.

The City of Visalia, with estimated 60K residents, is projected to grow by 5%.

While the 65+ age cohort reflects a small segment of the population, this age cohort is projected to grow the most (14%) in the next five years.
Kings County is projected to have limited growth.

The City of Lemoore, with estimated 39K residents, is projected to grow the most- by 2%.

While the 65+ age cohort represents a small percent of the population, this age cohort is projected to grow the most (10%) in the next five years.
HPSA and MUA/P Designation

- Health Professional Shortage Areas (HPSAs) are designated by HRSA as having shortages of primary medical care providers and may be geographic, demographic, or institutional.
  - The benefits of being designated a Primary HPSA region include state and federal programs providing recruitment assistance and financial incentives to providers that practice in a HPSA area.
- Designated by HRSA, Medically Underserved Areas (MUAs) are designated by HRSA as areas in which residents have a shortage of personal health services. Medically Underserved Populations (MUPs) may include groups of persons who face economic, cultural, or linguistic barriers to healthcare.
  - The benefits of receiving a MUA/MUP designation include the eligibility to develop Community Health Centers, Migrant Health Centers, Federally Qualified Health Centers, and Rural Health Clinics, along with enhanced federal grant eligibility and a higher Medicare cap.

- Most of the communities within Kings and Tulare County, detailed on the following page, are both a HPSA-designated area and MUA/p-designated areas.
Service Area: HPSA and MUA/P Designation – cont’d

**HPSA**

- All of Tulare County and Kings County are HPSA-designated areas.

**MUA/p**

- Within Tulare County, most of the communities except for the Western region are MUA/p designated areas while most of Kings County, except for the Northeast area is a MUA/p-designated area.
Purpose, Methodology, and Background

Executive Summary

Service Area Definitions & Demographics

Community Physician Needs

Physician Market Profile

Recruitment Recommendations

Appendices
Physician Needs – Summary

- The tables on the following pages illustrate physician needs by specialty for the seven service areas being evaluated.

- The following specialties present a large need across all the service areas being evaluated:
  - Cardiology
  - Dermatology
  - Endocrinology
  - ENT
  - General surgery
  - GI
  - Ob/Gyn
  - Oncology/Hematology
  - Ophthalmology
  - Orthopedics
  - Primary care
  - Psychiatry
  - Urology

- Refer to Appendix D pg 70-71 which represents physician needs excluding the Medi-Cal population.
## Comparison of Physician Needs by Service Area

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Population to Support One Physician</th>
<th>KDMC GASH</th>
<th>Tulare County</th>
<th>Kings County</th>
<th>Tulare County &amp; Kings County</th>
<th>KDMC PSA</th>
<th>KDMC TSA</th>
<th>KDMC FPSA</th>
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<td><strong>Primary Care</strong></td>
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<td></td>
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<tr>
<td>Adult Primary Care (FM &amp; IM)*</td>
<td>2,000</td>
<td>4.3</td>
<td>24.9</td>
<td>22.9</td>
<td>47.9 (44.5)</td>
<td>55.7</td>
<td>18.7</td>
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<td>Pediatrics (general)</td>
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<td>0.2</td>
<td>8.3</td>
<td>8.3</td>
<td>16.6 (1.8)</td>
<td>15.4</td>
<td>6.7</td>
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<td><strong>Medical</strong></td>
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<tr>
<td>Allergy &amp; Immunology</td>
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<td>(0.1)</td>
<td>0.9</td>
<td>1.7</td>
<td>2.7 (1.6)</td>
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<td>0.9</td>
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<td>1.6</td>
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<td>- Interventional/invasive</td>
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<td>1.2</td>
<td>2.6 (1.4)</td>
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<td>1.2</td>
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<td>Medical/Non-Invasive</td>
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<td>6.7</td>
<td>0.0</td>
<td>6.2</td>
<td>3.6</td>
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<td>7.7</td>
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<td>10.4 (1.6)</td>
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<td>1.9</td>
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<td>Infectious Diseases</td>
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<td>1.0</td>
<td>5.4</td>
<td>3.5</td>
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<td>Nephrology</td>
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<td>(8.3)</td>
<td>(8.4)</td>
<td>(1.7)</td>
<td>(6.8) (9.1)</td>
<td>(7.0) (8.9)</td>
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<tr>
<td>Neurology</td>
<td>44,000</td>
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<td>2.9</td>
<td>5.7</td>
<td>(1.6)</td>
<td>5.3</td>
<td>2.5</td>
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<td>Obstetrics/Gynecology</td>
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<td>23.4</td>
<td>6.7</td>
<td>21.9</td>
<td>16.3</td>
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<td>7.3</td>
<td>3.9</td>
<td>11.5</td>
<td>3.4</td>
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<td>Physical Medicine &amp; Rehabilitation</td>
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<td>(0.2)</td>
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<td>3.0</td>
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<td>0.7</td>
<td>3.4</td>
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<td>- Cardiothoracic/vascular Surgery</td>
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<td>(0.5)</td>
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<td>- Bariatric Surgery</td>
<td>100,000</td>
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<td>4.1</td>
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<td>5.7</td>
<td>1.8</td>
<td>5.5</td>
<td>4.0</td>
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<tr>
<td>- Colon &amp; Rectal Surgery</td>
<td>200,000</td>
<td>1.9</td>
<td>2.3</td>
<td>0.6</td>
<td>3.1</td>
<td>1.1</td>
<td>3.0</td>
<td>2.2</td>
</tr>
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<td>- General Surgery</td>
<td>20,000</td>
<td>4.8</td>
<td>8.6</td>
<td>5.6</td>
<td>14.2</td>
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</tr>
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<td>- Vascular Surgery</td>
<td>125,000</td>
<td>(0.2)</td>
<td>0.4</td>
<td>0.7</td>
<td>1.1</td>
<td>(1.1)</td>
<td>1.0</td>
<td>0.3</td>
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<td>Neurosurgery</td>
<td>45,000</td>
<td>0.6</td>
<td>1.5</td>
<td>1.8</td>
<td>3.2</td>
<td>(1.3)</td>
<td>3.0</td>
<td>1.9</td>
</tr>
<tr>
<td>Ophthalmology</td>
<td>34,000</td>
<td>1.8</td>
<td>4.0</td>
<td>3.2</td>
<td>8.0</td>
<td>(1.5)</td>
<td>7.5</td>
<td>3.7</td>
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<td>Orthopedic Surgery</td>
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<td></td>
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<tr>
<td>- General/Sports Medicine</td>
<td>26,000</td>
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<td>9.5</td>
<td>4.3</td>
<td>13.9</td>
<td>2.5</td>
<td>13.2</td>
<td>9.1</td>
</tr>
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<td>Foot &amp; Ankle</td>
<td>205,000</td>
<td>1.3</td>
<td>1.8</td>
<td>0.5</td>
<td>2.1</td>
<td>0.8</td>
<td>2.0</td>
<td>1.5</td>
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<td>- Hand Surgery</td>
<td>225,000</td>
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<td>2.1</td>
<td>0.7</td>
<td>2.7</td>
<td>1.0</td>
<td>2.7</td>
<td>2.0</td>
</tr>
<tr>
<td>- Total Joint Reconstructive Surgery</td>
<td>175,000</td>
<td>1.5</td>
<td>2.0</td>
<td>0.9</td>
<td>2.8</td>
<td>0.6</td>
<td>2.7</td>
<td>1.9</td>
</tr>
<tr>
<td>- Trauma</td>
<td>160,000</td>
<td>2.1</td>
<td>2.6</td>
<td>0.9</td>
<td>3.5</td>
<td>1.1</td>
<td>3.4</td>
<td>2.5</td>
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<td>Otolaryngology</td>
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<td>2.4</td>
<td>11.5</td>
<td>3.5</td>
<td>11.0</td>
<td>8.4</td>
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<tr>
<td>Plastic/Reconstructive Surgery</td>
<td>90,000</td>
<td>2.3</td>
<td>3.2</td>
<td>1.7</td>
<td>4.8</td>
<td>0.5</td>
<td>4.6</td>
<td>3.0</td>
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<td>Spine Surgery</td>
<td>175,000</td>
<td>0.9</td>
<td>1.4</td>
<td>0.3</td>
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<td>0.0</td>
<td>1.5</td>
<td>1.3</td>
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<td>Urology</td>
<td>32,000</td>
<td>8.7</td>
<td>11.1</td>
<td>2.7</td>
<td>13.8</td>
<td>3.4</td>
<td>13.0</td>
<td>10.7</td>
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<td><strong>Service Area Population</strong></td>
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<tr>
<td>Need</td>
<td>388,430</td>
<td>463,814</td>
<td>151,233</td>
<td>615,047</td>
<td>228,808</td>
<td>597,438</td>
<td>451,460</td>
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<td>Adequate Supply</td>
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Note: Ratios rounded

*Primary Care Physician Supply includes APPs. APPs allocated 0.80 FTE
## Tulare County Physician Needs Model

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Population to Support One Physician</th>
<th>Gross Physician Need</th>
<th>FTE Physician Supply</th>
<th>Net Need (Surplus)</th>
<th>Current Supply % of Need</th>
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</tr>
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<td>49.7</td>
<td>8.3</td>
<td>85.7%</td>
</tr>
<tr>
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<tr>
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<td>5.3</td>
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<td>Cardiology</td>
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<td>21.1</td>
<td>14.2</td>
<td>6.9</td>
<td>67.4%</td>
</tr>
<tr>
<td>- Electrophysiology</td>
<td>220,000</td>
<td>2.1</td>
<td>0.5</td>
<td>1.6</td>
<td>23.7%</td>
</tr>
<tr>
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<td>49.5%</td>
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<td>57.4%</td>
</tr>
<tr>
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<td>2.0</td>
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<td>64.7%</td>
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<tr>
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<td>10.8%</td>
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<tr>
<td>- Colon &amp; Rectal Surgery</td>
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<td>8.3</td>
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<td>46.5%</td>
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<td>- Foot/Ankle</td>
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</tr>
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<td>0.7</td>
<td>2.0</td>
<td>22.4%</td>
</tr>
<tr>
<td>- Trauma</td>
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</tr>
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</tr>
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</tr>
<tr>
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</tr>
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</table>

**Note:** Rates rounded.

*Primary Care Physician Supply includes APPs. APPs allocated 0.80 FTE
### Kings County Physician Needs Model

<table>
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<tr>
<th>Specialty</th>
<th>Population to Support One Physician</th>
<th>Gross Physician Need</th>
<th>FTE Physician Supply</th>
<th>Net Need (Surplus)</th>
<th>Current Supply % of Need</th>
</tr>
</thead>
<tbody>
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<td><strong>Primary Care</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>75.6</td>
<td>52.7</td>
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<td>69.6%</td>
</tr>
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<td>Pediatrics (General)</td>
<td>8,000</td>
<td>18.9</td>
<td>10.6</td>
<td>8.3</td>
<td>56.1%</td>
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<td><strong>Medical</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Allergy &amp; Immunology</td>
<td>75,000</td>
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<td>0.3</td>
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<td>12.4%</td>
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<td>6.9</td>
<td>2.2</td>
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</tr>
<tr>
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<td>0.7</td>
<td>0.0</td>
<td>0.7</td>
<td>0.0%</td>
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<tr>
<td>- Interventional/Invasive</td>
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<td>50.0%</td>
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<td>1.0</td>
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<td>7.9%</td>
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<td>1.1</td>
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</tr>
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<td>1.7</td>
<td>0.0%</td>
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<td>1.8</td>
<td>0.1</td>
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<td>5.6%</td>
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<td>0.5</td>
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<td>9.5</td>
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<td>0.3</td>
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<td>7.1%</td>
</tr>
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<td>1.8</td>
<td>0.0%</td>
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<td>76.7%</td>
</tr>
<tr>
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<td>0.1</td>
<td>1.7</td>
<td>5.6%</td>
</tr>
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<td>0.0</td>
<td>1.6</td>
<td>0.0%</td>
</tr>
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<td>1.0</td>
<td>0.5</td>
<td>66.1%</td>
</tr>
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<td></td>
</tr>
<tr>
<td>General Surgery</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>- Cardiothoracic/vascular Surgery</td>
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<td>0.0</td>
<td>1.0</td>
<td>0.0%</td>
</tr>
<tr>
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<td>0.0</td>
<td>1.5</td>
<td>0.0%</td>
</tr>
<tr>
<td>- Colon &amp; Rectal Surgery</td>
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<td>0.0</td>
<td>0.8</td>
<td>0.0%</td>
</tr>
<tr>
<td>- General Surgery</td>
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<td>7.6</td>
<td>2.0</td>
<td>5.6</td>
<td>29.4%</td>
</tr>
<tr>
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<td>37.2%</td>
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<td>0.0</td>
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<td>0.0%</td>
</tr>
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<td>0.5</td>
<td>3.9</td>
<td>11.2%</td>
</tr>
<tr>
<td>Orthopedic Surgery</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- General/Sports Medicine</td>
<td>26,000</td>
<td>5.8</td>
<td>1.5</td>
<td>4.3</td>
<td>25.8%</td>
</tr>
<tr>
<td>- Foot/Antkle</td>
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<td>0.0</td>
<td>0.5</td>
<td>0.0%</td>
</tr>
<tr>
<td>- Hand Surgery</td>
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<td>0.0</td>
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</tr>
<tr>
<td>- Total Joint Reconstructive Surgery</td>
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<td>0.0</td>
<td>0.9</td>
<td>0.0%</td>
</tr>
<tr>
<td>- Trauma</td>
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<td>0.0</td>
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<td>0.0%</td>
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<td>0.0%</td>
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<td>69.4%</td>
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<td>2.7</td>
<td>42.3%</td>
</tr>
</tbody>
</table>

| Service Area Population    | 151,233                            |                      |                     | Need Adequate Supply  |

Note: Ratios rounded.

*Primary Care Physician Supply includes APPs. APPs allocated 0.80 FTE
## Tulare County & Kings County Physician Needs Model

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Population to Support One Physician</th>
<th>Gross Physician Need</th>
<th>FTE Physician Supply</th>
<th>Net Need (Surplus)</th>
<th>Current Supply % of Need</th>
</tr>
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<tbody>
<tr>
<td><strong>Primary Care</strong></td>
<td></td>
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<td></td>
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<tr>
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<td>84.4%</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allergy &amp; Immunology</td>
<td>75,000</td>
<td>8.2</td>
<td>5.5</td>
<td>2.7</td>
<td>67.1%</td>
</tr>
<tr>
<td>Cardiology</td>
<td>22,000</td>
<td>27.9</td>
<td>16.4</td>
<td>11.5</td>
<td>58.7%</td>
</tr>
<tr>
<td>- Electrophysiology</td>
<td>220,000</td>
<td>2.8</td>
<td>0.5</td>
<td>2.3</td>
<td>17.9%</td>
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<tr>
<td>- Interventional/Invasive</td>
<td>63,000</td>
<td>9.8</td>
<td>7.2</td>
<td>2.6</td>
<td>73.8%</td>
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<td>32.5%</td>
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<td>21.2%</td>
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<td>14.0</td>
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<td>44,000</td>
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<td>5.7</td>
<td>55.4%</td>
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<td>Obstetrics/Gynecology</td>
<td>10,000</td>
<td>61.5</td>
<td>38.1</td>
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<td>Oncology/Hematology</td>
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<td>5.5</td>
<td>11.6</td>
<td>32.2%</td>
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</tr>
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</tr>
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<td>17.6</td>
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<td>8.1%</td>
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<td>- Vascular Surgery</td>
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<td>0.7</td>
<td>2.8</td>
<td>19.9%</td>
</tr>
<tr>
<td>- Trauma</td>
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<td>0.3</td>
<td>3.5</td>
<td>7.8%</td>
</tr>
<tr>
<td>Otolaryngology</td>
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<td>16.6</td>
<td>5.1</td>
<td>11.5</td>
<td>30.7%</td>
</tr>
<tr>
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<td>2.0</td>
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<td>29.3%</td>
</tr>
<tr>
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<tr>
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### Service Area Population

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<th>Need</th>
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Note: Ratios rounded.

*Primary Care Physician Supply includes APPs. APPs allocated 0.80 FTE
# PSA Physician Needs Model

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<tr>
<th>Specialty</th>
<th>Population to Support One Physician</th>
<th>Gross Physician Need</th>
<th>FTE Physician Supply</th>
<th>Net Need (Surplus)</th>
<th>Current Supply % of Need</th>
</tr>
</thead>
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<td><strong>Primary Care</strong></td>
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<td></td>
</tr>
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<td>2,000</td>
<td>114.4</td>
<td>154.9</td>
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<td>138.9%</td>
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<td>8,000</td>
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<td>106.3%</td>
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<td><strong>Medical</strong></td>
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<td></td>
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<td></td>
<td></td>
</tr>
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<td>Allergy &amp; Immunology</td>
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<td>4.7</td>
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</tr>
<tr>
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<td>5.0</td>
<td>1.4</td>
<td>137.7%</td>
</tr>
<tr>
<td>- Medical/Non-Invasive</td>
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<td>5.7</td>
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<td>99.6%</td>
</tr>
<tr>
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<td>69.9%</td>
</tr>
<tr>
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<td>49.8%</td>
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<td>57.0%</td>
</tr>
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<td>6.8</td>
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<td>Obstetrics/Gynecology</td>
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<td>16.2</td>
<td>6.7</td>
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<tr>
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<td>47.2%</td>
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<td>2.3</td>
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</tr>
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<td>2.6</td>
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</tr>
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<td>1.7</td>
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</tr>
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</tr>
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<td>Rheumatology</td>
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<td>1.6</td>
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<td>69.9%</td>
</tr>
<tr>
<td><strong>Surgical</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>- Cardiothoracic/vascular Surgery</td>
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<td>2.0</td>
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<td>131.1%</td>
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<td>21.9%</td>
</tr>
<tr>
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<td>1.1</td>
<td>0.0%</td>
</tr>
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<td>9.8</td>
<td>1.6</td>
<td>85.7%</td>
</tr>
<tr>
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<td>2.9</td>
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<td></td>
<td></td>
</tr>
<tr>
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<tr>
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<td>0.0%</td>
</tr>
<tr>
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<td>0.7</td>
<td>0.6</td>
<td>53.5%</td>
</tr>
<tr>
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<td>1.1</td>
<td>23.0%</td>
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<td>37.2%</td>
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<td>2.0</td>
<td>0.5</td>
<td>78.7%</td>
</tr>
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<td>1.3</td>
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Note: Ratios rounded.

*Primary Care Physician Supply includes APPs. APPs allocated 0.80 FTE Population to Support One Physician.
### TSA Physician Needs Model

#### KDMC TSA

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<tr>
<th>Specialty</th>
<th>Population to Support One Physician</th>
<th>Gross Physician Need</th>
<th>FTE Physician Supply</th>
<th>Net Need (Surplus)</th>
<th>Current Supply % of Need</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary Care</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Allergy &amp; Immunology</td>
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<td>8.0</td>
<td>5.5</td>
<td>2.5</td>
<td>69.0%</td>
</tr>
<tr>
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<td>16.4</td>
<td>10.7</td>
<td>60.4%</td>
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<td>13.6</td>
<td>8.3</td>
<td>5.3</td>
<td>61.1%</td>
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<td>37.8</td>
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<td>5.5</td>
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<td>78.3%</td>
</tr>
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<td>2.8</td>
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<td>44.5%</td>
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<td>2.6</td>
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<td>43.5%</td>
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</tr>
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<td>Surgery</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
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<td>2.0</td>
<td>2.0</td>
<td>50.2%</td>
</tr>
<tr>
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<td>5.5</td>
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<td>8.4%</td>
</tr>
<tr>
<td>- Colon &amp; Rectal Surgery</td>
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<td>3.0</td>
<td>0.0</td>
<td>0.0%</td>
</tr>
<tr>
<td>- General Surgery</td>
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<td>29.9</td>
<td>16.6</td>
<td>13.3</td>
<td>55.4%</td>
</tr>
<tr>
<td>- Vascular Surgery</td>
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<td>3.8</td>
<td>1.0</td>
<td>78.5%</td>
</tr>
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<td>7.0</td>
<td>4.0</td>
<td>3.0</td>
<td>56.9%</td>
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<td>Orthopedic Surgery</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- General/Sports Medicine</td>
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<td>9.8</td>
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<td>42.6%</td>
</tr>
<tr>
<td>- Foot/Ankle</td>
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<td>0.0</td>
<td>2.0</td>
<td>0.0%</td>
</tr>
<tr>
<td>- Hand Surgery</td>
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<td>0.0</td>
<td>2.7</td>
<td>0.0%</td>
</tr>
<tr>
<td>- Total Joint Reconstructive Surgery</td>
<td>175,000</td>
<td>3.4</td>
<td>0.7</td>
<td>2.7</td>
<td>20.5%</td>
</tr>
<tr>
<td>- Trauma</td>
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<td>3.4</td>
<td>8.0%</td>
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<td>37,000</td>
<td>16.1</td>
<td>5.1</td>
<td>11.0</td>
<td>31.6%</td>
</tr>
<tr>
<td>Plastic/Reconstructive Surgery</td>
<td>90,000</td>
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<td>2.0</td>
<td>4.6</td>
<td>30.1%</td>
</tr>
<tr>
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<td>175,000</td>
<td>3.4</td>
<td>1.9</td>
<td>1.5</td>
<td>55.7%</td>
</tr>
<tr>
<td>Urology</td>
<td>32,000</td>
<td>18.7</td>
<td>5.4</td>
<td>13.3</td>
<td>28.7%</td>
</tr>
<tr>
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</table>

Note: Ratios rounded.

*Primary Care Physician Supply includes APPs. APPs allocated 0.80 FTE.
<table>
<thead>
<tr>
<th>Specialty</th>
<th>Population to Support One Physician</th>
<th>Gross Physician Need</th>
<th>FTE Physician Supply</th>
<th>Net Need (Surplus)</th>
<th>Current Supply % of Need</th>
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<tbody>
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<td><strong>Primary Care</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adult Primary Care (FM &amp; IM)*</td>
<td>2,000</td>
<td>225.7</td>
<td>207.0</td>
<td>18.7</td>
<td>91.7%</td>
</tr>
<tr>
<td>Pediatrics (General)</td>
<td>8,000</td>
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<td>49.7</td>
<td>8.7</td>
<td>88.1%</td>
</tr>
<tr>
<td><strong>Medical</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Allergy &amp; Immunology</td>
<td>75,000</td>
<td>6.0</td>
<td>5.3</td>
<td>0.7</td>
<td>87.2%</td>
</tr>
<tr>
<td>Cardiology</td>
<td>22,000</td>
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<td>14.2</td>
<td>6.3</td>
<td>69.3%</td>
</tr>
<tr>
<td>- Electrophysiology</td>
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<td>0.5</td>
<td>1.6</td>
<td>24.4%</td>
</tr>
<tr>
<td>- Interventional/Invasive</td>
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<td>6.0</td>
<td>1.2</td>
<td>63.7%</td>
</tr>
<tr>
<td>- Medical/Non-Invasive</td>
<td>40,000</td>
<td>11.3</td>
<td>7.7</td>
<td>3.6</td>
<td>68.2%</td>
</tr>
<tr>
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<td>4.3</td>
<td>7.0</td>
<td>38.1%</td>
</tr>
<tr>
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<td>2.9</td>
<td>4.6</td>
<td>38.5%</td>
</tr>
<tr>
<td>Gastroenterology</td>
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<td>11.3</td>
<td>5.8</td>
<td>5.5</td>
<td>87.7%</td>
</tr>
<tr>
<td>Infectious Diseases</td>
<td>90,000</td>
<td>5.0</td>
<td>1.5</td>
<td>3.5</td>
<td>60.9%</td>
</tr>
<tr>
<td>Nephrology</td>
<td>85,000</td>
<td>5.3</td>
<td>13.9</td>
<td>(8.6)</td>
<td>281.7%</td>
</tr>
<tr>
<td>Neurology</td>
<td>44,000</td>
<td>10.3</td>
<td>7.8</td>
<td>2.5</td>
<td>76.0%</td>
</tr>
<tr>
<td>Obstetrics/Gynecology</td>
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<td>28.6</td>
<td>16.3</td>
<td>63.6%</td>
</tr>
<tr>
<td>Oncology/Hematology</td>
<td>36,000</td>
<td>12.5</td>
<td>5.2</td>
<td>7.3</td>
<td>41.5%</td>
</tr>
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<td>Gynecology Oncology</td>
<td>100,000</td>
<td>4.5</td>
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<td>4.5</td>
<td>0.0%</td>
</tr>
<tr>
<td>Physical Medicine &amp; Rehabilitation</td>
<td>85,000</td>
<td>5.3</td>
<td>5.5</td>
<td>(0.2)</td>
<td>103.6%</td>
</tr>
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<td>Psychiatry</td>
<td>20,000</td>
<td>22.6</td>
<td>11.8</td>
<td>10.8</td>
<td>52.3%</td>
</tr>
<tr>
<td>Pulmonary Medicine</td>
<td>85,000</td>
<td>5.3</td>
<td>2.7</td>
<td>2.6</td>
<td>50.8%</td>
</tr>
<tr>
<td>Radiation Oncology</td>
<td>95,000</td>
<td>4.8</td>
<td>2.8</td>
<td>2.0</td>
<td>58.9%</td>
</tr>
<tr>
<td>Rheumatology</td>
<td>100,000</td>
<td>4.5</td>
<td>1.6</td>
<td>2.9</td>
<td>35.4%</td>
</tr>
<tr>
<td><strong>Surgical</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surgery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cardiac/Thoracic/vascular Surgery</td>
<td>150,000</td>
<td>3.0</td>
<td>2.0</td>
<td>1.0</td>
<td>66.5%</td>
</tr>
<tr>
<td>- Bariatric Surgery</td>
<td>100,000</td>
<td>4.5</td>
<td>0.5</td>
<td>4.0</td>
<td>11.1%</td>
</tr>
<tr>
<td>- Colon &amp; Rectal Surgery</td>
<td>200,000</td>
<td>2.3</td>
<td>0.0</td>
<td>2.3</td>
<td>0.0%</td>
</tr>
<tr>
<td>- General Surgery</td>
<td>20,000</td>
<td>22.6</td>
<td>14.6</td>
<td>8.0</td>
<td>64.5%</td>
</tr>
<tr>
<td>- Vascular Surgery</td>
<td>120,000</td>
<td>3.6</td>
<td>3.3</td>
<td>0.3</td>
<td>91.4%</td>
</tr>
<tr>
<td>Neurosurgery</td>
<td>85,000</td>
<td>5.3</td>
<td>4.0</td>
<td>1.3</td>
<td>75.3%</td>
</tr>
<tr>
<td>Ophthalmology</td>
<td>34,000</td>
<td>13.3</td>
<td>9.6</td>
<td>3.7</td>
<td>72.3%</td>
</tr>
<tr>
<td>Orthopedic Surgery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- General/Sports Medicine</td>
<td>26,000</td>
<td>17.4</td>
<td>8.3</td>
<td>9.1</td>
<td>47.8%</td>
</tr>
<tr>
<td>- Foot/Ankle</td>
<td>225,000</td>
<td>1.5</td>
<td>0.0</td>
<td>1.5</td>
<td>0.0%</td>
</tr>
<tr>
<td>- Hand Surgery</td>
<td>225,000</td>
<td>2.0</td>
<td>0.0</td>
<td>2.0</td>
<td>0.0%</td>
</tr>
<tr>
<td>- Total Joint Reconstructive Surgery</td>
<td>175,000</td>
<td>2.6</td>
<td>0.7</td>
<td>1.9</td>
<td>27.1%</td>
</tr>
<tr>
<td>- Trauma</td>
<td>160,000</td>
<td>2.8</td>
<td>0.3</td>
<td>2.5</td>
<td>10.6%</td>
</tr>
<tr>
<td>Otorhinolaryngology</td>
<td>37,000</td>
<td>12.2</td>
<td>3.4</td>
<td>8.8</td>
<td>27.9%</td>
</tr>
<tr>
<td>Plastic Reconstructive Surgery</td>
<td>80,000</td>
<td>5.0</td>
<td>2.0</td>
<td>3.0</td>
<td>39.9%</td>
</tr>
<tr>
<td>Spine Surgery</td>
<td>175,000</td>
<td>2.6</td>
<td>1.3</td>
<td>1.3</td>
<td>50.4%</td>
</tr>
<tr>
<td>Urology</td>
<td>32,000</td>
<td>14.1</td>
<td>3.4</td>
<td>10.7</td>
<td>23.7%</td>
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<tr>
<td><strong>Service Area Population</strong></td>
<td>451,460</td>
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</tbody>
</table>

Note: Ratios rounded.

*Primary Care Physician Supply includes APPs. APPs allocated 0.80 FTE.
# GASH Community Physician Needs Model

## Table: Physician Needs by Specialty

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Population to Support One Physician</th>
<th>Gross Physician Need</th>
<th>FTE Physician Supply</th>
<th>Net Need (Surplus)</th>
<th>Current Supply % of Need</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary Care</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adult Primary Care (FM &amp; IM)*</td>
<td>2,000</td>
<td>194.2</td>
<td>189.9</td>
<td>4.3</td>
<td>97.8%</td>
</tr>
<tr>
<td>Pediatrics (General)</td>
<td>8,000</td>
<td>48.6</td>
<td>48.4</td>
<td>0.2</td>
<td>99.7%</td>
</tr>
<tr>
<td><strong>Medical</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allergy &amp; Immunology</td>
<td>75,000</td>
<td>5.2</td>
<td>5.3</td>
<td>0.1</td>
<td>101.4%</td>
</tr>
<tr>
<td>Cardiology</td>
<td>22,000</td>
<td>17.6</td>
<td>14.2</td>
<td>3.4</td>
<td>80.5%</td>
</tr>
<tr>
<td>- Electrophysiology</td>
<td>220,000</td>
<td>1.8</td>
<td>0.5</td>
<td>1.3</td>
<td>28.3%</td>
</tr>
<tr>
<td>- Interventional/Intensive</td>
<td>63,000</td>
<td>6.2</td>
<td>6.0</td>
<td>0.2</td>
<td>97.3%</td>
</tr>
<tr>
<td>Medical/Non-Intensive</td>
<td>40,000</td>
<td>9.7</td>
<td>7.7</td>
<td>2.0</td>
<td>79.3%</td>
</tr>
<tr>
<td>Dermatology</td>
<td>40,000</td>
<td>9.7</td>
<td>4.3</td>
<td>5.4</td>
<td>44.3%</td>
</tr>
<tr>
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<td>6.5</td>
<td>2.9</td>
<td>3.6</td>
<td>44.8%</td>
</tr>
<tr>
<td>Gastroenterology</td>
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<td>9.7</td>
<td>5.6</td>
<td>3.9</td>
<td>60.0%</td>
</tr>
<tr>
<td>Infectious Diseases</td>
<td>90,000</td>
<td>4.3</td>
<td>3.5</td>
<td>0.8</td>
<td>33.5%</td>
</tr>
<tr>
<td>Nephrology</td>
<td>85,000</td>
<td>4.6</td>
<td>13.9</td>
<td>-9.3</td>
<td>304.2%</td>
</tr>
<tr>
<td>Neurology</td>
<td>44,000</td>
<td>8.8</td>
<td>7.8</td>
<td>1.0</td>
<td>88.4%</td>
</tr>
<tr>
<td>Obstetrics/Gynecology</td>
<td>10,000</td>
<td>28.8</td>
<td>27.7</td>
<td>1.1</td>
<td>71.7%</td>
</tr>
<tr>
<td>Oncology/Hematology</td>
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<td>19.8</td>
<td>5.2</td>
<td>5.6</td>
<td>48.2%</td>
</tr>
<tr>
<td>Gynecology/Oncology</td>
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<td>0.0</td>
<td>3.9</td>
<td>0.0%</td>
</tr>
<tr>
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<td>1.0</td>
<td>13.4%</td>
</tr>
<tr>
<td>Physical Medicine &amp; Rehabilitation</td>
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<td>5.5</td>
<td>0.9</td>
<td>120.0%</td>
</tr>
<tr>
<td>Psychiatry</td>
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<td>11.8</td>
<td>7.6</td>
<td>60.8%</td>
</tr>
<tr>
<td>Pulmonary Medicine</td>
<td>85,000</td>
<td>4.6</td>
<td>2.7</td>
<td>1.9</td>
<td>59.1%</td>
</tr>
<tr>
<td>Radiation Oncology</td>
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<td>4.1</td>
<td>2.8</td>
<td>1.3</td>
<td>68.5%</td>
</tr>
<tr>
<td>Rheumatology</td>
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<td>3.2</td>
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<td>41.2%</td>
</tr>
<tr>
<td><strong>Surgical</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surgery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cardiothoracic/vascular Surgery</td>
<td>150,000</td>
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<td>2.0</td>
<td>0.6</td>
<td>77.2%</td>
</tr>
<tr>
<td>- Bariatric Surgery</td>
<td>100,000</td>
<td>3.9</td>
<td>0.5</td>
<td>3.4</td>
<td>12.9%</td>
</tr>
<tr>
<td>- Colon &amp; Rectal Surgery</td>
<td>200,000</td>
<td>1.9</td>
<td>0.0</td>
<td>1.9</td>
<td>0.0%</td>
</tr>
<tr>
<td>- General Surgery</td>
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<td>19.4</td>
<td>14.6</td>
<td>4.8</td>
<td>74.9%</td>
</tr>
<tr>
<td>- Vascular Surgery</td>
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<td>3.3</td>
<td>0.2</td>
<td>106.2%</td>
</tr>
<tr>
<td>Neurosurgery</td>
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<td>4.6</td>
<td>4.0</td>
<td>0.6</td>
<td>87.5%</td>
</tr>
<tr>
<td>Ophthalmology</td>
<td>34,000</td>
<td>11.4</td>
<td>9.6</td>
<td>1.8</td>
<td>84.9%</td>
</tr>
<tr>
<td>Orthopedic Surgery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- General/Sports Medicine</td>
<td>26,000</td>
<td>14.9</td>
<td>8.3</td>
<td>6.6</td>
<td>55.8%</td>
</tr>
<tr>
<td>- Foot/Ankle</td>
<td>295,000</td>
<td>1.3</td>
<td>0.0</td>
<td>1.3</td>
<td>0.0%</td>
</tr>
<tr>
<td>- Hand Surgery</td>
<td>225,000</td>
<td>1.7</td>
<td>0.0</td>
<td>1.7</td>
<td>0.0%</td>
</tr>
<tr>
<td>- Total Joint Reconstructive Surgery</td>
<td>175,000</td>
<td>2.2</td>
<td>0.7</td>
<td>1.5</td>
<td>15.1%</td>
</tr>
<tr>
<td>Trauma</td>
<td>150,000</td>
<td>2.4</td>
<td>1.0</td>
<td>1.4</td>
<td>12.9%</td>
</tr>
<tr>
<td>Otorhinolaryngology</td>
<td>37,000</td>
<td>10.5</td>
<td>3.4</td>
<td>7.1</td>
<td>32.4%</td>
</tr>
<tr>
<td>Plastic/Reconstructive Surgery</td>
<td>90,000</td>
<td>4.3</td>
<td>2.0</td>
<td>2.3</td>
<td>46.3%</td>
</tr>
<tr>
<td>Spine Surgery</td>
<td>175,000</td>
<td>2.2</td>
<td>1.3</td>
<td>0.9</td>
<td>58.6%</td>
</tr>
<tr>
<td>Urology</td>
<td>82,000</td>
<td>12.1</td>
<td>3.4</td>
<td>8.7</td>
<td>107.6%</td>
</tr>
<tr>
<td><strong>Service Area Population</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Ratios rounded.

*Primary Care Physician Supply includes APPs. APPs allocated 0.80 FTE
Purpose, Methodology, and Background
Executive Summary
Service Area Definitions & Demographics
Community Physician Needs
**Physician Market Profile**
Recruitment Recommendations
Appendices
## Physician Market Summary

### Physician Market Age Profile

The TSA has approximately 500 physicians of which an estimated 30% are over the age of 60 and the average age is 52.8. Certain specialties are vulnerable from a succession planning standpoint.

### Physician Market by Type

While physician by type (PCP/medical/surgical/) are well represented, the area continues to have retention issues e.g. departures of APPs after fulfilling requirements of student loan forgiveness programs (est. 2-3 years).

### Physician Distribution by Community

Physicians in the TSA are predominantly located in the Cities of Visalia, Hanford, Porterville, and Tulare.

### Sub-market Physician Supply Comparison

The TSA is the most underserved service area overall while the PSA has the highest per capita physician supply.

### Physician by Type

<table>
<thead>
<tr>
<th>Type</th>
<th>Count</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Care</td>
<td>210</td>
<td>43.8%</td>
</tr>
<tr>
<td>Medical Specialists</td>
<td>180</td>
<td>37.5%</td>
</tr>
<tr>
<td>Surgical Specialists</td>
<td>90</td>
<td>18.8%</td>
</tr>
</tbody>
</table>
**Physician Market Profile: Age by Specialty**

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Total Physician</th>
<th>Average Age</th>
<th>&lt;40</th>
<th>41-50</th>
<th>51-60</th>
<th>61-70</th>
<th>71+</th>
<th>% Senior Workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary Care</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family Practice/General Practice</td>
<td>98</td>
<td>53.7</td>
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</table>
The PSA has the highest per capita physician supply (primary care, medical specialties, and surgical specialties).

The GASH has the second-highest per capita physician supply across primary care, medical, and surgical care.

KDMC’s TSA is the most underserved service area overall.
## Comparison of Physician Needs by Service Area

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<th>Specialty</th>
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<td>Kings County</td>
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<td>KDMC TSA</td>
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**Service Area Population**

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Note: Ratios rounded

*Primary Care Physician Supply includes APPs. APPs allocated 0.80 FTE

*Same table as pg 20
Physician Distribution by Community

- Physicians are predominantly located within the Cities of Visalia, Hanford, Porterville, and Tulare.
- The City of Visalia has high representation of medical specialties and low representation of primary care physicians.
The table on the following page highlights specialty vulnerability within the TSA based on key factors including:

- Current need
- Succession planning
- Aging workforce

The most vulnerable specialties include:

- Primary Care
- Gastroenterology
- Oncology/Hematology
- Urology
- Orthopedic Surgery
- ENT
## Physician Workforce Vulnerability Analysis – cont’d

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<th>Total Physicians</th>
<th>Current Supply % of Need</th>
<th>FTEs Needed*</th>
<th>Expressed Need through Interviews</th>
<th>% of Physicians Age 60+</th>
<th>Departure/Retirement Expressed</th>
<th>Risk Level</th>
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<td>9</td>
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* () indicates adequate supply
(1) General Surgery includes bariatric surgery and colorectal surgery
Note: Ages for all physicians not available. The above metrics are best estimates with current data.
**Physician Market Profile: Identified Succession Planning**

Using 65 years of age as a benchmark for retirement/practice slowdown, the following physicians should be monitored for succession planning.

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Key Findings/Reflections from Interviews

- KDMC has been and continues to pursue efforts to better meet the needs of the community.
  - The Hospital continues to build new residency programs to help alleviate the physician shortage and improve retention of physicians within the area.
    - Anecdotal reports indicate about half the residents remain in the area post-residency.
    - Residency programs have been geared towards specialties that are difficult to recruit for—e.g., behavioral health, emergency medicine, primary care, and surgery.
  - Kaweah has been flexible in creating different vehicles to support physicians and physician recruitment in the area e.g. Delta Doctors, Key Medical Associates, Visalia Medical Clinic (employed-like).
  - Despite that the area is largely FFS, KDMC has been progressive in its efforts to shift to FFV. The Hospital has created Sequoia Integrated Health to improve care quality/reduce costs under a risk-based model.
  - KDMC is exploring opportunities to build additional capacity to better accommodate growth, enhance access to care, and reduce potential leakage.
Key Findings/Reflections from Interviews – cont’d

• Many have expressed that the health of the Medi-Cal population seeking care in the FQHCs via APPs could be better managed with enhanced care continuity and potentially reduce avoidable emergency department visits.
  • Given the size of the Medi-Cal population in the area and the shift from FFS to FFV, KDMC’s efforts to enter into the FQHC space will be important.
    – KDMC has applied for FQHC privilege and is exploring the ability to create a medical home – an integrated delivery model to monitor its patients throughout their continuum of care.

• Interviewees have expressed the following specialties as significant needs due to long wait and/or access issues in the following specialties:
  • Adult primary care
  • GI
  • Urology
  • Psychiatry (adult and pediatric)
  • ENT
Expressed Needs by Interviewees

- Primary Care
- Gastroenterology
- Urology
- Psychiatry
- ENT
- Rheumatology
- OB/GYN
- Orthopedics
- Oncology
- Neurology
- Hand Surgery
- Endocrinology
- Dermatology
- Colorectal Surgery
- Orthopedic Trauma
Purpose, Methodology, and Background
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Physician Market Profile
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Appendices
Recommendation: Physician/Provider Recruitment and Development Targets

- Based on qualitative and quantitative analysis of the service area(s) and feedback from interviews, suggested physician/provider needs by specialty are detailed on the following pages.
## Recommendation: Physician/Provider Recruitment and Development Targets – cont’d

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Minimum FTEs Needed</th>
<th>Indicated Need Through Interviews</th>
<th>Potential Succession Planning Needed</th>
<th>Community Need for Physicians</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>FM/IM</td>
<td>3-4</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>Access issues, Practice slow down</td>
</tr>
<tr>
<td>Dermatology</td>
<td>1-2</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>Practice slowdown</td>
</tr>
<tr>
<td>Endocrinology</td>
<td>1</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>Anticipated retirement</td>
</tr>
<tr>
<td>Gastroenterology</td>
<td>2-3</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>Access issues, Anticipated retirement, ED call and I/P coverage issues, Medi-Cal population not being seen</td>
</tr>
<tr>
<td>OB/GYN</td>
<td>1-2</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>Need for OB/Gyns for Medi-Cal population</td>
</tr>
<tr>
<td>Palliative Medicine</td>
<td>1</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>Growing community demand, Only one physician present</td>
</tr>
<tr>
<td>Psychiatry</td>
<td>1-2</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>Access issues, Need for pediatric psychiatrist(s)</td>
</tr>
<tr>
<td>Rheumatology</td>
<td>1</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>Access issues, Leakage</td>
</tr>
</tbody>
</table>

223/604
### Recommendation: Physician/Provider Recruitment and Development Targets – cont’d

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Minimum FTEs Needed</th>
<th>Indicated Need Through Interviews</th>
<th>Potential Succession Planning Needed</th>
<th>Community Need for Physicians</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colon &amp; Rectal Surgery</td>
<td>1</td>
<td>✔️</td>
<td></td>
<td>✔️</td>
<td>No physician currently present in the area</td>
</tr>
<tr>
<td>General Surgery</td>
<td>1-2</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>Access issues, Growth</td>
</tr>
<tr>
<td>Orthopedic Surgery</td>
<td>1</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>Need for general and subspecialized surgeons, Community leakage</td>
</tr>
<tr>
<td>ENT</td>
<td>1-2</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>Aging workforce, Access and ED call issues</td>
</tr>
<tr>
<td>Urology</td>
<td>2-3</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>Aging workforce, Access issues, ED call and I/P coverage issues, Community leakage</td>
</tr>
<tr>
<td>Neurology</td>
<td>1</td>
<td>☑️</td>
<td>☑️</td>
<td>✔️</td>
<td>I/P coverage issues</td>
</tr>
<tr>
<td>Cardiology: Electrophysiology</td>
<td>1</td>
<td>☑️</td>
<td>☑️</td>
<td>✔️</td>
<td>Additional depth and breath needed in service line</td>
</tr>
</tbody>
</table>
Purpose, Methodology, and Background
Executive Summary
Service Area Definitions & Demographics
Community Physician Needs
Physician Market Profile
Recruitment Recommendations
Appendices
## Appendix A: Interviewees

<table>
<thead>
<tr>
<th>Name</th>
<th>Clinical Area/Administration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gary Herbst</td>
<td>CEO - Kaweah Delta</td>
</tr>
<tr>
<td>Dr. Bruce Hall</td>
<td>Internist/CMO of Kaweah Delta Medical Foundation</td>
</tr>
<tr>
<td>Marc Mertz</td>
<td>VP Chief of Strategy</td>
</tr>
<tr>
<td>Ryan Gates</td>
<td>VP of Population Health Management</td>
</tr>
<tr>
<td>Brent Boyd</td>
<td>CEO of Foundation for Medical Care of Tulare &amp; Kings Counties, Inc.</td>
</tr>
<tr>
<td>Dr. Mandeep Bagga</td>
<td>Psychiatry</td>
</tr>
<tr>
<td>Dr. Seth Criner</td>
<td>Orthopedic Surgery/Trauma</td>
</tr>
<tr>
<td>Dr. Monica Manga</td>
<td>Internal Medicine, Vice Chief of Staff</td>
</tr>
<tr>
<td>Dr. Onsy Said</td>
<td>Adult Hospitalist</td>
</tr>
<tr>
<td>Dr. Lori Winston</td>
<td>EM/Designated Institution Officer</td>
</tr>
</tbody>
</table>
Appendix B: Physician Market Inventory List

- Attached separately
Appendix C: Service Area Definitions and Demographics

The following pages provide the below details:

- KDMC Service Area maps by sub-market (PSA, TSA & FPSA)
- KDMC Service Area demographics by sub-market (PSA, TSA & FPSA)
- KDMC GASH
  - Legal definition
  - Area map and area definition
  - Demographics
Appendix C: KDMC Service Area Definitions & Area Depictions

TSA = PSA + SSA
The strategic service areas have younger populations when compared to California as a whole, and a correspondingly small segment of the senior population (65+).

The pediatric population (age 00-17) is proportionally higher (30%) when compared to the State (23%).

The service areas are largely Hispanic and White. Compared to the State, the Hispanic population is proportionally higher (60% to 70% vs 40%).
Appendix C: Projected Growth – KDMC Service Area(s)

5-Year Population Growth Projected by ZIP Code

Population % Change
-1.2%
0%
1.15%
2.36%
3.47%
4.9%
5.57%

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Appendix C: Projected Growth – KDMC Service Area(s) – cont’d

Population by Age Cohort
2020 - 2025

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Service Area</th>
<th>Percent of Population</th>
<th>Market Growth Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-17</td>
<td>PSA</td>
<td>66,411</td>
<td>29.0%</td>
</tr>
<tr>
<td>18-44</td>
<td>PSA</td>
<td>84,931</td>
<td>37.1%</td>
</tr>
<tr>
<td>45-64</td>
<td>PSA</td>
<td>49,171</td>
<td>21.5%</td>
</tr>
<tr>
<td>65-UP</td>
<td>PSA</td>
<td>28,295</td>
<td>12.4%</td>
</tr>
<tr>
<td>Overall</td>
<td>PSA</td>
<td>228,808</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age Group</th>
<th>PSA</th>
<th>Market Growth Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-17</td>
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<td>0%</td>
</tr>
<tr>
<td>18-44</td>
<td>84,931</td>
<td>3%</td>
</tr>
<tr>
<td>45-64</td>
<td>49,171</td>
<td>2%</td>
</tr>
<tr>
<td>65-UP</td>
<td>28,295</td>
<td>15%</td>
</tr>
<tr>
<td>Overall</td>
<td>228,808</td>
<td>3%</td>
</tr>
</tbody>
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<table>
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<th>Market Growth Rates</th>
</tr>
</thead>
<tbody>
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<td>1%</td>
</tr>
<tr>
<td>45-64</td>
<td>49,171</td>
<td>2%</td>
</tr>
<tr>
<td>65-UP</td>
<td>28,295</td>
<td>16%</td>
</tr>
<tr>
<td>Overall</td>
<td>228,808</td>
<td>3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age Group</th>
<th>PSA</th>
<th>Market Growth Rates</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
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<td>2%</td>
</tr>
<tr>
<td>65-UP</td>
<td>28,295</td>
<td>15%</td>
</tr>
<tr>
<td>Overall</td>
<td>228,808</td>
<td>3%</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
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</thead>
<tbody>
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</tr>
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</tr>
<tr>
<td>65-UP</td>
<td>28,295</td>
<td>16%</td>
</tr>
<tr>
<td>Overall</td>
<td>228,808</td>
<td>3%</td>
</tr>
</tbody>
</table>

Overall, the strategic service areas growth trends are similar to that of the State with the exception that the age 18-44 cohort and the age 45-64 cohort will grow at a more rapid rate compared to California. Despite the service areas being a younger population, it is the senior population that will have the biggest growth.
Appendix C: GASH Definition

- **Geographic Area Served by the Hospital (GASH):**
  - The Centers for Medicare & Medicaid Services’ Stark Regulations (42 CFR §411.357) states:
    1. (2)(i) The “geographic area served by the hospital” is the area composed of the lowest number of contiguous ZIP Codes from which the hospital draws at least 75 percent of its inpatients. The geographic area served by the hospital may include one or more ZIP Codes from which the hospital draws no inpatients, provided that such ZIP Codes are entirely surrounded by ZIP Codes in the geographic area described above from which the hospital draws at least 75 percent of its inpatients.
    2. (2)(iii) Special optional rule for rural hospitals. In the case of a hospital located in a rural area (as defined at §411.351), the “geographic area served by the hospital” may also be the area composed of the lowest number of contiguous ZIP Codes from which the hospital draws at least 90 percent of its inpatients. If the hospital draws fewer than 90 percent of its inpatients from all of the contiguous ZIP Codes from which it draws inpatients, the “geographic area served by the hospital” may include noncontiguous ZIP Codes, beginning with the noncontiguous ZIP Code in which the highest percentage of the hospital’s inpatients resides, and continuing to add noncontiguous ZIP Codes in decreasing order of percentage of inpatients.
Appendix C: KDMC GASH Definition & Area Depiction

### Inpatient Discharges

<table>
<thead>
<tr>
<th>ZIP Code</th>
<th>Community</th>
<th>Total</th>
<th>%</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>93277</td>
<td>Visalia</td>
<td>4,377</td>
<td>15.7%</td>
<td>15.7%</td>
</tr>
<tr>
<td>93291</td>
<td>Visalia</td>
<td>4,362</td>
<td>15.7%</td>
<td>31.4%</td>
</tr>
<tr>
<td>93274</td>
<td>Tulare</td>
<td>4,267</td>
<td>15.3%</td>
<td>46.7%</td>
</tr>
<tr>
<td>93292</td>
<td>Visalia</td>
<td>3,177</td>
<td>11.4%</td>
<td>58.1%</td>
</tr>
<tr>
<td>93257</td>
<td>Porterville</td>
<td>1,191</td>
<td>4.3%</td>
<td>62.4%</td>
</tr>
<tr>
<td>93221</td>
<td>Exeter</td>
<td>1,138</td>
<td>4.1%</td>
<td>66.5%</td>
</tr>
<tr>
<td>93618</td>
<td>Dinuba</td>
<td>853</td>
<td>3.1%</td>
<td>69.5%</td>
</tr>
<tr>
<td>93223</td>
<td>Farmersville</td>
<td>851</td>
<td>3.1%</td>
<td>72.6%</td>
</tr>
<tr>
<td>93247</td>
<td>Lindsay</td>
<td>777</td>
<td>2.8%</td>
<td>75.4%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td>20,993</td>
<td>75.4%</td>
<td></td>
</tr>
<tr>
<td><strong>Other ZIPS</strong></td>
<td></td>
<td>6,860</td>
<td>24.6%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>27,853</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

Note: Excludes normal newborns

Source: KDMC CY 2019
Residents in the GASH are younger when compared to California as a whole.

The population between the age of 18 and 64 is expected to grow at a more rapid rate compared to California.

The senior population (age 65+) is expected to grow at a similar pace to California. However, this segment of the population comprises a small percentage of the GASH population.
Appendix C: Ethnic Profile – KDMC GASH

The GASH is predominantly Hispanic and White.

The Hispanic population is proportionally higher when compared to California as a whole and will continue to grow.
The GASH population is young, and the area itself is rapidly growing.

The City of Visalia, with estimated 60K residents, is projected to grow the most—by 5%.

Despite being a young population, the senior cohort (65+) is expected to grow at almost five times the rate of the non-senior population.
Appendix D: Physician Needs Model excluding Medi-Cal

- Given that a large segment of the population is insured through Medi-Cal and not all practices accept Medi-Cal, the following pages highlight physician needs based on the exclusion of this population.
- KDMC provided the percentage of the population that is insured through Medi-Cal. As such, the needs model is reflective of this segmentation.
  - Tulare County: excludes 55% of the estimated 463K residents
  - PSA: excludes 39% of the estimated 228K residents
  - TSA: excludes 39% of the estimated 597K residents
- A majority of the specialties being evaluated are at or near adequate supply with the exception of
  - Dermatology
  - Oncology/hematology
  - General surgery
  - Orthopedics
  - ENT
  - Urology
**Appendix D: Physician Needs Model excluding Medi-Cal – cont’d**

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Population to Support One Physician</th>
<th>Gross Physician Need</th>
<th>FTE Physician Need</th>
<th>Net Need Surplus/Deficit</th>
<th>Current Supply % of Need</th>
<th>Gross Physician Need</th>
<th>FTE Physician Need</th>
<th>Net Need Surplus/Deficit</th>
<th>Current Supply % of Need</th>
<th>Gross Physician Need</th>
<th>FTE Physician Need</th>
<th>Net Need Surplus/Deficit</th>
<th>Current Supply % of Need</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adult Primary Care (P&amp;M)</strong>*</td>
<td>2,000</td>
<td>104.4</td>
<td>207.7 (102.6)</td>
<td>198.3%</td>
<td>69.8</td>
<td>158.9 (89.1)</td>
<td>227.6%</td>
<td>182.2</td>
<td>243.0 (60.8)</td>
<td>133.3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Pediatrics (General)</strong></td>
<td>8,000</td>
<td>26.1</td>
<td>49.7 (23.6)</td>
<td>190.5%</td>
<td>17.4</td>
<td>30.4 (13.0)</td>
<td>174.2%</td>
<td>65.6</td>
<td>59.3 (26.7)</td>
<td>130.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Medical</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Allergy &amp; Immunology</strong></td>
<td>75,000</td>
<td>2.8</td>
<td>5.3 (2.5)</td>
<td>188.7%</td>
<td>1.9</td>
<td>4.7 (2.8)</td>
<td>249.9%</td>
<td>4.9</td>
<td>5.5 (0.6)</td>
<td>113.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cardiology</strong></td>
<td>22,000</td>
<td>9.5</td>
<td>14.2 (4.7)</td>
<td>149.8%</td>
<td>6.3</td>
<td>11.2 (4.9)</td>
<td>176.7%</td>
<td>16.6</td>
<td>16.4</td>
<td>0.2</td>
<td>99.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Electrophysiology</td>
<td>220,000</td>
<td>0.9</td>
<td>0.5</td>
<td>0.4</td>
<td>52.7%</td>
<td>0.6</td>
<td>0.5 (0.1)</td>
<td>78.8%</td>
<td>1.7</td>
<td>0.5</td>
<td>1.2</td>
<td>30.2%</td>
<td></td>
</tr>
<tr>
<td>- Interventional/Invasive</td>
<td>40,000</td>
<td>3.2</td>
<td>7.7 (2.5)</td>
<td>147.6%</td>
<td>3.5</td>
<td>5.7 (2.2)</td>
<td>163.4%</td>
<td>9.1</td>
<td>8.7</td>
<td>0.4</td>
<td>96.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Dermatology</strong></td>
<td>40,000</td>
<td>5.2</td>
<td>5.8</td>
<td>0.9</td>
<td>82.4%</td>
<td>3.5</td>
<td>4.0 (0.5)</td>
<td>114.6%</td>
<td>9.1</td>
<td>5.0</td>
<td>4.1</td>
<td>54.9%</td>
<td></td>
</tr>
<tr>
<td><strong>Endocrinology</strong></td>
<td>60,000</td>
<td>3.5</td>
<td>2.9</td>
<td>0.6</td>
<td>83.4%</td>
<td>2.3</td>
<td>1.9</td>
<td>0.4</td>
<td>81.7%</td>
<td>6.1</td>
<td>3.1</td>
<td>3.0</td>
<td>51.0%</td>
</tr>
<tr>
<td><strong>Gastroenterology</strong></td>
<td>40,000</td>
<td>5.2</td>
<td>7.7 (2.5)</td>
<td>147.6%</td>
<td>3.2</td>
<td>6.8 (2.8)</td>
<td>225.7%</td>
<td>5.8</td>
<td>7.2</td>
<td>(1.4)</td>
<td>124.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Infectious Diseases</strong></td>
<td>30,000</td>
<td>2.3</td>
<td>1.5</td>
<td>0.8</td>
<td>82.4%</td>
<td>1.6</td>
<td>1.5</td>
<td>0.1</td>
<td>93.5%</td>
<td>4.0</td>
<td>1.5</td>
<td>2.5</td>
<td>35.8%</td>
</tr>
<tr>
<td><strong>Neurology</strong></td>
<td>85,000</td>
<td>2.5</td>
<td>13.9</td>
<td>(11.4)</td>
<td>566.1%</td>
<td>1.6</td>
<td>11.8</td>
<td>(10.2)</td>
<td>718.6%</td>
<td>4.3</td>
<td>14.0</td>
<td>(9.7)</td>
<td>326.5%</td>
</tr>
<tr>
<td><strong>Obstetrics/Gynecology</strong></td>
<td>10,000</td>
<td>20.9</td>
<td>28.6</td>
<td>(7.7)</td>
<td>137.0%</td>
<td>14.0</td>
<td>16.2</td>
<td>(2.2)</td>
<td>116.1%</td>
<td>36.4</td>
<td>37.8</td>
<td>(1.4)</td>
<td>103.7%</td>
</tr>
<tr>
<td><strong>Oncology/Hematology</strong></td>
<td>36,000</td>
<td>5.8</td>
<td>5.2</td>
<td>0.6</td>
<td>89.7%</td>
<td>3.9</td>
<td>3.0</td>
<td>0.9</td>
<td>77.4%</td>
<td>10.1</td>
<td>5.5</td>
<td>4.6</td>
<td>54.3%</td>
</tr>
<tr>
<td><strong>Psychiatry</strong></td>
<td>40,000</td>
<td>6.1</td>
<td>9.6</td>
<td>(3.5)</td>
<td>156.4%</td>
<td>4.1</td>
<td>8.2</td>
<td>(4.1)</td>
<td>199.8%</td>
<td>10.7</td>
<td>10.1</td>
<td>0.6</td>
<td>96.6%</td>
</tr>
<tr>
<td><strong>Radiation Oncology</strong></td>
<td>40,000</td>
<td>5.2</td>
<td>2.7</td>
<td>(0.2)</td>
<td>111.7%</td>
<td>1.6</td>
<td>1.7</td>
<td>(2.1)</td>
<td>103.5%</td>
<td>4.3</td>
<td>2.8</td>
<td>1.5</td>
<td>63.9%</td>
</tr>
<tr>
<td><strong>Spine Surgery</strong></td>
<td>175,000</td>
<td>1.2</td>
<td>1.3</td>
<td>(0.1)</td>
<td>109.0%</td>
<td>1.1</td>
<td>1.3</td>
<td>(0.1)</td>
<td>259.7%</td>
<td>2.9</td>
<td>3.8</td>
<td>(0.9)</td>
<td>128.6%</td>
</tr>
<tr>
<td><strong>Surgical</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>- Cardiothoracic/vascular Surgery</strong></td>
<td>150,000</td>
<td>1.4</td>
<td>2.0</td>
<td>(0.6)</td>
<td>143.7%</td>
<td>0.9</td>
<td>2.0</td>
<td>(1.1)</td>
<td>214.9%</td>
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<td>82.3%</td>
</tr>
<tr>
<td><strong>- Bariatric Surgery</strong></td>
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<td>0.5</td>
<td>1.6</td>
<td>24.0%</td>
<td>1.4</td>
<td>0.5</td>
<td>0.9</td>
<td>35.6%</td>
<td>3.6</td>
<td>0.5</td>
<td>3.1</td>
<td>13.7%</td>
</tr>
<tr>
<td><strong>- Colo &amp; Rectal Surgery</strong></td>
<td>200,000</td>
<td>1.0</td>
<td>0.0</td>
<td>1.0</td>
<td>0.0%</td>
<td>0.7</td>
<td>0.0</td>
<td>0.7</td>
<td>0.0%</td>
<td>1.8</td>
<td>0.0</td>
<td>1.8</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>- General Surgery</strong></td>
<td>20,000</td>
<td>10.4</td>
<td>14.6</td>
<td>(4.2)</td>
<td>139.4%</td>
<td>7.0</td>
<td>9.8</td>
<td>(2.8)</td>
<td>140.4%</td>
<td>18.2</td>
<td>16.6</td>
<td>1.6</td>
<td>90.8%</td>
</tr>
<tr>
<td><strong>- Vascular Surgery</strong></td>
<td>125,000</td>
<td>1.7</td>
<td>3.3</td>
<td>(1.6)</td>
<td>196.7%</td>
<td>1.1</td>
<td>2.9</td>
<td>(1.8)</td>
<td>259.7%</td>
<td>2.9</td>
<td>3.8</td>
<td>(0.9)</td>
<td>128.6%</td>
</tr>
<tr>
<td><strong>- Neurosurgery</strong></td>
<td>85,000</td>
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<td>4.0</td>
<td>(1.5)</td>
<td>162.9%</td>
<td>1.6</td>
<td>4.0</td>
<td>(2.4)</td>
<td>243.6%</td>
<td>4.3</td>
<td>4.0</td>
<td>0.3</td>
<td>93.3%</td>
</tr>
<tr>
<td><strong>- Orthopaedics</strong></td>
<td>34,000</td>
<td>6.1</td>
<td>9.6</td>
<td>(3.5)</td>
<td>156.4%</td>
<td>4.1</td>
<td>8.2</td>
<td>(4.1)</td>
<td>199.8%</td>
<td>10.7</td>
<td>10.1</td>
<td>0.6</td>
<td>94.2%</td>
</tr>
<tr>
<td><strong>- Otorhinolaryngology</strong></td>
<td>37,000</td>
<td>5.6</td>
<td>3.4</td>
<td>2.2</td>
<td>60.3%</td>
<td>3.8</td>
<td>2.3</td>
<td>1.5</td>
<td>61.0%</td>
<td>9.8</td>
<td>5.1</td>
<td>4.7</td>
<td>51.8%</td>
</tr>
<tr>
<td><strong>- Plastic/Reconstructive Surgery</strong></td>
<td>90,000</td>
<td>2.3</td>
<td>2.9</td>
<td>(0.6)</td>
<td>127.4%</td>
<td>1.5</td>
<td>1.8</td>
<td>(0.3)</td>
<td>122.5%</td>
<td>3.8</td>
<td>2.8</td>
<td>1.0</td>
<td>92.6%</td>
</tr>
<tr>
<td><strong>- Pulmonary Medicine</strong></td>
<td>85,000</td>
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<td>2.7</td>
<td>(0.2)</td>
<td>111.0%</td>
<td>1.6</td>
<td>1.7</td>
<td>(2.1)</td>
<td>103.5%</td>
<td>4.3</td>
<td>2.8</td>
<td>1.5</td>
<td>63.9%</td>
</tr>
<tr>
<td><strong>- Radiation Oncology</strong></td>
<td>30,000</td>
<td>2.3</td>
<td>2.9</td>
<td>(0.6)</td>
<td>127.4%</td>
<td>1.5</td>
<td>1.8</td>
<td>(0.3)</td>
<td>122.5%</td>
<td>3.8</td>
<td>2.8</td>
<td>1.0</td>
<td>92.6%</td>
</tr>
<tr>
<td><strong>- Spine Surgery</strong></td>
<td>175,000</td>
<td>1.2</td>
<td>1.3</td>
<td>(0.1)</td>
<td>109.0%</td>
<td>0.8</td>
<td>1.3</td>
<td>(0.5)</td>
<td>163.0%</td>
<td>2.1</td>
<td>1.9</td>
<td>0.2</td>
<td>91.2%</td>
</tr>
<tr>
<td><strong>- Urology</strong></td>
<td>32,000</td>
<td>3.5</td>
<td>3.4</td>
<td>0.1</td>
<td>51.4%</td>
<td>4.4</td>
<td>1.8</td>
<td>2.6</td>
<td>40.1%</td>
<td>11.4</td>
<td>5.4</td>
<td>6.0</td>
<td>47.0%</td>
</tr>
</tbody>
</table>

**Service Area Population** 208,716

<table>
<thead>
<tr>
<th>Tulare County</th>
<th>KDMC PSA</th>
<th>KDMC TSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Primary Care (P&amp;M)*</td>
<td>139,573</td>
<td>Need</td>
</tr>
<tr>
<td>Pediatrics (General)</td>
<td>104,540</td>
<td>Need</td>
</tr>
<tr>
<td>Medical</td>
<td>Adequate Supply</td>
<td>Adequate Supply</td>
</tr>
</tbody>
</table>

Note: Ratios rounded.

*Primary Care Physician Supply includes ARPs. APPs allocated 0.80 FTE.
Sg2, a Vizient company, is the health care industry’s premier authority on health care trends, insights and market analytics. Our analytics and expertise help hospitals and health systems achieve sustainable growth and ensure ongoing market relevance through the development of an effective System of CARE.

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## Kaweah Delta Physician Recruitment and Relations
### Medical Staff Recruitment Report - November 2020

Prepared by: Brittany Taylor, Director of Physician Recruitment and Relations - btaylor@kdhcd.org - (559)624-2899

Date prepared: 11/19/2020

### Central Valley Critical Care Medicine
- **Intensivist**: 2

### Oak Creek Anesthesia Services, Inc.
- **Anesthesiology - General**: 1

### Delta Doctors Inc.
- **OB/Gyn**: 1

### Kaweah Delta Faculty Medical Group
- **Family Medicine Associate Program Director**: 1
- **Family Medicine Core Faculty**: 2

### Key Medical Associates
- **Internal Medicine/Family Medicine**: 2

### Other Recruitment
- **Palliative Medicine**: 1
- **Neurology**: 1
- **Orthopedic Surgery (Trauma)**: 1

### Valley Children's Health Care
- **Maternal Fetal Medicine**: 2
- **Neonatology**: 1

### Visalia Medical Clinic (Kaweah Delta Medical Foundation)
- **Dermatology**: 1
- **Adult Primary Care**: 3
- **Colorectal Surgery**: 1
- **Gastroenterology**: 1
- **Gynecology**: 1
- **OB/GYN**: 3
- **Orthopedic Surgery (Hand)**: 1
- **Otolaryngology**: 1
- **Radiology - Diagnostic**: 1
- **Urology**: 2
<table>
<thead>
<tr>
<th>Specialty/Position</th>
<th>Group</th>
<th>Last Name</th>
<th>First Name</th>
<th>Availability</th>
<th>Referral Source</th>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anesthesiology - Cardiac</td>
<td>Oak Creek Anesthesia</td>
<td>Satoh, M.D.</td>
<td>Kei</td>
<td>08/21</td>
<td>Spouse of Dr. Richard Ho, Urologist</td>
<td>Currently under review</td>
</tr>
<tr>
<td>Anesthesia - Chronic Pain</td>
<td>Oak Creek Anesthesia Services, Inc. / Dr. Brandon Sorensen</td>
<td>Truong, M.D.</td>
<td>Khoa</td>
<td>08/21</td>
<td>Spouse of Dr. Jessica Hong, GI</td>
<td>Site Visit Pending dates</td>
</tr>
<tr>
<td>Colorectal Surgery</td>
<td>Visalia Medical Clinic (Kaweah Delta Medical Foundation)</td>
<td>Ota, M.D.</td>
<td>Kyle</td>
<td>08/21</td>
<td>Current KD General Surgery resident</td>
<td>Offer accepted; Contract pending</td>
</tr>
<tr>
<td>Family Medicine</td>
<td>Visalia Medical Clinic (Kaweah Delta Medical Foundation)</td>
<td>Patty, M.D.</td>
<td>Christina</td>
<td>08/20</td>
<td>Direct - Local Candidate</td>
<td>Site Visit: 2/5/19; Offer accepted; Start Date: 1/4/21</td>
</tr>
<tr>
<td>Family Medicine - Associate Program Director</td>
<td>Kaweah Delta Faculty Medical Group</td>
<td>Ramirez, M.D.</td>
<td>Magda</td>
<td>ASAP</td>
<td>Current Core Faculty with Kaweah Delta Faculty Medical Group</td>
<td>Interview: 12/17/20</td>
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<tr>
<td>Family Medicine Core Faculty</td>
<td>Kaweah Delta Faculty Medical Group</td>
<td>Al-Tai, M.D.</td>
<td>Zeena</td>
<td>08/21</td>
<td>Pacific Companies - 7/13/20</td>
<td>Currently under review</td>
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<tr>
<td>Family Medicine Core Faculty</td>
<td>Kaweah Delta Faculty Medical Group</td>
<td>Bassali, M.D.</td>
<td>Mariam</td>
<td>08/21</td>
<td>Referred by Dr. Martinez - 10/14/20</td>
<td>Site visit pending dates</td>
</tr>
<tr>
<td>Family Medicine Core Faculty</td>
<td>Kaweah Delta Faculty Medical Group</td>
<td>Gutierrez, M.D.</td>
<td>Mario</td>
<td>TBD</td>
<td>Referred by Dr. Martinez - 8/14/20</td>
<td>Site visit pending dates</td>
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<tr>
<td>Family Medicine Core Faculty</td>
<td>Kaweah Delta Faculty Medical Group</td>
<td>Mohamed, M.D.</td>
<td>Hashem</td>
<td>ASAP</td>
<td>Direct Referral - Dr. Ahmed Amari</td>
<td>Site visit pending dates</td>
</tr>
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<td>Family Medicine Core Faculty</td>
<td>Kaweah Delta Faculty Medical Group</td>
<td>Sandoval, M.D.</td>
<td>Omar</td>
<td>08/21</td>
<td>Referred by Dr. Martinez - 8/14/20</td>
<td>Site Visit: 11/24/20</td>
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<tr>
<td>Gastroenterology</td>
<td>Valley Hospitalist Medical Group</td>
<td>Aita, M.D.</td>
<td>John</td>
<td>ASAP</td>
<td>Carson Kolb - 8/4/20</td>
<td>Interested in part-time; Site visit pending dates</td>
</tr>
<tr>
<td>Gastroenterology</td>
<td>Visalia Medical Clinic (Kaweah Delta Medical Foundation)</td>
<td>Dababneh, M.D.</td>
<td>Nader</td>
<td>TBD</td>
<td>CompHealth - 10/24/20</td>
<td>Currently under review</td>
</tr>
<tr>
<td>Gastroenterology</td>
<td>Visalia Medical Clinic (Kaweah Delta Medical Foundation)</td>
<td>Hong, M.D.</td>
<td>Jessica</td>
<td>09/21</td>
<td>Direct Referral (Spouse of Dr. Khoa Truong, Pain Anesthesia)</td>
<td>Site Visit: 10/21/20; Offer extended</td>
</tr>
<tr>
<td>Hospitalist</td>
<td>Central Valley Critical Care Medicine</td>
<td>Malik, M.D.</td>
<td>Sara</td>
<td>08/21</td>
<td>Direct - Dr. Umer Hayyat's spouse</td>
<td>Site Visit: 10/7/20; Offer accepted; Contract pending</td>
</tr>
<tr>
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<td>Central Valley Critical Care Medicine</td>
<td>John, D.O.</td>
<td>Avinaj</td>
<td>08/21</td>
<td>Vista Staffing - 10/25/19</td>
<td>Site visit: 12/13/19; Offer accepted</td>
</tr>
<tr>
<td>Intensivist</td>
<td>Central Valley Critical Care Medicine</td>
<td>Agrawal, M.D.</td>
<td>Arun</td>
<td>08/21</td>
<td>Vista Staffing - 9/8/20</td>
<td>Site visit pending dates</td>
</tr>
<tr>
<td>Specialty/Position</td>
<td>Group</td>
<td>Last Name</td>
<td>First Name</td>
<td>Availability</td>
<td>Referral Source</td>
<td>Current Status</td>
</tr>
<tr>
<td>-------------------</td>
<td>--------------------------------------------</td>
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<td>--------------</td>
<td>----------------------------------</td>
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<td>Intensivist</td>
<td>Central Valley Critical Care Medicine</td>
<td>Akinjero, M.D.</td>
<td>Akintunde</td>
<td>08/21</td>
<td>Vista Staffing - 10/20/20</td>
<td>Currently under review</td>
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<tr>
<td>Intensivist</td>
<td>Central Valley Critical Care Medicine</td>
<td>Alperstein, M.D.</td>
<td>Adam</td>
<td>08/21</td>
<td>Vista Staffing - 9/21/20</td>
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<td>Fischer, M.D.</td>
<td>Brian</td>
<td>TBD</td>
<td>Comp Health - 11/4/20</td>
<td>Currently under review</td>
</tr>
<tr>
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<td>Central Valley Critical Care Medicine</td>
<td>Leger, M.D.</td>
<td>Kathleen</td>
<td>08/21</td>
<td>Comp Health - 8/24/20</td>
<td>Site visit: 12/4/20</td>
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<tr>
<td>Otolaryngology</td>
<td>Visalia Medical Clinic (Kaweah Delta Medical Foundation)</td>
<td>Wickwire, M.D.</td>
<td>Peter</td>
<td>08/21</td>
<td>Enterprise Medical Staffing 10/5/20</td>
<td>Site Visit: 12/4/20</td>
</tr>
<tr>
<td>Palliative Medicine</td>
<td>Independent</td>
<td>Arafa-Price, M.D.</td>
<td>Ala</td>
<td>08/21</td>
<td>Fidelis - 11/17/20</td>
<td>Currently under review</td>
</tr>
<tr>
<td>Palliative Medicine</td>
<td>Independent</td>
<td>Hernandez, M.D.</td>
<td>Sarah</td>
<td>08/21</td>
<td>PracticeMatch Email Blast</td>
<td>Site Visit: 12/4/20</td>
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<tr>
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<td>Sequoia Radiation Oncology Services, Inc.</td>
<td>Ly, M.D.</td>
<td>David</td>
<td>02/21</td>
<td>Direct referral</td>
<td>Offer accepted; Start date: 2/1/21</td>
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<tr>
<td>Urology</td>
<td>Visalia Medical Clinic (Kaweah Delta Medical Foundation)</td>
<td>Hamdi, M.D.</td>
<td>Anas</td>
<td>08/22</td>
<td>Direct - Referral</td>
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<td>Visalia Medical Clinic (Kaweah Delta Medical Foundation)</td>
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<td>Richard</td>
<td>08/21</td>
<td>Fidelis - 11/17/20</td>
<td>Currently under review</td>
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<tr>
<td>Urology</td>
<td>Visalia Medical Clinic (Kaweah Delta Medical Foundation)</td>
<td>Patel, M.D.</td>
<td>Neil</td>
<td>TBD</td>
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</tr>
<tr>
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<td>Visalia Medical Clinic (Kaweah Delta Medical Foundation)</td>
<td>Sohlberg, M.D.</td>
<td>Ericka</td>
<td>08/21</td>
<td>MDStaffers - 8/21/20</td>
<td>Site Visit: 11/16/20; Offer pending</td>
</tr>
<tr>
<td>Urology</td>
<td>Visalia Medical Clinic (Kaweah Delta Medical Foundation)</td>
<td>Talanki, M.D.</td>
<td>Varun</td>
<td>08/21</td>
<td>HealtheCareers - 1/24/20</td>
<td>Site visit pending dates</td>
</tr>
</tbody>
</table>
Orthopedic Service Line

Daniel L. Allain, NP-C, Vice President
Contact number: 559-624-2536
November 9, 2020

Summary Issue/Service Considered

1. Providing exceptional comprehensive orthopedic care through quality outcomes, efficiency, and cost effective care.
2. Ensuring that Orthopedics Services continues to provide the full continuum of services to the community.
3. Partner with Orthopedic Associates in the recruitment of needed orthopedic specialists.

Analysis of financial/statistical data:

The orthopedic service line had a contribution margin of $5,668,719, this fiscal year, compared to $10,185,694 last year. The orthopedic service line experienced a 44% decrease in contribution margin compared to the previous year. This decrease is multifactorial, COVID restrictions related to elective surgeries being restricted starting in March 2020, room and board expenses increased by 6%, OR and Anesthesia expenses increased by 20% as well as an increase in the cost of implants at 19%. There was an overall 8% decrease in volume from FY 2019 to FY 2020. Adjusting for the COVID case restrictions the decrease in volume would have been significantly less with a projected 1.6% decrease.

The inpatient surgical orthopedic volume decreased by 16% compared to the previous year, adjusting for the COVID restrictions the decrease in volume would have been 1.9%. The contribution margin per case remained solid at $4,378 down from $5,904, and the direct cost per case increased by $2,082 per case. The inpatient orthopedic service contribution margin of $6,081,184 million was below our previous FY. Annualization of the Pre-COVID financial performance would have provided an estimated $7.1 million, which would have been very close to the performances in FY 2017 and 2018.

The inpatient medical orthopedic volume also experienced a decrease in volume associated with COVID by 28%. The contribution margin per case decreased by 1% compared to last FY and the direct cost per case increased by 21% per case. The inpatient medical orthopedic service line contribution margin ended the year with $895,130 compared to the previous year, $1,259,072.

The outpatient orthopedic volume represents 37% of the overall volume for this service line. The volumes continue to be strong; however, the contribution margin had a loss of $1.3 million. Analysis determined that the payer mix of Medi-Cal Managed Care and Medicare reimbursement along with the increase in direct expenses.

Overall, the impact of the restrictions implemented with the COVID pandemic to reduce the exposure to the virus had a significant impact on the case volume coupled with the increase in direct expenses impacted the contribution margin for this historically strong performing service line.
Quality/Performance Improvement Data

Actively working with the marketing department to provide educational events in the community lead by the orthopedic surgeons. With the COVID pandemic, the educational events have been successfully provided via social media web cast events. The orthopedic team presented orthopedic surgeons are directly collaborating with local primary care physicians to build long-term referral relationships. In the past year two in person events occurred, one in Hanford the other in Porterville. In addition, two community web events were provided.

Surgical Quality Improvement is tracked in-house through the STATIT. The running 12-month complication rate for orthopedic Hip/Knee is outperforming the comparative group, 0.1% with a target rate of 1.4%.

Orthopedics continues to work closely with the trauma department to track the orthopedic trauma transfers. In Calendar year 2019, 309 trauma orthopedic consultations occurred with 49 cases being transferred out. These cases are reviewed on a quarterly basis to evaluate for appropriateness. We are working closely with the orthopedic traumatologist to provide call coverage and are actively recruiting a second orthopedic traumatologist.

Patient satisfaction with the orthopedic physicians continues to average in the 90th percentile.

The average length of stay for elective Knee joint replacement patients is 1.61 days compared to an expected 2.41 days. The average length of stay for elective hip arthroplasty is 3.16 compared to an expected 3.26 days.

Performance and trends are carefully monitored for implant cost per case, infection rates, re-admission rates, complication rates, and functional assessments. Case reviews are completed with surgeons regarding infection, re-admission, and complications.

Orthopedics continues to be designated as Blue Distinction Center for the spine, knee, and hip replacement. To earn this distinction, we have a full range of patient support services with multidisciplinary teams to coordinate and streamline care, including shared decision-making and preoperative patient education. In addition, orthopedics was recognized as a Five-Star recipient for Hip Fracture Treatment for 3-years in a row (2017-2019).

Policy, Strategic or Tactical Issues

1. The orthopedic co-management arrangement has been renewed for additional 2-years. This arrangement has is promoting the growth of the orthopedic service line, improved safety and quality in direct patient care, as well as overall efficiency.

2. A sub-committees will continue to focus efforts around outreach/marketing, and operational performance and efficiency.

3. Working closely with media relations, marketing, and internal key leaders created a comprehensive and robust orthopedic program known in the community as the Kaweah Delta Joint Replacement Institute. In light of the COVID Pandemic, the Joint
Replacement Institute was converted to a virtual presentation with the booklets being distributed during the preoperative KATS appointment.

4. Closely monitoring referral leakage and outmigration numbers. Focusing on both community members and primary care physicians to increase the market share. Emphasizing the importance of using local surgeons.


6. Working closely with our physician recruiter seeking additional orthopedic surgeons as the orthopedic demands continue to grow in the region such as with our orthopedic trauma needs.

7. Nurse Practitioner has been working with the orthopedic service for close to 3 years, which had improved throughput and better coordination of care and efficiency with the entire continuum of care for orthopedics.

Recommendations/Next Steps

1. The co-management agreement will continue to promote alignment of both parties' interests in improving quality, outcomes, and efficiency. In addition, it prepares both groups for the changing healthcare delivery models.

2. Carefully watching the orthopedic surgical market shifting into the outpatient surgical arena for total hips and knees. These orthopedic surgeries were traditionally performed as an inpatient and now are authorized for outpatient surgeries. Working with the outpatient surgery staff and contracting department to provide orthopedic procedures safely and efficiently in the outpatient surgery areas. Piloting same-day outpatient joint replacement surgeries.

3. Continuing to work on patient flow, improving efficiency in the surgery department, and clinical quality with the entire orthopedic service line with the primary focus on hip fractures and joint replacement patients.

4. Continue efforts in reducing the overall length of stay with orthopedic surgical cases to the geometric length of stay (GMLOS).

5. Continue with the physician partnership development, as well as referral relations, and marketing/community health outreach in orthopedics.

6. Support recruitment efforts for Board Certified Orthopedic Surgeons that specialize in the latest treatment in the area hands and trauma.

7. Continue to respond to Medicare initiatives related to Orthopedics at the State and National level.

Approvals/Conclusions

In the coming year, orthopedic services will:

1. Work with the entire continuum of care from pre-surgery to post-surgery to provide quality and comprehensive orthopedic services.

2. Continue to review profitability, contribution margin to identify opportunities for volume, growth, cost containment, customer satisfaction, and clinical excellence.
Orthopedic Services - Summary

KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

<table>
<thead>
<tr>
<th>METRIC</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>% CHANGE FROM PRIOR YR</th>
<th>4 YR TREND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>3,650</td>
<td>3,640</td>
<td>4,174</td>
<td>3,855</td>
<td>▼ -8%</td>
<td>4,110</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$39,072,087</td>
<td>$38,584,987</td>
<td>$43,099,435</td>
<td>$41,167,806</td>
<td>▼ -4%</td>
<td>$44,057,550</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$30,878,697</td>
<td>$31,239,894</td>
<td>$32,913,741</td>
<td>$35,500,087</td>
<td>▲ 6%</td>
<td>$37,155,642</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$8,193,390</td>
<td>$7,345,093</td>
<td>$10,185,694</td>
<td>$5,667,719</td>
<td>▼ -44%</td>
<td>$6,901,908</td>
</tr>
<tr>
<td>Net Income</td>
<td>$1,175,843</td>
<td>$(1,040,994)</td>
<td>$1,167,106</td>
<td>$(4,184,054)</td>
<td>▼ -458%</td>
<td>$10,413,387</td>
</tr>
<tr>
<td>Net Revenue Per Case</td>
<td>$10,705</td>
<td>$10,048</td>
<td>$7,885</td>
<td>$10,679</td>
<td>▼ -4%</td>
<td>$10,720</td>
</tr>
<tr>
<td>Direct Cost Per Case</td>
<td>$8,460</td>
<td>$8,135</td>
<td>$7,885</td>
<td>$9,209</td>
<td>▲ 17%</td>
<td>$9,040</td>
</tr>
<tr>
<td>Contrb Margin Per Case</td>
<td>$2,245</td>
<td>$1,913</td>
<td>$2,440</td>
<td>$1,470</td>
<td>▼ -40%</td>
<td>$1,679</td>
</tr>
</tbody>
</table>

METRICS SUMMARY - 4 YEAR TREND

Notes:
- Source: Inpatient and Outpatient Service Line Reports
- Selection Criteria: Inpatient Data: Entity ID = KDHS, Service Line 1= Orthopedics, Surg vs Medical (S/M)

GRAPHS

Net Revenue Per Case

Direct Cost Per Case

Contrib Margin Per Case

Notes:
- Pre-COVID Ann. Jul - Feb
- Direct Cost:
  - FY2017: $30,878,697
  - FY2018: $31,239,894
  - FY2019: $32,913,741
  - FY2020: $35,500,087
- Contribution Margin:
  - FY2017: $8,193,390
  - FY2018: $7,345,093
  - FY2019: $10,185,694
  - FY2020: $5,667,719
- Net Income:
  - FY2017: $1,175,843
  - FY2018: $(1,040,994)
  - FY2019: $1,167,106
  - FY2020: $(4,184,054)
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

<table>
<thead>
<tr>
<th>PATIENT CASES</th>
<th>NET REVENUE</th>
<th>DIRECT COST</th>
<th>CONTRIBUTION MARGIN</th>
<th>NET INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,389</td>
<td>$27,935,506</td>
<td>$21,854,322</td>
<td>$6,081,184</td>
<td>$230,606</td>
</tr>
</tbody>
</table>

Note: Arrows represent the change from prior year and the lines represent the 4-year trend.

METRICS SUMMARY - 4 YEAR TREND

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>1,378</td>
<td>1,376</td>
<td>1,555</td>
<td>1,389</td>
<td>▼ -11%</td>
<td></td>
<td>1,527</td>
</tr>
<tr>
<td>Patient Days</td>
<td>5,806</td>
<td>5,121</td>
<td>5,557</td>
<td>4,653</td>
<td>▼ -16%</td>
<td></td>
<td>4,976</td>
</tr>
<tr>
<td>ALOS</td>
<td>4.21</td>
<td>3.72</td>
<td>3.57</td>
<td>3.35</td>
<td>▼ -6%</td>
<td></td>
<td>3.26</td>
</tr>
<tr>
<td>GM LOS</td>
<td>3.46</td>
<td>3.25</td>
<td>3.11</td>
<td>3.18</td>
<td>▲ 2%</td>
<td></td>
<td>3.11</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$28,176,086</td>
<td>$27,178,148</td>
<td>$30,662,324</td>
<td>$27,935,506</td>
<td>▼ -9%</td>
<td>$30,453,503</td>
<td></td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$20,664,612</td>
<td>$20,104,853</td>
<td>$21,482,102</td>
<td>$21,854,322</td>
<td>▼ -9%</td>
<td>$23,325,893</td>
<td></td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$7,511,474</td>
<td>$7,073,295</td>
<td>$9,180,222</td>
<td>$6,081,184</td>
<td>▼ -34%</td>
<td>$7,127,610</td>
<td></td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$4,355,326</td>
<td>$4,965,394</td>
<td>$5,692,567</td>
<td>$5,850,578</td>
<td>▲ 3%</td>
<td>$6,293,792</td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>$3,156,148</td>
<td>$2,107,901</td>
<td>$3,487,655</td>
<td>$230,606</td>
<td>▼ -93%</td>
<td>$833,819</td>
<td></td>
</tr>
</tbody>
</table>

Net Revenue Per Case

<table>
<thead>
<tr>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20,447</td>
<td>$19,752</td>
<td>$19,719</td>
<td>$20,112</td>
</tr>
</tbody>
</table>

Direct Cost Per Case

<table>
<thead>
<tr>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,451</td>
<td>$5,140</td>
<td>$5,904</td>
<td>$4,378</td>
</tr>
</tbody>
</table>

Contrb Margin Per Case

<table>
<thead>
<tr>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>$5,000</td>
<td>$10,000</td>
<td>$15,000</td>
</tr>
</tbody>
</table>

PER CASE TRENDED GRAPHS

PAYER MIX - 4 YEAR TREND (GROSS CHARGES)

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>48%</td>
<td>51%</td>
<td>43%</td>
<td>43%</td>
</tr>
<tr>
<td>Managed Care/Other</td>
<td>23%</td>
<td>22%</td>
<td>21%</td>
<td>23%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>11%</td>
<td>12%</td>
<td>16%</td>
<td>18%</td>
</tr>
<tr>
<td>Medi-Cal Managed Care</td>
<td>10%</td>
<td>9%</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>4%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>1%</td>
<td>0%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>County Indigent</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

FY 2020 PAYOR MIX

Notes:
Source: Inpatient Service Line Report
Selection Criteria: Entity ID: KDHS, Service Line 1= Orthopedics, Surg vs Medical = S
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

**METERS SUMMARY - 4 YEAR TREND**

<table>
<thead>
<tr>
<th>METRIC</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>%CHANGE FROM PRIOR YR</th>
<th>4 YR TREND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>328</td>
<td>410</td>
<td>461</td>
<td>331</td>
<td>▼ -28%</td>
<td></td>
</tr>
<tr>
<td>Patient Days</td>
<td>1,663</td>
<td>1,825</td>
<td>1,845</td>
<td>1,384</td>
<td>▼ -25%</td>
<td></td>
</tr>
<tr>
<td>ALOS</td>
<td>5.07</td>
<td>4.45</td>
<td>4.00</td>
<td>4.18</td>
<td>▲ 4%</td>
<td></td>
</tr>
<tr>
<td>GM LOS</td>
<td>3.52</td>
<td>3.47</td>
<td>3.44</td>
<td>3.36</td>
<td>▼ -2%</td>
<td></td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$3,188,782</td>
<td>$3,818,018</td>
<td>$4,053,348</td>
<td>$3,321,139</td>
<td>▼ -18%</td>
<td></td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$2,394,506</td>
<td>$2,628,392</td>
<td>$2,794,276</td>
<td>$2,426,009</td>
<td>▼ -13%</td>
<td></td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$794,276</td>
<td>$1,189,626</td>
<td>$1,259,072</td>
<td>$895,130</td>
<td>▼ -29%</td>
<td></td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$735,359</td>
<td>$1,009,567</td>
<td>$1,058,752</td>
<td>$875,991</td>
<td>▼ -17%</td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>$58,917</td>
<td>$180,059</td>
<td>$200,320</td>
<td>$19,139</td>
<td>▼ -90%</td>
<td></td>
</tr>
<tr>
<td>Net Revenue Per Case</td>
<td>$9,722</td>
<td>$9,312</td>
<td>$8,793</td>
<td>$10,034</td>
<td>▲ 14%</td>
<td></td>
</tr>
<tr>
<td>Direct Cost Per Case</td>
<td>$7,300</td>
<td>$6,411</td>
<td>$6,061</td>
<td>$7,329</td>
<td>▲ 21%</td>
<td></td>
</tr>
<tr>
<td>Contrib Margin Per Case</td>
<td>$2,422</td>
<td>$2,902</td>
<td>$2,731</td>
<td>$2,704</td>
<td>▼ -1%</td>
<td></td>
</tr>
</tbody>
</table>

*Note: Arrows represent the change from prior year and the lines represent the 4-year trend

**PER CASE TRENDED GRAPHS**

**PAYER MIX - 4 YEAR TREND (GROSS CHARGES)**

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>44%</td>
<td>47%</td>
<td>43%</td>
<td>41%</td>
</tr>
<tr>
<td>Medi-Cal Managed Care</td>
<td>20%</td>
<td>22%</td>
<td>26%</td>
<td>20%</td>
</tr>
<tr>
<td>Managed Care/Other</td>
<td>13%</td>
<td>12%</td>
<td>10%</td>
<td>14%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>11%</td>
<td>6%</td>
<td>9%</td>
<td>14%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>County Indigent</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

**FY 2020 Payer Mix**

<table>
<thead>
<tr>
<th>Payer</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>44%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>20%</td>
</tr>
<tr>
<td>Managed Care/Other</td>
<td>14%</td>
</tr>
<tr>
<td>Medi-Cal Managed Care</td>
<td>14%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>14%</td>
</tr>
<tr>
<td>Medi-Cal Managed Care</td>
<td>10%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>1%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>1%</td>
</tr>
<tr>
<td>County Indigent</td>
<td>0%</td>
</tr>
</tbody>
</table>

*Note: Source: Inpatient Service Line Report
Selection Criteria: Entity ID: KDHS, Service Line 1= Orthopedics, Surg vs Medical = M

FY2020 Board Meeting - August ??, 2020

KDHCD ANNUAL BOARD REPORT
Orthopedic Services - Inpatient Medical Service Line
**KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>1,944</td>
<td>2,054</td>
<td>2,158</td>
<td>2,135</td>
<td>▼ -1%</td>
<td></td>
<td>$2,249</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$7,707,219</td>
<td>$7,588,821</td>
<td>$8,383,763</td>
<td>$9,911,161</td>
<td>▲ 18%</td>
<td></td>
<td>$10,225,016</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$7,819,579</td>
<td>$8,506,649</td>
<td>$6,637,363</td>
<td>$11,219,756</td>
<td>▲ 30%</td>
<td></td>
<td>$11,410,002</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$(112,360)</td>
<td>$(917,828)</td>
<td>$(253,600)</td>
<td>$(1,308,595)</td>
<td>▼ -416%</td>
<td></td>
<td>$(1,184,987)</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$1,926,862</td>
<td>$2,411,126</td>
<td>$2,267,269</td>
<td>$3,125,204</td>
<td>▲ 38%</td>
<td></td>
<td>$3,243,257</td>
</tr>
<tr>
<td>Net Income</td>
<td>$(2,039,222)</td>
<td>$(3,328,954)</td>
<td>$(4,433,799)</td>
<td>$(6,013)</td>
<td>▼ -76%</td>
<td></td>
<td>$(4,428,243)</td>
</tr>
<tr>
<td>Net Revenue Per Case</td>
<td>$3,965</td>
<td>$3,695</td>
<td>$3,885</td>
<td>$4,642</td>
<td>▲ 19%</td>
<td></td>
<td>$4,547</td>
</tr>
<tr>
<td>Direct Cost Per Case</td>
<td>$4,022</td>
<td>$4,142</td>
<td>$4,002</td>
<td>$5,255</td>
<td>▲ 31%</td>
<td></td>
<td>$5,074</td>
</tr>
<tr>
<td>Contrb Margin Per Case</td>
<td>$(58)</td>
<td>$(447)</td>
<td>$(118)</td>
<td>$(613)</td>
<td>▼ -422%</td>
<td></td>
<td>$(527)</td>
</tr>
</tbody>
</table>

**PER CASE TRENCED GRAPHS**

**PAYER MIX - 4 YEAR TREND (GROSS CHARGES)**

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Care/Other</td>
<td>38%</td>
<td>34%</td>
<td>35%</td>
<td>33%</td>
</tr>
<tr>
<td>Medicare</td>
<td>27%</td>
<td>28%</td>
<td>25%</td>
<td>31%</td>
</tr>
<tr>
<td>Medi-Cal Managed Care</td>
<td>18%</td>
<td>16%</td>
<td>20%</td>
<td>17%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>8%</td>
<td>11%</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>6%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>1%</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>1%</td>
<td>1%</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>County Indigent</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>
## KDHCD ANNUAL BOARD REPORT

### Orthopedic Services - Outpatient Surgery Service Line

**KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020**

### Outpatient Surgery Service Line - All Surgeon Specialties

<table>
<thead>
<tr>
<th>Payer</th>
<th>FY 2020 Case Volume</th>
<th>Reimb/Case</th>
<th>Contrib. Margin / Case</th>
<th>Total Contribution Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Care/Othe</td>
<td>2,074</td>
<td>5,372</td>
<td>622</td>
<td>1,290,500</td>
</tr>
<tr>
<td>Medicare</td>
<td>1,420</td>
<td>5,005</td>
<td>(232)</td>
<td>(330,140)</td>
</tr>
<tr>
<td>Medi-Cal Managed C</td>
<td>1,372</td>
<td>779</td>
<td>(3,920)</td>
<td>(5,378,877)</td>
</tr>
<tr>
<td>Work Comp</td>
<td>241</td>
<td>5,298</td>
<td>278</td>
<td>67,117</td>
</tr>
<tr>
<td>Medicare Mgd. Care</td>
<td>515</td>
<td>3,737</td>
<td>(1,249)</td>
<td>(643,291)</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>129</td>
<td>1,170</td>
<td>(3,470)</td>
<td>(447,574)</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>72</td>
<td>489</td>
<td>(4,348)</td>
<td>(313,045)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,823</strong></td>
<td><strong>3,898</strong></td>
<td><strong>988</strong></td>
<td><strong>(5,755,310)</strong></td>
</tr>
</tbody>
</table>

### Outpatient Surgery Service Line - Orthopedics

<table>
<thead>
<tr>
<th>Payer</th>
<th>FY 2020 Case Volume</th>
<th>Reimb/Case</th>
<th>Contrib. Margin / Case</th>
<th>Total Contribution Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Care/Othe</td>
<td>768</td>
<td>5,736</td>
<td>832</td>
<td>639,236</td>
</tr>
<tr>
<td>Medicare</td>
<td>552</td>
<td>6,160</td>
<td>83</td>
<td>46,059</td>
</tr>
<tr>
<td>Medi-Cal Manage mt.</td>
<td>397</td>
<td>883</td>
<td>(3,944)</td>
<td>(1,565,571)</td>
</tr>
<tr>
<td>Work Comp</td>
<td>213</td>
<td>5,177</td>
<td>261</td>
<td>55,565</td>
</tr>
<tr>
<td>Medicare Mgd. C</td>
<td>182</td>
<td>3,867</td>
<td>(1,316)</td>
<td>(239,498)</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>14</td>
<td>908</td>
<td>(4,012)</td>
<td>(56,163)</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>10</td>
<td>1,848</td>
<td>(2,968)</td>
<td>(29,680)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,136</strong></td>
<td><strong>4,679</strong></td>
<td><strong>(538)</strong></td>
<td><strong>(1,149,168)</strong></td>
</tr>
</tbody>
</table>

**Source:** Outpatient Service Line Reports

Kaweah Delta Rural Health Clinics

Jessica Rodriguez, Director- Outpatient Clinic Network, 559-624-2838
November 23, 2020

Summary Issue/Service Considered

Overview:
Kaweah Delta Rural Health Clinics are located in the Tulare County cities of Exeter, Lindsay, Woodlake and Dinuba. They offer primary and specialty care services emphasizing prevention, wellness, individual dignity and cultural sensitivity.

The services offered at the rural health clinics include Family Medicine, Pediatrics, Women’s Health, Behavioral Health, Health Education, Nutrition Education, Rheumatology, Adult Infectious Disease, Nephrology, Neurology, Pulmonology, Endocrinology, Dermatology, Podiatry, Adult Cardiology, Pediatric Cardiology, Vascular Surgery and Pharmacy.

The above service lines currently include a total of 54 (part-time and full-time) physicians and advanced practice providers, 12 psychiatry residents, and 4 GME psychiatry faculty members.

New Accomplishments:
*New Clinic Leadership/Structure (March 2020)
*Tele-health Implementation (March 2020)
*COVID-19 Provider Hotline (March 2020)
*Integration of Community Health Outreach Department into RHC’s (June 2020)
*COVID-19 Testing Locations (3 RHC locations) (Sept/Oct 2020)

Financial Analysis:
- Rural Health Clinics had a contribution margin of $3.1 million in FY20
  - 11% increase over prior year
- Year-To-Date (YTD) clinic volume up 9% from FY 2020
- Exeter Health Clinic is the largest campus and accounts for:
  - 69% of visits & 81% of contribution margin
- Improvements in Humana Quality and RAF score improve capitated payments
- COVID Impact
  - COVID had an initial negative impact to the clinics from a volume perspective. Rapid action to bring up the Tele-health and targeted outreach, however, quickly stabilized visits and contribution margin
  - Pre-COVID annualized estimate shows no change overall to actual visits
• Pre-COVID estimate shows $110,000 in contribution margin was potentially lost in FY20

• Tele-health impact
  o FY20: Tele-health accounted for 13% of visits (13,000 visits)
    ▪ FY20: Tele-health visits = $434,000 of contribution margin
  o FY21 YTD: Tele-health accounts for 31% of clinic volume
  o Tele-health findings:
    ▪ Slightly higher contribution margin per case, as compared to non-tele-health visits
    ▪ Tele-health case mix change caused a modest payer mix shift away from Medi-Cal and Medi-Cal Managed Care visits, while keeping contribution margin per-case stable.

## Quality/Performance Improvement Data

The rural health clinics are committed to improving the clinical quality, patient experience and reducing costs. Management is developing an infrastructure to improve the outcomes of current and future patient populations.

Governmental (i.e. Medicare and Medi-Cal) and health plan (i.e. Humana, HealthNet, Anthem, etc.) payers continued to drive the healthcare industry away from “fee-for-service” (FFS) towards “fee-for-value” (i.e. value based payments/risk bearing contracts).

While the rural health clinics have and continue to participate in grants and health plan incentive programs, the single largest program the clinics have participated in is CMS 1115 waiver titled “Public hospital Redesign and Incentives in Medicaid (PRIME).” Since the PRIME program began in 2015, KDHCD has earned over $70,000,000 through improving outcomes of Medi-Cal beneficiaries across 40+ outcomes measures. The majority of these outcomes are achieved through the care provided in our clinic system

**Examples of PRIME outcome metrics include:**
- Alcohol and Drug Misuse (SBIRT)
- CG-CAHPS-Overall Provider Rating
- Colorectal Cancer Screening
- Comprehensive Diabetes Care: HbA1c Poor Control (>9.0)
- Ischemic Vascular Disease (IVD)
- Use of Aspirin or another Antithrombotic
- Screening for Clinical Depression and follow-up
- Tobacco Assessment and Counseling

See below for examples of improved outcomes over time for the PRIME program.
In addition to the PRIME program, the rural health clinic system has also invested deeply to improve the quality and hierarchical chronic condition (HCC) scores of our Humana Medicare Advantage members. With the integration of population health software and specifically trained medical assistants and providers, significant improvements have been made in the past 7 months. See below for examples of improvements in the Humana MA members.
Policy, Strategic or Tactical Issues

The clinic network is essential infrastructure for KDHCD to fulfill its mission to our community and for it to participate in programs like PRIME, its transition to Quality Incentive Program (QIP), Behavioral Health Integration (BHI), etc. to transform care delivery in the US health care system.

As Tele-health becomes a welcome and fixed component of care delivery in a post-COVID world, substantial known and potential challenges are presented in the way of reimbursement and closure of quality gaps as they are measured and defined today.

Recommendations/Next Steps

- Opening of Tulare Rural Health Clinic (opening Feb 2021)
- Further development of Tele-health Platform
- Behavioral Health Integration (BHI) program Implementation (start Nov 2020)
- Transition PRIME to Quality Incentive Program (QIP)
- Expand specialty services through all rural health clinics
- Continue to grow Health Homes Program (Medi-Cal population management program)

Approvals/Conclusions

No additional approvals needed at this time. The Kaweah Delta Rural Health Clinics continue to be highly successful service lines for the District; providing outstanding primary and specialty care services to the community it serves.
**KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020**

**METRICS BY SERVICE LINE - FY 2020**

<table>
<thead>
<tr>
<th>SERVICE LINE</th>
<th>Patient Cases</th>
<th>NET REVENUE</th>
<th>DIRECT COST</th>
<th>CONTRIBUTION MARGIN</th>
<th>NET INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exeter</td>
<td>71,736</td>
<td>$13,207,635</td>
<td>$10,655,034</td>
<td>$2,552,601</td>
<td>($790,984)</td>
</tr>
<tr>
<td>Lindsay</td>
<td>12,472</td>
<td>$2,201,844</td>
<td>$1,703,041</td>
<td>$498,803</td>
<td>$25,074</td>
</tr>
<tr>
<td>Dinuba</td>
<td>11,645</td>
<td>$2,029,208</td>
<td>$2,015,725</td>
<td>$13,483</td>
<td>($548,659)</td>
</tr>
<tr>
<td>Woodlake</td>
<td>7,795</td>
<td>$1,228,303</td>
<td>$1,241,097</td>
<td>($12,794)</td>
<td>($341,605)</td>
</tr>
<tr>
<td>Rural Clinic Totals</td>
<td>103,648</td>
<td>$18,666,990</td>
<td>$15,614,897</td>
<td>$3,052,093</td>
<td>($1,656,174)</td>
</tr>
</tbody>
</table>

**METRIC SUMMARY - 4 YEAR TREND**

<table>
<thead>
<tr>
<th>METRIC</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>% CHANGE FROM PRIOR YR</th>
<th>4 YR TREND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>106,307</td>
<td>128,898</td>
<td>95,484</td>
<td>103,648</td>
<td>▲ 9%</td>
<td>103,634</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$20,435,916</td>
<td>$21,803,598</td>
<td>$18,353,980</td>
<td>$18,666,990</td>
<td>▲ 2%</td>
<td>$19,808,891</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$14,037,071</td>
<td>$15,270,942</td>
<td>$15,602,328</td>
<td>$15,614,897</td>
<td>▲ 0%</td>
<td>$16,464,969</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$6,398,845</td>
<td>$6,532,656</td>
<td>$2,751,652</td>
<td>$3,052,093</td>
<td>▲ 11%</td>
<td>$3,161,922</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$2,956,519</td>
<td>$3,675,380</td>
<td>$4,047,882</td>
<td>$4,708,267</td>
<td>▲ 16%</td>
<td>$4,948,883</td>
</tr>
<tr>
<td>Net Income</td>
<td>$3,442,326</td>
<td>$2,857,276</td>
<td>($1,296,230)</td>
<td>($1,656,174)</td>
<td>▼ -28%</td>
<td>($1,786,961)</td>
</tr>
<tr>
<td>Net Revenue Per Case</td>
<td>$192</td>
<td>$169</td>
<td>$192</td>
<td>$180</td>
<td>▼ -6%</td>
<td>$191</td>
</tr>
<tr>
<td>Direct Cost Per Case</td>
<td>$132</td>
<td>$118</td>
<td>$163</td>
<td>$151</td>
<td>▼ -8%</td>
<td>$161</td>
</tr>
<tr>
<td>Contrib Margin Per Case</td>
<td>$60</td>
<td>$51</td>
<td>$29</td>
<td>$29</td>
<td>▲ 2%</td>
<td>$31</td>
</tr>
</tbody>
</table>

**GRAPHS**

- Net Revenue Per Case
- Direct Cost Per Case
- Contrib Margin Per Case
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

Visits by Clinic FY 2020

- Exeter: 69%
- Dinuba: 11%
- Lindsay: 12%
- Woodlake: 8%

Contribution Margin by Clinic FY 2020

- Exeter: 81%
- Dinuba: 1%
- Lindsay: 18%
- Woodlake: 0%

Notes:
- Source: Outpatient Service Line Reports
- Criteria: Outpatient Service Lines in the rural clinics
- Criteria: Specific selection for each Service Line (noted on the individual Service Line Tabs)
**KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020**

<table>
<thead>
<tr>
<th>Metric</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>% Change from Prior YR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>80,279</td>
<td>95,189</td>
<td>70,897</td>
<td>71,736</td>
<td>▲ 1%</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$15,300,681</td>
<td>$16,265,211</td>
<td>$13,932,430</td>
<td>$13,207,635</td>
<td>▼ -5%</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$10,953,106</td>
<td>$11,143,447</td>
<td>$11,186,385</td>
<td>$10,655,034</td>
<td>▼ -5%</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$4,347,575</td>
<td>$5,121,764</td>
<td>$2,746,045</td>
<td>$2,552,601</td>
<td>▼ -7%</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$2,377,120</td>
<td>$2,910,822</td>
<td>$2,873,992</td>
<td>$3,343,585</td>
<td>▲ 16%</td>
</tr>
<tr>
<td>Net Income</td>
<td>$1,970,455</td>
<td>$2,210,942</td>
<td>($127,947)</td>
<td>($790,984)</td>
<td>▼ -18%</td>
</tr>
<tr>
<td>Net Revenue Per Case</td>
<td>$191</td>
<td>$171</td>
<td>$197</td>
<td>$184</td>
<td>▼ -6%</td>
</tr>
<tr>
<td>Direct Cost Per Case</td>
<td>$136</td>
<td>$117</td>
<td>$158</td>
<td>$149</td>
<td>▼ -6%</td>
</tr>
<tr>
<td>Contrib Margin Per Case</td>
<td>$54</td>
<td>$54</td>
<td>$39</td>
<td>$36</td>
<td>▼ -8%</td>
</tr>
</tbody>
</table>

**METRICS SUMMARY - 4 YEAR TREND**

*Note: Arrows represent the change from prior year and the lines represent the 4-year trend.

**PER CASE TRENDED GRAPHS**

**PAYER MIX - 4 YEAR TREND (VISITS)**

<table>
<thead>
<tr>
<th>Payer</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medi-Cal Managed Care</td>
<td>0.0%</td>
<td>49.4%</td>
<td>50.1%</td>
<td>48.2%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>0.0%</td>
<td>19.6%</td>
<td>17.9%</td>
<td>16.6%</td>
</tr>
<tr>
<td>Managed Care/Other</td>
<td>0.0%</td>
<td>13.6%</td>
<td>14.5%</td>
<td>15.3%</td>
</tr>
<tr>
<td>Medicare</td>
<td>0.0%</td>
<td>12.0%</td>
<td>11.6%</td>
<td>11.8%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>0.0%</td>
<td>4.0%</td>
<td>4.4%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>0.0%</td>
<td>1.4%</td>
<td>1.5%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Exeter RHC - Registrations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
Source: Outpatient Service Line Reports
Criteria: Outpatient Service Line is Exeter Health Clinic
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

Patient Cases 12,472 ▲ 69%
Net Revenue $2,201,844 ▲ 54%
Direct Cost $1,703,041 ▲ 9%
Contribution Margin $498,803 ▲ 486%
Net Income $25,074 ▲ 104%

Note: Arrows represent the change from prior year and the lines represent the 4-year trend.

METRICS SUMMARY - 4 YEAR TREND

<table>
<thead>
<tr>
<th>METRIC</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>%CHANGE FROM PRIOR YR</th>
<th>4 YR TREND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>8,105</td>
<td>10,097</td>
<td>7,387</td>
<td>12,472</td>
<td>▲ 69%</td>
<td>10,235</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$1,666,707</td>
<td>$1,688,208</td>
<td>$1,431,405</td>
<td>$2,201,844</td>
<td>▲ 54%</td>
<td>$2,101,372</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$774,477</td>
<td>$1,108,455</td>
<td>$1,560,593</td>
<td>$1,703,041</td>
<td>▲ 9%</td>
<td>$1,631,571</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$892,230</td>
<td>$579,753</td>
<td>($129,188)</td>
<td>$498,803</td>
<td>▲ 486%</td>
<td>$469,801</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$164,346</td>
<td>$220,115</td>
<td>$440,243</td>
<td>$473,729</td>
<td>▲ 8%</td>
<td>$431,273</td>
</tr>
<tr>
<td>Net Income</td>
<td>$727,884</td>
<td>$359,638</td>
<td>($569,431)</td>
<td>$25,074</td>
<td>▲ 104%</td>
<td>$38,528</td>
</tr>
<tr>
<td>Net Revenue Per Case</td>
<td>$206</td>
<td>$167</td>
<td>$194</td>
<td>$177</td>
<td>▼ -9%</td>
<td>$205</td>
</tr>
<tr>
<td>Direct Cost Per Case</td>
<td>$96</td>
<td>$110</td>
<td>$211</td>
<td>$137</td>
<td>▼ -35%</td>
<td>$159</td>
</tr>
<tr>
<td>Contrb Margin Per Case</td>
<td>$110</td>
<td>$57</td>
<td>($17)</td>
<td>$40</td>
<td>▲ 329%</td>
<td>$46</td>
</tr>
</tbody>
</table>

PER CASE TRENDED GRAPHS

PAYER MIX - 4 YEAR TREND (VISITS)

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medi-Cal Managed Care</td>
<td>0.0%</td>
<td>60.3%</td>
<td>57.3%</td>
<td>40.4%</td>
</tr>
<tr>
<td>Managed Care/Other</td>
<td>0.0%</td>
<td>9.7%</td>
<td>9.4%</td>
<td>20.6%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>0.0%</td>
<td>4.1%</td>
<td>11.3%</td>
<td>15.2%</td>
</tr>
<tr>
<td>Medicare</td>
<td>0.0%</td>
<td>20.4%</td>
<td>15.6%</td>
<td>13.8%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>0.0%</td>
<td>4.6%</td>
<td>5.1%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>0.0%</td>
<td>0.9%</td>
<td>1.3%</td>
<td>4.8%</td>
</tr>
</tbody>
</table>

FY 2020 Payer Mix - Based on Visits

- Medicare Managed Care: 5.2%
- Medicare: 13.8%
- Medi-Cal: 40.4%
- Managed Care/Other: 20.6%
- Cash Pay: 4.8%
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

Lindsay RHC - Registrations

Notes:
Source: Outpatient Service Line Reports
Criteria: Outpatient Service Line is Lindsay Health Clinic
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

**METRIC SUMMARY - 4 YEAR TREND**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>8,418</td>
<td>12,248</td>
<td>9,525</td>
<td>11,645</td>
<td>▲ 22%</td>
<td>▲ 18%</td>
<td>11,804</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$1,554,901</td>
<td>$2,019,130</td>
<td>$1,723,035</td>
<td>$2,029,208</td>
<td>▲ 22%</td>
<td>▲ 18%</td>
<td>$2,213,007</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$1,184,511</td>
<td>$1,846,419</td>
<td>$1,769,475</td>
<td>$2,015,725</td>
<td>▲ 14%</td>
<td>▲ 14%</td>
<td>$2,129,249</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$370,390</td>
<td>$172,711</td>
<td>($46,440)</td>
<td>$13,483</td>
<td>▲ 129%</td>
<td>▲ 20%</td>
<td>$83,759</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$216,483</td>
<td>$285,808</td>
<td>$467,531</td>
<td>$562,142</td>
<td>▲ 20%</td>
<td>▲ 20%</td>
<td>$584,468</td>
</tr>
<tr>
<td>Net Income</td>
<td>$153,907</td>
<td>($113,097)</td>
<td>($513,971)</td>
<td>($548,659)</td>
<td>▲ 7%</td>
<td>▲ 7%</td>
<td>($500,709)</td>
</tr>
<tr>
<td>Net Revenue Per Case</td>
<td>$185</td>
<td>$165</td>
<td>$181</td>
<td>$184</td>
<td>▲ $7%</td>
<td>▲ $7%</td>
<td>$187</td>
</tr>
<tr>
<td>Direct Cost Per Case</td>
<td>$141</td>
<td>$151</td>
<td>$186</td>
<td>$183</td>
<td>▲ $7%</td>
<td>▲ $7%</td>
<td>$180</td>
</tr>
<tr>
<td>Contrib Margin Per Case</td>
<td>$44</td>
<td>$14</td>
<td>($5)</td>
<td>$1</td>
<td>▲ 124%</td>
<td>▲ 124%</td>
<td>$7</td>
</tr>
</tbody>
</table>

*Note: Arrows represent the change from prior year and the lines represent the 4-year trend.*

**PER CASE TRENDED GRAPHS**

**PAYER MIX - 4 YEAR TREND (VISITS)**

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medi-Cal Managed Care</td>
<td>0.0%</td>
<td>38.3%</td>
<td>35.3%</td>
<td>34.2%</td>
</tr>
<tr>
<td>Managed Care/Other</td>
<td>0.0%</td>
<td>19.3%</td>
<td>23.0%</td>
<td>23.2%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>0.0%</td>
<td>15.6%</td>
<td>19.3%</td>
<td>19.5%</td>
</tr>
<tr>
<td>Medicare</td>
<td>0.0%</td>
<td>13.4%</td>
<td>13.0%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>0.0%</td>
<td>12.4%</td>
<td>8.1%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>0.0%</td>
<td>1.1%</td>
<td>1.2%</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

FY 2020 Payer Mix - Based on Visits

- Medi-Cal 13.9%
- Medicare Managed Care 34.2%
- Managed Care/Other 23.2%
- Cash Pay 1.8%
- Medicare 7.3%
- Medi-Cal 19.5%
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

Dinuba RHC - Registrations

Notes:
Source: Outpatient Service Line Reports
Criteria: Outpatient Service Line is Dinuba Health Clinic
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

Patient Cases 7,795

NET REVENUE $1,228,303

DIRECT COST $1,241,097

CONTRIBUTION MARGIN ($12,794)

NET INCOME ($341,605)

METRICS SUMMARY - 4 YEAR TREND

<table>
<thead>
<tr>
<th>METRIC</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>9,505</td>
<td>11,364</td>
<td>7,675</td>
<td>7,795</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$1,913,627</td>
<td>$1,831,049</td>
<td>$1,267,110</td>
<td>$1,228,303</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$1,124,977</td>
<td>$1,172,621</td>
<td>$1,085,875</td>
<td>$1,241,097</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$788,650</td>
<td>$658,428</td>
<td>$181,235</td>
<td>($12,794)</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$198,570</td>
<td>$258,635</td>
<td>$266,116</td>
<td>$328,811</td>
</tr>
<tr>
<td>Net Income</td>
<td>$590,080</td>
<td>$399,793</td>
<td>($84,881)</td>
<td>($341,605)</td>
</tr>
</tbody>
</table>

Net Revenue Per Case $201 $161 $165 $158

Direct Cost Per Case $118 $103 $141 $159

Contrib Margin Per Case $83 $58 $24 $(2)
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

Woodlake RHC - Registrations

Notes:
Source: Outpatient Service Line Reports
Criteria: Outpatient Service Line is Woodlake Health Clinic
Kaweah Delta Urgent Care Clinics

Jessica Rodriguez, Director- Outpatient Clinic Network, 559-624-2838
November 23, 2020

Summary Issue/Service Considered

Overview:
KDHC’s two Urgent Care locations continue to provide access to all individuals that require care that cannot wait for an appointment. Both locations are open seven days a week with the Court Street location open from 8:00 a.m. to 10:00 p.m. and Demaree location open from 8:00 a.m. to 5:00 p.m.

New Accomplishments:
*New Clinic Leadership/Structure (March 2020)
*Tele-health Implementation at Court Street Location (March 2020)
*Renovation of lobby flooring through MAT grant (June 2020)

Financial Analysis:
- Urgent Care Services ended FY 2020 with a contribution margin of $3.6 million.
- Prior year, FY 2019 was a particularly strong year for contribution margin.
- Contribution margin down $1.5 million over prior year, however, pre-COVID annualized results shows it would have been down $524,000.
- COVID had a negative impact on the business; volumes are strong but down 5%.
- Net revenue per case is down 10%, due to payment rate changes in Medicare and Blue Cross.
- Telehealth business was minimal in relationship to total visits.
  - 746 visits or 2% of volume

Quality/Performance Improvement Data

The Urgent Care Clinics are highly sensitive to the patient’s needs of timely, appropriate and thoughtful care. The facilities’ focus on the convenience of booking on-line, projecting wait times transparently on-line and in waiting rooms, providing after hours care, and customer service. We want to ensure patients continue to access our services because we are the fastest, most efficient and provide the highest quality of care for their same-day needs.

We have metrics that focus on throughput times, which the Urgent Care Association (UCA) has established a national benchmark of 60 minutes or less for patients to be seen and discharged from Urgent Care Clinics.

With improved throughput comes an improvement in the patient experience ratings. We
use survey questions via our Clockwise system (3rd party vendor that gives us the ability to post wait times) that asks the patient how likely they would be to recommend our facility to family and friends. The customer can then rate the facility on a 0 – 10 scale, with 0 being the lowest possible rating and 10 being the highest possible rating. The Urgent Care system received a national award from HealthStream for Overall Patient Experience in 2015 and patient experience has only improved since this time with an impressive score of 9.22 out of 10 in 2020.

We are also tracking the percentage of patients that leave without being seen. We track this to ensure we are acting with urgency in their visit and they do not leave our facility because of their desire to be seen sooner at another location.

**Throughput:**

![Throughput Chart]

**Patient Experience Rating:**

![Patient Experience Rating Chart]

**Left without being seen:**

![Left without being seen Chart]
Policy, Strategic or Tactical Issues

The Urgent Care Clinics play an essential role in same-day access for the clinic network infrastructure and for KDHCD to fulfill its mission to our community.

As Tele-health becomes a welcome and fixed component of care delivery in a post-COVID world, substantial known and potential challenges are presented in the way of reimbursement and care coordination.

Recommendations/Next Steps

- Further development of **Tele-health** services
- **Behavioral Health Integration** (BHI) program Implementation (start Nov 2020)

Approvals/Conclusions

No additional approvals needed at this time. The Kaweah Delta Urgent Care Clinics continue to be highly successful service lines for the District; providing outstanding episodic services to the community it serves.
## KDHCD ANNUAL BOARD REPORT

**URGENT CARE CLINICS - Summary**

### KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

<table>
<thead>
<tr>
<th>Service Line</th>
<th>Patient Cases</th>
<th>Net Revenue</th>
<th>Direct Cost</th>
<th>Contribution Margin</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urgent Care Court</td>
<td>39,671</td>
<td>$6,142,293</td>
<td>$3,911,036</td>
<td>$2,231,257</td>
<td>($88,075)</td>
</tr>
<tr>
<td>Urgent Care Demaree</td>
<td>23,503</td>
<td>$3,642,136</td>
<td>$2,313,527</td>
<td>$1,326,609</td>
<td>$414,456</td>
</tr>
<tr>
<td>Urgent Care Clinic Totals</td>
<td>63,174</td>
<td>$9,784,429</td>
<td>$6,224,563</td>
<td>$3,559,866</td>
<td>$326,381</td>
</tr>
</tbody>
</table>

### METRICS SUMMARY - 4 YEAR TREND

<table>
<thead>
<tr>
<th>Metric</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>% Change from Prior Yr</th>
<th>4 Yr Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>64,261</td>
<td>59,546</td>
<td>66,583</td>
<td>63,174</td>
<td>-5%</td>
<td>▼</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$8,963,370</td>
<td>$8,243,648</td>
<td>$11,514,713</td>
<td>$9,784,429</td>
<td>-15%</td>
<td>▼</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$5,746,364</td>
<td>$5,747,904</td>
<td>$6,407,965</td>
<td>$6,224,563</td>
<td>-3%</td>
<td>▼</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$3,217,006</td>
<td>$2,495,744</td>
<td>$5,106,748</td>
<td>$3,559,866</td>
<td>-30%</td>
<td>▼</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$2,217,904</td>
<td>$2,445,943</td>
<td>$3,033,238</td>
<td>$3,233,485</td>
<td>7%</td>
<td>▲</td>
</tr>
<tr>
<td>Net Income</td>
<td>$999,102</td>
<td>$49,801</td>
<td>$2,073,510</td>
<td>$326,381</td>
<td>-84%</td>
<td>▼</td>
</tr>
<tr>
<td>Net Revenue Per Case</td>
<td>$139</td>
<td>$138</td>
<td>$173</td>
<td>$155</td>
<td>-10%</td>
<td>▼</td>
</tr>
<tr>
<td>Direct Cost Per Case</td>
<td>$89</td>
<td>$97</td>
<td>$96</td>
<td>$99</td>
<td>2%</td>
<td>▲</td>
</tr>
<tr>
<td>Contrib Margin Per Case</td>
<td>$50</td>
<td>$42</td>
<td>$77</td>
<td>$56</td>
<td>-27%</td>
<td>▼</td>
</tr>
</tbody>
</table>

### Graphs

- **Net Revenue Per Case**
  - FY2017: $139
  - FY2018: $138
  - FY2019: $173
  - FY2020: $155

- **Direct Cost Per Case**
  - FY2017: $89
  - FY2018: $87
  - FY2019: $96
  - FY2020: $99

- **Contrib Margin Per Case**
  - FY2017: $50
  - FY2018: $42
  - FY2019: $77
  - FY2020: $56

### Notes:
- Source: Outpatient Service Line Reports
- Criteria: Outpatient Service Lines Urgent Care Center
- Criteria: specific selection for each Service Line (noted on the individual Service Line Tabs)
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

<table>
<thead>
<tr>
<th>METRIC</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>% CHANGE FROM PRIOR YR</th>
<th>4 YR TREND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>64,261</td>
<td>59,546</td>
<td>47,718</td>
<td>39,671</td>
<td>▼ -17%</td>
<td>44,159</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$8,963,370</td>
<td>$8,243,648</td>
<td>$7,908,501</td>
<td>$6,142,293</td>
<td>▼ -22%</td>
<td>$6,866,261</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$5,746,364</td>
<td>$5,747,904</td>
<td>$4,470,189</td>
<td>$3,911,036</td>
<td>▼ -13%</td>
<td>$4,369,289</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$3,217,006</td>
<td>$2,495,744</td>
<td>$3,438,312</td>
<td>$2,231,257</td>
<td>▼ -35%</td>
<td>$2,496,972</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$2,217,904</td>
<td>$2,445,943</td>
<td>$2,512,256</td>
<td>$2,319,332</td>
<td>▼ -8%</td>
<td>$2,573,475</td>
</tr>
<tr>
<td>Net Income</td>
<td>$999,102</td>
<td>$49,801</td>
<td>$926,056</td>
<td>($88,075)</td>
<td>▼ -110%</td>
<td>($76,503)</td>
</tr>
<tr>
<td>Net Revenue Per Case</td>
<td>$139</td>
<td>$138</td>
<td>$166</td>
<td>$155</td>
<td>▼ -7%</td>
<td>$155</td>
</tr>
<tr>
<td>Direct Cost Per Case</td>
<td>$89</td>
<td>$97</td>
<td>$94</td>
<td>$99</td>
<td>▲ 5%</td>
<td>$99</td>
</tr>
<tr>
<td>Contrib Margin Per Case</td>
<td>$50</td>
<td>$42</td>
<td>$72</td>
<td>$56</td>
<td>▼ -22%</td>
<td>$57</td>
</tr>
</tbody>
</table>

PER CASE TRENDED GRAPHS

PAYER MIX - 4 YEAR TREND

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medi-Cal Managed Care</td>
<td>61.7%</td>
<td>59.5%</td>
<td>56.5%</td>
<td>53.8%</td>
</tr>
<tr>
<td>Managed Care/Other</td>
<td>21.2%</td>
<td>22.4%</td>
<td>24.2%</td>
<td>25.9%</td>
</tr>
<tr>
<td>Medicare</td>
<td>6.7%</td>
<td>7.3%</td>
<td>7.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>3.4%</td>
<td>4.0%</td>
<td>5.1%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>5.2%</td>
<td>4.5%</td>
<td>3.9%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>1.3%</td>
<td>1.6%</td>
<td>2.1%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>0.4%</td>
<td>0.6%</td>
<td>0.6%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

Level Of Care

<table>
<thead>
<tr>
<th>Level</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level I</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Level II</td>
<td>10%</td>
<td>9%</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>Level III</td>
<td>19%</td>
<td>23%</td>
<td>30%</td>
<td>21%</td>
</tr>
<tr>
<td>Level IV</td>
<td>54%</td>
<td>57%</td>
<td>61%</td>
<td>69%</td>
</tr>
<tr>
<td>Level V</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>No Level</td>
<td>17%</td>
<td>11%</td>
<td>0%</td>
<td>1%</td>
</tr>
</tbody>
</table>

FY 2020 Payer Mix - Based on Patient Visits

- Medicare Managed Medi-Cal: 3.7%
- Work Comp: 0.6%
- Cash Pay: 6.2%
- Medicare: 7.5%
- Managed Care/Other: 25.9%
- Medi-Cal Managed Care: 53.8%
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

Urgent Care – Court Average Visits Per Day

Notes:
Source: Outpatient Service Line Reports
Criteria: Outpatient Service Line is Urgent Care and Secondary Service Line is Urgent Care Court
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

**METRICS SUMMARY - 4 YEAR TREND**

<table>
<thead>
<tr>
<th>METRIC</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>%CHANGE FROM PRIOR YR</th>
<th>4 YR TREND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>0</td>
<td>0</td>
<td>18,865</td>
<td>23,503</td>
<td>▲ 25%</td>
<td>27,356</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$0</td>
<td>$0</td>
<td>$3,606,212</td>
<td>$3,642,136</td>
<td>▲ 1%</td>
<td>$4,276,710</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$0</td>
<td>$0</td>
<td>$1,937,776</td>
<td>$2,313,527</td>
<td>▲ 19%</td>
<td>$2,690,046</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$0</td>
<td>$0</td>
<td>$1,668,436</td>
<td>$1,328,609</td>
<td>▼ -20%</td>
<td>$1,586,664</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$0</td>
<td>$0</td>
<td>$520,982</td>
<td>$914,153</td>
<td>▲ 75%</td>
<td>$1,059,527</td>
</tr>
<tr>
<td>Net Income</td>
<td>$0</td>
<td>$0</td>
<td>$1,147,454</td>
<td>$414,456</td>
<td>▼ -64%</td>
<td>$527,138</td>
</tr>
<tr>
<td>Net Revenue Per Case</td>
<td>$0</td>
<td>$0</td>
<td>$191</td>
<td>$155</td>
<td>▼ -19%</td>
<td>$156</td>
</tr>
<tr>
<td>Direct Cost Per Case</td>
<td>$0</td>
<td>$0</td>
<td>$103</td>
<td>$98</td>
<td>▼ -4%</td>
<td>$98</td>
</tr>
<tr>
<td>Contrib Margin Per Case</td>
<td>$0</td>
<td>$0</td>
<td>$88</td>
<td>$57</td>
<td>▼ -36%</td>
<td>$58</td>
</tr>
</tbody>
</table>

*Note: Arrows represent the change from prior year and the lines represent the 4-year trend*

**PER CASE TRENDED GRAPHS**

**PAYER MIX - 4 YEAR TREND**

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Care/Other</td>
<td>0.0%</td>
<td>0.0%</td>
<td>46.4%</td>
<td>44.7%</td>
</tr>
<tr>
<td>Medi-Cal Managed Care</td>
<td>0.0%</td>
<td>0.0%</td>
<td>40.1%</td>
<td>40.5%</td>
</tr>
<tr>
<td>Medicare</td>
<td>0.0%</td>
<td>0.0%</td>
<td>6.3%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.2%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>0.0%</td>
<td>0.0%</td>
<td>2.3%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>0.0%</td>
<td>0.0%</td>
<td>1.3%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.3%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Level Of Care</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level I</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Level II</td>
<td>0%</td>
<td>0%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Level III</td>
<td>0%</td>
<td>0%</td>
<td>24%</td>
<td>16%</td>
</tr>
<tr>
<td>Level IV</td>
<td>0%</td>
<td>0%</td>
<td>67%</td>
<td>75%</td>
</tr>
<tr>
<td>Level V</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Level VI</td>
<td>0%</td>
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<td>0%</td>
</tr>
<tr>
<td>No Level</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

FY 2020 Payer Mix - Based on Patient Visits

![Payer Mix Chart]

- Cash Pay 3.3%
- Medicare 6.1%
- Medi-Cal 2.5%
- Medicare Managed Care 1.8%
- Work Comp 0.3%
- Medi-Cal Managed Care 40.5%
- Medi-Cal/Other 44.7%
- Managed Care/Others 44.7%
Urgent Care – Demaree Average Visits Per Day

Notes:
Source: Outpatient Service Line Reports
Criteria: Outpatient Service Line is Urgent Care and Secondary Service Line is Urgent Care Demaree
Kaweah Delta Home Infusion Pharmacy
James McNulty, Director of Pharmacy
624-2470
November 23, 2020

Summary Issue/Service Considered

Kaweah Delta Home Infusion Pharmacy (KDHIP) is a closed door pharmacy that services the community, along with patients being discharged from the hospital and needing prolonged intravenous medications therapy at home. KDHIP is the preferred pharmacy for Kaweah Delta Home Health and is contracted with Kaweah Delta Hospice to provide all of their pharmacy. KDHIP is able to leverage 340b drug savings and passes these on to KD Hospice to reduce their overall drug spend and maximize savings for the District.

Analysis of financial/statistical data:

- KDHIP Units of Service (UOS) increased 7% from FY 19
- Net Revenue/UOS saw a decrease from $21 to $20, but were countered with Direct Cost/UOS decrease from $20 to $18, resulting in a Contribution Margin/UOS increase of $1.22 to 1.63 when compared to FY 19
- Net Revenue saw a slight decrease mostly likely attributed to one high dollar Blue Cross patient being discharged from service end of FY 19 resulting in a $3.3M decrease in gross revenue
- With decrease in net revenue, workflow and drug spend were optimized to decrease direct costs which resulted in a 4% decrease compared to FY 19
  - Pharmacy and Supply expenses have decreased 12% and 13% respectively
- Despite decrease in net revenue KDHIP has seen a Positive 3yr contribution margin with a 43% increase compared to FY 19
- KDHIP Payer mix shift over the last 3yrs are the result of a handful of patients
  - Large Blue Cross case d/c from service in FY 19 resulting in $3.3M decrease in gross revenue
  - KD Employees: The “Other” payer category consists of KDH Employees, Hospice, and Cash Pay. One new KDH employee resulted in a 12% increase from FY19 and a $238K increase in gross revenue
- KDHIP directly contributed to significant savings with regards to Hospice drug spend, performance, and overall District savings for FY 20
- KDHIP provided an estimated drug cost savings of $1.4M by passing along direct 340b savings and only charging a minimal dispensing fee compared to other rates that would be charged if contracted with an outside pharmacy
- KDHIP incurred $120K additional cost in standby/callback associated with requirement to have KDHIP available during closed hours.
Quality/Performance Improvement Data

- **High Risk Medication Error Rates**: Goal is to ensure 100% accuracy with compounding High Alert-High Risk Medications to reduce potential error and patient harm. This quality metric involves medications considered to be high risk by KD Home Infusion based on therapeutic class and risk for patient harm. These medications include but are not limited to opioids and total parenteral nutrition (TPN) with additives. The process involves independent review of orders and double check by two pharmacists during medication processing and preparation. Date range evaluated was July 1, 2019 – June 30, 2020.
  - 62 opioid compounds were evaluated w/ 100% accuracy for preparation and dispensing
  - 1088 TPN compounds were evaluated w/ 100% accuracy for preparation and dispensing

- **Appropriate Patient Identification Rate**: Goal of this quality measure is to reduce the likely rate of wrong patient, wrong medication errors that may take place upon order entry and/or dispensing/delivery. This quality metric involves the intake team, along with pharmacist and pharmacy technician to utilize 2 patient identifiers upon new patient intake and any time an order is processed/filled/dispensed/delivered.
  - 998 new admits with 100% correctly identified and admitted to KDHIP service
  - 22,476 prescriptions were processed/dispensed/delivered with 100% accuracy for right patient being identified

- **TPN Compound Verification**: Total Parenteral Nutrition (TPN) is a complex sterile compound requiring multiple manipulations of multiple ingredients and involves multiple intricate measurements for accuracy. Goal of this quality measure is to ensure accuracy of TPN compounds, all measurements, and reduce mediation errors. This involves double verification of order entry by two Pharmacists, double verification by Pharmacist and Technician for medications to be compounded, and pharmacist verification of the technician programmed TPN compounder device prior to preparation.
  - 747 TPNs were evaluated during the specified time period and 100% were found to be compliant with the TPN verification process

- **Prescription Transcription/Dispensing Accuracy**: The goal of this quality metric is to ensure appropriate and accurate dispensing of medication orders to minimize medication errors and potential patient harm. The target is to achieve >90% accuracy with transcribing, processing, labeling, and dispensing prescriptions.
  - 22,476 prescriptions were processed during July 1, 2019 – June 30, 2020 with a total of 99.99% accuracy.
  - Two medication errors were identified with a thorough evaluation of both errors to determine root cause with corrections in processes where feasible. Patient harm was absent in both cases and steps to correct have been implemented w/o report of repeat error moving forward.

- **Joint Commission and State Board of Pharmacy Survey**: KDHIP had its annual State Board of Pharmacy survey (July 2020) along with the Joint Commission Survey (September 2020) which occurs every 3 years. Both surveys were very successful with high praise from both the State Board of Pharmacy Inspector and the Joint Commission Inspector. The Joint Commission survey resulted in a full 3-year accreditation indicating that KDHIP complies with the highest degree patient care, quality outcomes, and safe medication practices.

Policy, Strategic or Tactical Issues

- Continue to assess payer mix and strategies for optimization, including evaluation on margins for particular therapies and if those should be continued (i.e. baby formulas, enterals, etc.).
- The current hospice contract was implemented in 2015 and has not been re-evaluated for consideration on rate adjustment. 60% of the home infusion business is attributed to
hospice therapy. Re-evaluate the current Hospice contract for benchmark data and consideration for rate adjustment.

- Medi-Cal Managed Care accounted for 15% in total gross revenue for FY 2020 ($557,133). This will shift to Medi-Cal fee for service starting Jan 2021 resulting in a slight shift in payer mix. Based on early reports, it is anticipated that this may result an expected 5-7% decrease in Medi-Cal reimbursement and a potential decrease of $39,000 in total gross revenue for KDHIP.
  - Therapies for this particular payer will need to be evaluated along with reimbursement rates and necessary formulary adjustments to optimize formulary and ensure maximization of net revenue.
- Working with marketing and will soon work with physician liaisons to more actively and aggressively market KDHIP services to the hospital and community providers to increase patient volume.
- KDHIP recently transitioned to a new software package 7/1/2020 that has better reporting capability. This will allow a closer look into the financials for KDHIP along with better visualization on billing/payment status. Will look to optimize workflow and billing transparency to better manage AR, timely filing, denials, and any adjustments if applicable.

**Recommendations/Next Steps**

- Ensure enrollment in Medi-Cal fee for service commencing Jan 1, 2021
- Monitor reimbursement rates and Medi-Cal specific therapies to determine necessary adjustments moving forward
- Monitor reimbursement rates and payer mix with particular focus on TPN, Antibiotic, and other intravenous therapies to optimize net revenue
- Work with physician groups to increase awareness and encourage service utilization to increase patient volumes to optimize net revenue
- Work with individual payers to evaluate current contracts and if there is opportunity to negotiate better rates
- Work with Hospice leadership on opportunities to maximize formulary and consider renegotiating our current contract based on benchmark data for reimbursement rates
- Continue to focus on quality metrics to ensure high quality patient care with strategies focused on mitigating medication errors and potential patient harm.

**Approvals/Conclusions**

Kaweah Delta Home Infusion Pharmacy is a world class pharmacy offering multiple services for the community and the organization. Over 60% of the business line is dedicated to meeting the pharmacy needs of KD Hospice. It is important to recognize that KDHIP saves KD Hospice over $1M in drug spend costs on an annual basis by directly passing on 340b savings. This is not recognized in the financial reports or contribution margin for KDHIP and should not be undervalued as an overall contribution to the district. By passing along direct drug cost savings, the direct costs for KD Hospice are significantly reduced resulting in an increased overall contribution margin to the organization. Over the next year, increased attention and focus will be given to marketing the KDHIP service line to the community and hospital providers, evaluating individual payer contracts for potential adjustments, and continuation of providing services and savings to KD Hospice.
FY 2020 TWELVE MONTHS ENDED JUNE 30, 2020

KEY METRICS - FY 2020

**UNIT OF SERVICE** (Treatment Days)
- **Managed Care/Other**: 137,946, ▲ 7%
- **Other**: 61%
- **Medi-Cal Managed Care**: 11%
- **Medi-Cal**: 13%
- **Medicare**: 10%

**NET REVENUE**
- **Managed Care/Other**: $2,707,500, ▼ -2%
- **Other**: $2,481,980, ▼ -4%
- **Medi-Cal Managed Care**: $225,520, ▲ 43%
- **Medi-Cal**: $774,641, ▼ -2%

**DIRECT COST**
- **Managed Care/Other**: $2,707,500
- **Other**: $2,481,980
- **Medi-Cal Managed Care**: $225,520
- **Medi-Cal**: $774,641

**CONTRIBUTION MARGIN**
- **Managed Care/Other**: ▲ 7%
- **Other**: ▼ -2%
- **Medi-Cal Managed Care**: ▲ 43%
- **Medi-Cal**: ▼ -2%

**NET INCOME**
- **Managed Care/Other**: ($774,641)
- **Other**: ▼ -2%

**METRICS SUMMARY - 4 YEAR TREND**

<table>
<thead>
<tr>
<th>METRIC</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>%CHANGE FROM PRIOR YR</th>
<th>4 YR TREND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit of Service (Treatment Days)</td>
<td>126,907</td>
<td>141,537</td>
<td>129,293</td>
<td>137,946</td>
<td>▲ 7%</td>
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<tr>
<td>Net Revenue</td>
<td>$2,770,290</td>
<td>$3,627,679</td>
<td>$2,749,829</td>
<td>$2,707,500</td>
<td>▼ -2%</td>
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<tr>
<td>Direct Cost</td>
<td>$2,955,047</td>
<td>$3,431,576</td>
<td>$2,992,554</td>
<td>$2,481,980</td>
<td>▼ -4%</td>
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<td>Contribution Margin</td>
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<td>$157,275</td>
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<tr>
<td>Indirect Cost</td>
<td>$753,630</td>
<td>$855,481</td>
<td>$917,098</td>
<td>$1,000,161</td>
<td>▲ 9%</td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>($938,387)</td>
<td>($659,378)</td>
<td>($759,823)</td>
<td>($774,641)</td>
<td>▼ -2%</td>
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<tr>
<td>Net Revenue per UOS</td>
<td>$22</td>
<td>$26</td>
<td>$21</td>
<td>$20</td>
<td>▼ -8%</td>
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<tr>
<td>Direct Cost per UOS</td>
<td>$23</td>
<td>$24</td>
<td>$20</td>
<td>$18</td>
<td>▼ -10%</td>
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</tr>
<tr>
<td>Contrib Margin per UOS</td>
<td>($1)</td>
<td>$1</td>
<td>$1</td>
<td>$2</td>
<td>▲ 34%</td>
<td></td>
</tr>
</tbody>
</table>

**PER CASE TRENDED GRAPHS**

**PAYER MIX - 4 YEAR TREND (GROSS REVENUE)**

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Care/Other</td>
<td>64%</td>
<td>61%</td>
<td>62%</td>
<td>34%</td>
</tr>
<tr>
<td>Other</td>
<td>11%</td>
<td>20%</td>
<td>20%</td>
<td>32%</td>
</tr>
<tr>
<td>Medi-Cal Managed Care</td>
<td>0%</td>
<td>1%</td>
<td>3%</td>
<td>15%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>10%</td>
<td>7%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>Medicare</td>
<td>13%</td>
<td>11%</td>
<td>8%</td>
<td>9%</td>
</tr>
</tbody>
</table>

**FY 2020 Payer Mix**

1. The dramatic payer mix shift from FY 2019 to FY 2020 is related to a handful of patients. One Blue Cross patient who had $3.4 million in charges in FY 2019 was discharged and had minimal gross revenue in FY 2020.
2. The "Other" payer category represents KDH Employees, Hospice and Cash Pay. KD Employee EPO gross revenue increased due to 1 patient.
3. Hospice gross revenue increased by 8.2% from FY 2019 to FY 2020.
4. The increase in Medi-Cal Managed Care is related to 3 patients with large accounts who had minimal charges in FY 2019.

**HOME INFUSION DAYS**

Report Source: Non-Cerner Service Line Report

*FY2020 is annualized in graphs and throughout the analysis.*

*NOTE: Arrows represent the change from prior year and the lines represent the 4-year trend.*
Service Name Here

Kaweah Delta Retail Pharmacy
James McNulty, Director of Pharmacy
624-2470
November 23, 2020

Summary Issue/Service Considered

Kaweah Delta Retail Pharmacy is an open door pharmacy that services the community. In addition, it offers a meds-to-beds program for patients being discharged from the hospital to increase medication adherence and decrease re-admissions. The pharmacy also works closely with our Chronic Disease Management Center (CDMC) to leverage 340b drug savings and pass them on to employees and their dependents through an Employee Wellness Specialty program for those with chronic illnesses. This improves health outcomes and decreases drug costs for the organization. In addition to this program, the pharmacy and CDMC also offer the community a medication assistance program for patients that can’t afford their medications. Hours of operation are 9 am-7 pm M-F, 9 am-1pm Saturday.

Analysis of financial/statistical data:

- For FY20 the pharmacy processed 63K prescriptions which was a 9% increase from FY19.
- Net Revenue totaled $6.4M which was a 37% increase from FY19
- Contribution Margin to the District was $4M compared to $772K in FY19
- Overall Net Income was $1.85M which was a 195% increase compared to FY19
- Med-Assist saw 1,116 claims w/ $95K offered in patient savings and $500K in net revenue
- Employee Wellness program saw 1,860 claims w/ $1.6M in net margin to the pharmacy

Quality/Performance Improvement Data

Pharmacy Quality Improvement: Discuss, Focus, Improve (DIFI) is a tool designed to report, document and maintain records of pharmacy related errors that can be reviewed monthly and discussed with staff to improve operations, systems, workflows, or other aspects thereby assuring a continual process of improvement and mitigation of medication error related incidents. The team focuses on major categories of pharmacy workflow (Data Entry, Filling, Dispensing, Inventory Management) each month to further discuss and improve upon. Items discussed are posted and further discussed during the month at morning huddles to improve processes and aid in systematic change. DIFI was introduced in Nov 2019 and tracking of data through June 2020 has shown a 68% reduction in reported/observed errors.

Meds-to-Beds Concierges Rx Capture: Goal is to monitor the number of patients that are eligible to receive medications at time of discharge from our pharmacy and actually
receive them compared to those eligible and choose to have their prescriptions filled at an outside pharmacy upon discharge. Data indicates that hospitals with a meds-to-beds program typically capture 40-65% of eligible discharged medications. Our goal has been to capture at least 80% of the eligible discharged prescriptions. For the time period July 1, 2019 – June 30, 2020 we saw a total capture rate of 78.2% with 26,022 prescriptions delivered to patients at time of discharge.

Curbside Prescription Pick-Up: With the onset of COVID-19 in March 2020 and in an effort to improve our concierges capture rate, the pharmacy worked to implement a curbside prescription pick-up option for the community and discharged patients. Curbside pick-up followed recommendations put forth by the Centers of Disease Control and Prevention (CDC) and also was designed to accommodate nursing staff as an option to expedite the discharge of their patient without having to wait on medications being delivered to the bedside. The patient and/or family is able to pick-up their prescriptions at the pharmacy without leaving their car. We provide contactless delivery to assist with recommended social distancing guidelines. Patients, Nursing Staff, and the Community have all expressed their satisfaction with this service.

Joint Commission Survey: As a hospital based ambulatory pharmacy, the Joint Commission also surveyed the pharmacy to ensure safe medication practices and standards for optimal patient care were being met. KD Retail Pharmacy had a successful survey and our procedures and practices for handling of hazardous medication were highlighted as being effective for both patient care and staff safety.

Policy, Strategic or Tactical Issues

- Focus on expansion of the Employee Wellness Specialty Program by increasing awareness amongst employees and dependents by continued work with Human Resources and Marketing to promote the clinical and financial benefit of the program
- Focus on expansion and optimization of the Med-Assist Program
- Managed Medi-Cal will shift to Fee For Service (FFS) Medi-Cal starting Jan 1, 2021 resulting in a shift in decrease in reimbursement for this population. Anticipated decrease of $60,000 is anticipated

Recommendations/Next Steps

- Ensure enrollment in Medi-Cal Rx FFS commencing Jan 1, 2021
- Continue to offer world class care to our community, patients, employees and their dependents
- Continue to optimize our meds-to-beds concierges service to reach goal of 80% capture rate by improving delivery times to nursing units and increasing utilization in our curbside prescription pick-up

Approvals/Conclusions

Kaweah Delta Pharmacy is a world class pharmacy that offers multiple services for the community, our hospital patients, and our employees and their dependents. The pharmacy optimizes patient care by leveraging 340b savings to lower drug cost for the pharmacy, maximize reimbursement margins, and pass on savings to the patient to increase medication adherence and decrease overall healthcare costs. It is a financially stable business with significant contribution margins to the District.
KDHCD ANNUAL BOARD REPORT
Kaweah Delta - Retail Pharmacy

* FY 2020 TWELVE MONTHS ENDED JUNE 30, 2020

KEY METRICS - FY 2020 *

UNIT OF SERVICE (Rx Scripts) 63,347 ▲ 9%

NET REVENUE $6,414,053 ▲ 37%

DIRECT COST $4,051,172 ▲ 4%

CONTRIBUTION MARGIN $2,362,881 ▲ 206%

NET INCOME $1,856,786 ▲ 194%

Note: Arrows represent the change from prior year and the lines represent the 4-year trend

METRICS SUMMARY - 4 YEAR TREND

<table>
<thead>
<tr>
<th>METRIC</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>%CHANGE FROM PRIOR YR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit of Service (Rx Scripts)</td>
<td>578</td>
<td>41,664</td>
<td>58,116</td>
<td>63,347</td>
<td>▲ 9%</td>
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<td>Net Revenue</td>
<td>$915,117</td>
<td>$2,322,912</td>
<td>$4,676,491</td>
<td>$6,410,053</td>
<td>▲ 37%</td>
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<tr>
<td>Direct Cost</td>
<td>$1,476,434</td>
<td>$3,450,753</td>
<td>$3,903,549</td>
<td>$4,051,172</td>
<td>▲ 4%</td>
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<tr>
<td>Contribution Margin</td>
<td>($561,317)</td>
<td>($1,127,841)</td>
<td>$772,942</td>
<td>$2,362,881</td>
<td>▲ 206%</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$0</td>
<td>$0</td>
<td>$140,910</td>
<td>$506,095</td>
<td>▲ 259%</td>
</tr>
<tr>
<td>Net Income</td>
<td>($561,317)</td>
<td>($1,127,841)</td>
<td>$772,942</td>
<td>$2,362,881</td>
<td>▲ 206%</td>
</tr>
<tr>
<td>Net Revenue per UOS</td>
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<td>$56</td>
<td>$80</td>
<td>$101</td>
<td>▲ 26%</td>
</tr>
<tr>
<td>Direct Cost per UOS</td>
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<td>$83</td>
<td>$67</td>
<td>$64</td>
<td>▲ -5%</td>
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<tr>
<td>Contrib Margin per UOS</td>
<td>($971)</td>
<td>($27)</td>
<td>$13</td>
<td>$37</td>
<td>▲ 180%</td>
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</tbody>
</table>

PER CASE TRENDED GRAPHS

Net Revenue per UOS

Direct Cost per UOS

Contrib Margin per UOS

Unit of Service FY2020

Notes:
Source: Non-Cerner Service Line Report
Home Health Agency, Private/Specialty Home Care, and Lifeline

Tiffany Bullock, Director, Home Health
Contact number: 559-624-6447
Barbara Mayeda, Director, Private/Specialty Home Care and Lifeline
Contact number: 559-624-2861
November 10, 2020

Summary Issue/Service Considered

1. Achieving optimum balance of program priorities to address quality of care, compliance, profitability, and quality of work environment.
2. Ensuring that all home care services continue to provide the full continuum of services to the community.

Analysis of financial/statistical data:

Home Health Agency, Home Care Services, and Lifeline experienced an increase in contribution margin. The three programs had a contribution margin of $2,549,956 this fiscal year compared to $1,404,551 last fiscal year.

Home Health Agency: The program had a 3% increase in total visits compared to last year. The average direct cost per visit increased by $8 (+8%), averaging $169 per visit, while net revenue per visit increased by $31 (21%), averaging $211 per visit. Overall, home health experienced a contribution margin of $1,406,819. Payer mix stayed stable, with approximately 74% Medicare/Medicare Managed Care. Admissions to home health increased by 19 per month compared to the prior year. The average census also increased by 20 per month compared to the preceding year.

Home Care: The program had a 6% increase in volume compared to 2019. There is a need to increase staffing to meet patient/clients volume demands. We are working with recruiting to hire more staff, community demand increased with COVID-19 resulting in the program turning away clients. The increase in contribution margin and net income per unit of service can mainly be contributed to the Specialty Home Care rate increase as part of the Medi-Cal Waiver program (raise given after 20+ years of no raises). Saving also resulted in limited supervisory home visits during the three strong months of COVID-19 presence in the community. Overall, Home Care services had a contribution margin of $1,120,246, an increase of 44% compared to $779,282 in 2019.

Lifeline: Lifeline experienced a decrease in volume by -15% resulting in -13% decrease in net revenue. Direct cost decreased from $37 to $34 per unit in 2020 resulting in a stronger contribution margin compared to prior year. Overall, Lifeline experienced a contribution margin of $22,891, an 11% increase over $20,666 from 2019. Home Care Services works closely with Lifeline to reduce costs as able by streamlining labor expenses by sharing work functions.
Quality/Performance Improvement Data

Home Health Agency: Overall, patient quality of care exceeds national benchmarks. Currently, the Home Health Compare website notes overall quality performance at a 3.5-star rating (1 through 5 rating scale). The agency has made excellent gains with a number of quality care initiatives, out-performing the national average with timely initiation of care, improvement in bathing, improvement in bed transfers, improvement with breathing, medication teaching, monitoring for depression, preventing emergency room visits without admission to hospital, preventing re-hospitalizations and increase in ability to remain in the community after discharge from Home Health. Performance and trends are carefully monitored and appropriate action plans are developed for any area that is below the national average. Overall, patient satisfaction is averaging 85% compared to the California average of 80% and the National average of 84%. The HHA patient satisfaction is at a 4-star rating on the publically reported website-Home Health Compare, a rating shared by only a few local agencies.

Patient satisfaction continues to be a top priority for the agency. Management at Home Health engage in patient rounding on a weekly basis via telephone calls to patients utilizing standard query formats to ensure needs are being met. In addition, Home Health is working with the District committee to increase the frequency with which patient contact is made to ensure satisfaction. This will include leaders from within the District but outside of Home Health rounding on Home Health patients as well. Data will be analyzed by Home Health leadership and changes/adjustments made as needed as well as to allow the opportunity at service recovery.

In May of 2019, staff participated in the District employee engagement survey. Home Health scored very high on this survey. Home Health was assigned a Team Index 1 level, the highest possible. This designation comes from all three survey domains: organization, manager and employee. Teams at this level require minimal improvement planning. A fact that is reinforced by the lower than average turnover rate Home Health experienced this past year. In addition, this year Home Health experienced a change in leadership. The previous manager of Home Health stepped into the Director position and a new manager was appointed. The new manager had been with the Home Health department for several years in various roles. With the level of years of experience with the Home Health agency and Kaweah Delta between the new leaders, it has resulted in a seamless transition with no disruption to staff or operations.

Home Care Services: Client satisfaction/employee engagement scores are measured twice a year. The results continue to indicate a high degree of satisfaction. For 2020, the results showed: 100% of staff arrived to work on time and were dress appropriately. The client’s scored the following at 97%: they had confidence and trust with the employee providing care. They felt the employee made a positive impact on their comfort and health status within their home. The clients felt home care met or exceeded their expectations and would refer others to Kaweah Delta for home care services.

Employee engagement score on a scale 1- 5 resulted in a 4.9 this past year; meaning that the employees would recommend this agency to others as a good place to work. Overall, employee engagement results increased from 93% to 94%.

Policy, Strategic or Tactical Issues
1. The Home Health Agency underwent a significant change in the structure of payment for Medicare patients effective January 1, 2020. The new reimbursement model, Patient-Driven Groups Model (PDGM), focused on patient characteristics, medical diagnoses, comorbid conditions and therapy needs. Having been under this model now for approximately 9 months, Home Health is working with Patient Accounting Services to analyze overall reimbursement as compared to the previous payment model. Based on those results a consultant will be utilized to make necessary changes to optimize reimbursement.

2. All Home Care services continue to work closely with revenue cycle, finance, the managed care team to ensure proper billings and collections, negotiations of insurance rates, and the overall cost of providing the care is being managed well. Significant strides have been made under this model as can be noted in increase of revenue for the service line.

3. Retention and recruitment of clinical staff continues to be a priority. We are working closely with Human Resources to remain competitive with benefits, salaries, and employee engagement.

4. Work closely with HR to hire additional LVN staff to handle increase volumes demands in Specialty Home Care. HR and Specialty home care leadership are working closely to determine a competitive salary in the current market.

5. Work closely with HR to hire Aides and Homemakers to meet the community demand for Private Home Care.

6. Due to the extremely competitive market in the region, we will continue to market services to ensure capturing the market share in our area.

7. Since the onset of the pandemic, Home Health has, and continues, to play a vital role in assisting with the impact the acute hospital experiences related to COVID admissions by ensuring these patients can be safely discharged to home with Home Health rather than remain hospitalized. Home Health staff including nurses, physical and occupational therapist and social workers provide care for patients as they recuperate. At the beginning of the pandemic we committed our social worker to contact all admitted patients by phone to follow up to help ensure the depression and loneliness that came with sheltering in place was being managed in our vulnerable patients. Since then Home Health has safely provided care to numerous COVID positive patients and will continue to do so as long as is necessary.

Recommendations/Next Steps

1. Maintain positive productivity in support of improved or sustained positive financial performance for all programs.

2. Monitor all publicly reported quality measures to achieve or sustain performance that exceeds national benchmarks. This will include the following:
   i. ongoing audits of both start of care and discharge documentation
   ii. timeliness completion and staff education in regards to documentation
   iii. Continue to work closely with Patient Billing to ensure all revenues issues are being addressed promptly. This will include the following:
      - in-depth analysis of revenue, payments, and denials
      - monthly review of financial reports with the patient billing department
      - electronic billing implementation with payers
   iv. initial certification documentation is complete (face-to-face requirements)

3. Participate in outreach programs and opportunities such as community forums and health fairs to market to consumers, physicians, and the overall community.

4. Develop and implement a plan to address employee satisfaction using the result of the SAQ survey to be administered in November 2020.

Approvals/Conclusions

284/604
In the coming year, Home Health Services will focus on:

1. Implementation of goals related to District cornerstones for Home Health, Private Home Care, and Lifeline to enhance program development, the satisfaction of all stakeholders, program marketing, and clinical quality of services.

2. Work with the entire continuum of care from the Acute Care Hospital to the post-acute care providers to meet patient needs and timely placement in the Home Care services.

3. Continue to review profitability, contribution margin to identify opportunities for volume, growth cost containment, customer satisfaction, and clinical excellence.
KEY METRICS - FY 2020

METRICS SUMMARY - 4 YEAR TREND

<table>
<thead>
<tr>
<th>METRIC</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>% CHANGE PRIOR YR</th>
<th>4 YR TREND</th>
</tr>
</thead>
<tbody>
<tr>
<td>STATISTIC</td>
<td>30,607</td>
<td>30,513</td>
<td>32,091</td>
<td>33,110</td>
<td>▲ 3%</td>
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</tr>
<tr>
<td>NET REVENUE</td>
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<td>$5,214,446</td>
<td>$5,766,927</td>
<td>$6,998,811</td>
<td>▲ 21%</td>
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<tr>
<td>DIRECT COST</td>
<td>$5,677,058</td>
<td>$5,468,379</td>
<td>$5,162,334</td>
<td>$5,591,992</td>
<td>▲ 8%</td>
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</tr>
<tr>
<td>CONTRIBUTION MARGIN</td>
<td>$390,586</td>
<td>($253,933)</td>
<td>$604,593</td>
<td>$1,406,819</td>
<td>▲ 133%</td>
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</tr>
<tr>
<td>INDIRECT COST</td>
<td>$920,629</td>
<td>$1,156,906</td>
<td>$1,130,015</td>
<td>$1,235,562</td>
<td>▲ 9%</td>
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</tr>
<tr>
<td>NET INCOME</td>
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<td>($1,410,839)</td>
<td>($252,422)</td>
<td>$171,257</td>
<td>▲ 133%</td>
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</tr>
<tr>
<td>NET REVENUE PER UOS</td>
<td>$188</td>
<td>$171</td>
<td>$180</td>
<td>$211</td>
<td>▲ 18%</td>
<td></td>
</tr>
<tr>
<td>DIRECT COST PER UOS</td>
<td>$185</td>
<td>$179</td>
<td>$161</td>
<td>$169</td>
<td>▲ 5%</td>
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</tr>
<tr>
<td>CONTRB MARGIN PER UOS</td>
<td>$13</td>
<td>($8)</td>
<td>$19</td>
<td>$42</td>
<td>▲ 120%</td>
<td></td>
</tr>
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</table>

PAYER MIX - 4 YEAR TREND (STATISTIC)

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2020 PAYER MIX</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEDICARE</td>
<td>61.8%</td>
<td>48.4%</td>
<td>45.9%</td>
<td>44.3%</td>
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</tr>
<tr>
<td>MEDICARE MANAGED CARE</td>
<td>14.3%</td>
<td>22.7%</td>
<td>26.3%</td>
<td>30.0%</td>
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</tr>
<tr>
<td>MEDI-CAL MANAGED CARE</td>
<td>8.4%</td>
<td>12.4%</td>
<td>11.6%</td>
<td>12.1%</td>
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<tr>
<td>MGD. CARE/OTHER</td>
<td>8.5%</td>
<td>13.3%</td>
<td>14.2%</td>
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<tr>
<td>MEDI-CAL</td>
<td>5.0%</td>
<td>2.1%</td>
<td>1.1%</td>
<td>2.5%</td>
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</tr>
<tr>
<td>CASH PAY</td>
<td>0.4%</td>
<td>0.3%</td>
<td>0.1%</td>
<td>0.1%</td>
<td></td>
</tr>
<tr>
<td>THIRD PARTY - TRAD.</td>
<td>1.7%</td>
<td>0.8%</td>
<td>0.7%</td>
<td>0.1%</td>
<td></td>
</tr>
</tbody>
</table>

NOTES:
Source: Non-Cerner Service Line Reports
Criteria: Home Health Agency

STATISTICAL - GRAPH OF 3 YEAR TREND

Home Health Visits

Notes:
Source: Non-Cerner Service Line Reports
Criteria: Home Health Agency

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### Lifeline

#### Key Metrics - FY 2020

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<tbody>
<tr>
<td>Statistic</td>
<td>1,916</td>
<td>1,751</td>
<td>1,592</td>
<td>1,355</td>
<td>-15%</td>
<td></td>
<td>1,370</td>
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<tr>
<td>Net Revenue</td>
<td>$89,748</td>
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<td>$78,847</td>
<td>$68,685</td>
<td>-13%</td>
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<td>$68,757</td>
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</tr>
<tr>
<td>Direct Cost</td>
<td>$75,759</td>
<td>$62,255</td>
<td>$58,181</td>
<td>$45,794</td>
<td>-21%</td>
<td>-17%</td>
<td>$51,633</td>
<td></td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$13,986</td>
<td>$22,057</td>
<td>$20,666</td>
<td>$22,891</td>
<td>11%</td>
<td></td>
<td>$17,124</td>
<td></td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$12,586</td>
<td>$12,257</td>
<td>$11,144</td>
<td>$9,485</td>
<td>-15%</td>
<td>4%</td>
<td>$9,587</td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>$1,403</td>
<td>$9,800</td>
<td>$9,522</td>
<td>$13,406</td>
<td>41%</td>
<td></td>
<td>$7,538</td>
<td></td>
</tr>
<tr>
<td>Net Revenue per UOS</td>
<td>$47</td>
<td>$48</td>
<td>$50</td>
<td>$51</td>
<td>2%</td>
<td>-1%</td>
<td>$50</td>
<td></td>
</tr>
<tr>
<td>Direct Cost per UOS</td>
<td>$40</td>
<td>$36</td>
<td>$37</td>
<td>$34</td>
<td>-8%</td>
<td></td>
<td>$38</td>
<td></td>
</tr>
<tr>
<td>Contrib Margin per UOS</td>
<td>$7</td>
<td>$13</td>
<td>$13</td>
<td>$17</td>
<td>30%</td>
<td></td>
<td>$13</td>
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</tbody>
</table>

#### Metric Summary - 4 Year Trend

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
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<td></td>
</tr>
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<td>$9,485</td>
<td>$9,485</td>
<td>$9,587</td>
<td>-15%</td>
<td>12%</td>
<td>$9,587</td>
<td></td>
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<td>$50</td>
<td>$51</td>
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<td>2%</td>
<td>1%</td>
<td>$50</td>
<td></td>
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<tr>
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<td>$17</td>
<td>$13</td>
<td>30%</td>
<td>-7%</td>
<td>$13</td>
<td></td>
</tr>
</tbody>
</table>

#### Payer Mix - 4 Year Trend (Statistic)

<table>
<thead>
<tr>
<th>Payer</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2020 Payer Mix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Pay</td>
<td>92.4%</td>
<td>99.3%</td>
<td>99.1%</td>
<td>98.1%</td>
<td>Third Party - Trad. 1.9%</td>
</tr>
<tr>
<td>Third Party - Trad.</td>
<td>7.6%</td>
<td>0.7%</td>
<td>0.7%</td>
<td>1.9%</td>
<td>Third Party Trad. 1.9%</td>
</tr>
<tr>
<td>MGD. Care/Other</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.3%</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
- Source: Non-Cerner Service Line Reports
- Criteria: Lifeline

*Note: Arrows represent the change from prior year and lines represent the 4-year trend*
## Key Metrics - FY 2020

<table>
<thead>
<tr>
<th>Metric</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>% Change Prior Year</th>
<th>4 Yr Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statistic</td>
<td>152,714</td>
<td>152,854</td>
<td>144,019</td>
<td>152,714</td>
<td>▲ 6%</td>
<td></td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$3,808,301</td>
<td>$3,544,415</td>
<td>$3,717,520</td>
<td>$4,302,591</td>
<td>▲ 16%</td>
<td></td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$3,166,334</td>
<td>$2,931,280</td>
<td>$2,938,228</td>
<td>$3,182,345</td>
<td>▲ 8%</td>
<td></td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$641,967</td>
<td>$613,135</td>
<td>$779,292</td>
<td>$1,120,246</td>
<td>▲ 44%</td>
<td></td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$759,595</td>
<td>$914,926</td>
<td>$701,857</td>
<td>$813,407</td>
<td>▲ 16%</td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>($117,628)</td>
<td>($301,791)</td>
<td>$77,435</td>
<td>$306,839</td>
<td>▲ 296%</td>
<td></td>
</tr>
<tr>
<td>Net Revenue per UOS</td>
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<td>$23</td>
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<td></td>
</tr>
<tr>
<td>Direct Cost per UOS</td>
<td>$19</td>
<td>$19</td>
<td>$20</td>
<td>$21</td>
<td>▲ 2%</td>
<td></td>
</tr>
<tr>
<td>Contribution Margin per UOS</td>
<td>$4</td>
<td>$4</td>
<td>$5</td>
<td>$7</td>
<td>▲ 36%</td>
<td></td>
</tr>
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### Metrics Summary - 4 Year Trend

<table>
<thead>
<tr>
<th>Metric</th>
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<th>FY2018</th>
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<td></td>
</tr>
<tr>
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<td>$4</td>
<td>$4</td>
<td>$5</td>
<td>$7</td>
<td>▲ 36%</td>
<td></td>
</tr>
</tbody>
</table>

### Payer Mix - 4 Year Trend (Statistic)

<table>
<thead>
<tr>
<th>Payer</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2020 Payer Mix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Pay</td>
<td>77.8%</td>
<td>77.5%</td>
<td>78.7%</td>
<td>79.7%</td>
<td></td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>18.2%</td>
<td>19.3%</td>
<td>18.0%</td>
<td>17.3%</td>
<td></td>
</tr>
<tr>
<td>Third Party - Trad.</td>
<td>3.2%</td>
<td>3.2%</td>
<td>3.3%</td>
<td>3.0%</td>
<td></td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Medi-Cal Managed Care</td>
<td>0.8%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Medicare</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td></td>
</tr>
</tbody>
</table>

Note: Arrows represent the change from prior year and the lines represent the 4-year trend.

Source: Non-Cerner Service Line Reports
Criteria: Home Care

288/604
Rehabilitation Services

Lisa Harrold, Director of Rehabilitation and Skilled Services
November 10, 2020
(559) 624-3854

Summary Issue/Service Considered

1. Achieving optimum balance of program priorities to address quality of care, compliance, profitability, and quality of work environment.
2. Ensuring that Rehabilitation Services continues to provide the full continuum of services to the community as a District Center of Excellence.

Analysis of financial/statistical data:
The inpatient programs experienced a decrease in contribution margin this year. Contributing factors included decreased admissions over the course of the fiscal year, a trend that accelerated significantly after the onset of the COVID pandemic in March. In addition, direct cost per case increased in both programs. Net revenue per case increased in both settings, but not by enough of a margin to offset the increased cost per case.

Acute rehabilitation: The number of admissions decreased 16%. Overall patient days were trending consistent with the prior year pre-COVID, but ultimately were 11% below by the end of the fiscal year. Factors affecting the increased cost per case included a high volume of patients requiring sitters, spreading of overhead costs across fewer patients, addition of the break nurse role in order to come into compliance with mandated staffing ratios to be maintained at all times, longer length of stay due to increased complexity of patients accepted and new or increased direct expense allocations from departments such as the float pool, utilization management and bed allocation. An additional factor was the provision of care to COVID patients which required a dedicated nurse for a small number of patients (1-3 patients on average). Ultimately the decision was made to stop new admissions for these patients due to the low demand, with the potential to revisit this if needed to support patient throughput for the organization.

There were also significant shifts in payer mix, with Medicare days down the most of all payers. Reimbursement per case for Medicare improved from $21,200 to $24,400. In comparison, Medi-Cal managed care pays an average of $20,000 per case. Commercial managed care increased slightly, with higher reimbursement rates per case of $28,000. Overall net revenue per case improved by 5% to $23,000.

Short stay rehabilitation: The number of admissions decreased but overall patient days increased by 3%, and were on track to increase by 9% prior to the COVID pandemic. Direct expense per day increased, with the majority attributed to new or increased direct expense allocations. Increases were also noted in salary expense. Overall staff hours were 6% above the flex budget target for the year, but salary expense was 19% above. Contributing factors to this were shortages during the year of CNA staff, with resulting use of licensed staff to provide total care together with the staffing pattern described above for COVID patients. Please note that the budgeted patient days for the current fiscal year in the report were based on a planned expansion of the unit from 16 to 23 beds. This expansion is currently on hold due to OSHPD...
indicating that a project would need to be established with them to support the application, and the potential expenses associated with this are leading to a re-examination of that plan.

Net revenue per day increased from approximately $500 over last several years to $588 in FY 2020. Medicare comprises 83% of the payer mix, and significant changes occurred this year to the payment methodology for skilled nursing care by Medicare. The new system provides stronger reimbursement for medical complexity with less focus on the amount of therapy provided. Medicare reimbursement per day is up from $461 in FY 2019 to $540 in FY 2020, an increase that began in October of 2019, current rate from October forward is $565. Commercial payers also increased by 2%, the first increase in this category in several years, with strong reimbursement of $1,155 per day. A downward trend in Medi-Cal Managed Care reimbursement per day since FY 2018 has been noted and requires follow up, as Medi-Cal should be paying a fixed daily rate that has not decreased during that time period.

In addition, about 15% of this program’s patient days were Humana patients in the capitated program. This is considered the most cost effective setting to manage these patients, rather than acute rehab. While helping keep the District expenses down for that population, it is a significant component of the program’s negative contribution margin. The program is credited with 21% less revenue for these patients than for regular Medicare, amounting to $84,000 less in income than had those patients been in the Medicare fee for service program. An additional factor was $19,000 in direct expenses providing care for Kaweah Delta employees, for which no revenue is recorded. After normalizing these two factors, the program’s contribution margin would have been -$131,000 rather than -$234,000.

Outpatient Therapy Clinics: The six therapy clinics experienced a decrease in volume of 8%, and had been on track to finish the fiscal year about 3% lower in volume prior to COVID. The only clinic that saw an overall increase in volume was the Exeter clinic. The average direct cost per unit of service increased from $24 to $25. The net revenue per case decreased slightly from $36 per unit of service to $35. Overall, the therapy clinics experienced a contribution margin of $2,986,250 compared to $3,091,845 in FY 2019.

Cardiac rehabilitation: The cardiac rehab program closed temporarily during the first 4 months of the pandemic, and then re-opened in June with smaller class sizes meeting less frequently in order to maintain the required social distancing in the treatment gym. As a result, patient volume decreased 33% compared to prior year, but had been on track for a 12% decrease prior to the pandemic. Direct cost per unit of service increased for the first time in the past four years, largely due to this decrease in patient volume and the inherent inefficiencies of running smaller classes. Net revenue per unit of service decreased to $102 from $109 last year, but the amount is more consistent with prior years. The program maintained a positive contribution margin of $123,417, but significantly smaller than prior years.

Wound Center: The wound center’s units of service decreased by 9% this year. Prior to the COVID pandemic, the program was on track to finish within 2% of the prior year. Another factor influencing the overall patient volume has been a Medicare audit underway for the hyperbaric program. Screening processes were adjusted to ensure that all patients admitted to the program had adequate documentation at admission of the required elements, which has meant turning away more patients. Direct cost per unit of service increased by 3%, primarily due to spreading of expenses over fewer units, as the performance report expenses have been trending downward. Net revenue per unit of service decreased by 14%. Payer mix has shifted, with a 5% increase in Medi-Cal managed care and a decrease in Medicare and in commercial payers. The decrease in volume in the hyperbaric program has also contributed to the decrease in net revenue per unit of service. The program has maintained a positive contribution margin of $88,115, but significantly reduced from prior years.
Quality/Performance Improvement Data

Acute Rehabilitation: The program continues to exceed the national benchmark for community discharges, with 88% of patients discharged home compared to 79% nationally. Average length of stay for the year was 13 days, the same as the national average. Patient satisfaction has averaged 93.5 overall this fiscal year, placing the program in the 64th percentile. Referrals are now tracked differently, as the liaisons assessing referrals are doing so for all of the post acute areas (acute rehabilitation and skilled nursing). In 2019, referrals averaged about 500 per month and increased slightly in the first six months of 2020 to 527, with a drop in the second quarter at the outset of the COVID pandemic. The majority of referrals continue to be from Kaweah Delta, with small numbers of consistent referrals from Adventist, Sierra View, CRMC and St Agnes. Trends are also monitored regarding patient falls, urinary tract infection, and hospital acquired skin breakdown, with facility performance exceeding national benchmarks on all indicators.

Short Stay Rehabilitation: 88% of patients were discharged home, 4% to nursing home and 7% to acute care. The program continues to serve primarily orthopedic patients, but does also accept patients with debilitation whose primary need is support for their functional recovery. The expanded diagnoses, acceptance of patients whose anticipated length of stay is up to 3-4 weeks, and insurance trends favoring skilled nursing over acute rehabilitation have all resulted in a higher census for this program, with total patient days coming in at budget despite the reduced census secondary to the pandemic in the final quarter of the fiscal year. The Skilled Nursing program has been recognized for the second year in a row as a U.S. News and World Report Best Nursing Home for Short Term Rehabilitation. This is based on a detailed review of the program’s staffing, outcomes, survey findings, and quality of care.

Outpatient Therapy Clinics: Patient satisfaction is now measured using an internal survey, so results are benchmarked against prior performance. Satisfaction averages in the mid to high 90’s in each clinic, with ongoing focus on improving patient satisfaction with their involvement in setting their therapy goals and their outcomes in comparison to those goals. Outcomes are also measured, using a pre and post outcome tool to measure functional quality and therapy effectiveness. Each therapy site uses outcomes measures that are useful for both clinician and patients depending on the patient’s diagnosis. The levels of significant functional improvement are measured on a quarterly basis using the outcome tools. The results are shared with the clinicians and bring focus to specific areas that could benefit from additional review of treatment approaches.

Acute Therapy Services: Therapy evaluation response time is monitored, measuring from the time the MD order is received to the time the therapy evaluation is completed. The goal is to complete therapy evaluations within 24 hours of the MD order. Physical therapy and speech therapy were both at 94% compliance with this measure in the most recent quarter. Occupational therapy staffing has recently stabilized, so the goal is to implement a similar measure to monitor occupational therapy evaluation response time in the coming months.

Wound Center: The wound center evaluates the average days to heal for wounds, with results above the national benchmarks most of this fiscal year. Some patients have finished treatment in the most recent quarter after having wounds that took more than 100 days and as many as 371 days to heal. The team had begun a regular case review of stalled wounds in order to facilitate timely adjustments in the treatment plan for complex wounds that are not initially responsive to treatment, which was put on hold due to the pandemic and has recently been put back on the calendar.
Policy, Strategic or Tactical Issues

1. The COVID pandemic has led to significant restructuring of some services and additional regulatory burden, particularly in the skilled nursing environment. Maintaining volume and ensuring staff and patient safety while implementing the new requirements will continue to be a challenge as this pandemic continues.

2. CMS significantly restructured the data used to determine the patient case mix groupings used for payment purposes for acute rehabilitation last year. The treatment team is demonstrating increased accuracy with the new measurement scale for functional progress, which replaced the Functional Independence Measure (FIM) that has been a longstanding rehabilitation standard. This new scale will determine payment as well as be used for benchmarking patient progress in public reporting. Thus far, the program appears to be experiencing better reimbursement under the revised CMG’s.

3. Skilled nursing underwent a significant change in the structure of payment for Medicare patients. The previous model was focused on resource utilization (RUGS), with a high incentive to deliver high volumes of therapy services in order to maximize reimbursement. The new model, Patient Driven Payment Model (PDPM) is focused on patient characteristics, including diagnoses, comorbid conditions and therapy needs. This model rebalances the payment system so that medically complex patients are reimbursed more consistently with their cost. This has improved overall skilled nursing reimbursement for hospital based programs like ours.

4. The hyperbaric medicine program at the Wound Center has been undergoing a Recovery Audit Contractor (RAC) audit this year. Appeals are underway for the majority of the denied claims, and stricter processes were implemented for patient screening and documentation.

5. Actively working with the information systems department to create interface with the outpatient clinical documentation system and financial systems to reduce redundancies and improve workflow and efficiency.

6. Working with the Vice President of Business Development and Strategic Planning to find an alternative therapy site for the Dinuba therapy Clinic to accommodate the growing needs of the Dinuba Rural Health Clinic.

7. Working with Clarify Health to build appropriate referral data into their system so that accurate monitoring of referral patterns for the therapy clinics and the wound center can be accomplished in order to effectively market the programs.

8. Installed a new telemetry monitoring system in the Cardiac Rehabilitation program as the model in use had reached end of life. This system will also allow an interface with the Cerner medical record, reducing the clerical burden on the program.

9. The acute rehabilitation program underwent the Commission on Accreditation of Rehabilitation Facilities (CARF) accreditation in October, and is awaiting the final survey report. The survey appears to have been successful, and full re-accreditation is expected.

Recommendations/Next Steps

1. Fully implement and monitor effectiveness of goals established via leadership performance system addressing the four cornerstones identified by the District (outstanding health outcomes, financial strength, ideal work environment and excellent service)

2. Maintain positive productivity in support of improved or sustained positive financial performance for all programs. Ensure ongoing marketing of all inpatient and outpatient programs. Monitor all publicly reported quality measures with goal of achieving or sustaining performance that exceeds national benchmarks.
3. Provide high-quality, affordable care for patients in our existing market as well as expand our service to more patients. Continue to work closely with patient billing department to assure all revenues issues are being addressed promptly.

4. Participate in outreach programs and opportunities such as runs/walks, community forums, and health fairs to market to consumers, physicians, and the overall community. Focus on strategies using social media and consumer reviews.

5. Working with HR with retaining and recruiting clinical staff by re-evaluating loan repayment, clinical ladder, sign-on bonuses, and pay ranges.

6. Continue to respond to Medicare initiatives related to acute rehabilitation services at the state and national level. Actively monitor processes that support appropriate admissions and documentation that supports medical necessity.

7. Monitor and respond to legislative developments such as the IMPACT Act that impose new requirements for post-acute care related to data collection and quality measures, and that also signal forthcoming changes in reimbursement structures that would favor a bundled approach or site neutral payment policies.

8. Review results of employee satisfaction survey with each department and develop and implement action plans.

9. Implement Post-Acute division strategic plan. Collaborate with key District leaders for improved management of patients with complex needs and chronic conditions.

**Approvals/Conclusions**

Rehabilitation services will focus in the coming year on:

1. Census development/patient volumes, management of productivity, maintaining compliance with all regulatory and payor expectations, customer satisfaction, clinical excellence and financial performance.

2. Implementation of goals related to District cornerstones for all of rehabilitation services to enhance program development, satisfaction of all stakeholders, program marketing, and ideal work environment for staff, and clinical quality of services.

3. Continued support of shared governance via rehabilitation councils (both nursing unit based council and therapy/business services council).
KDHC ANNUAL BOARD REPORT
Rehabilitation Services - Inpatient Summary

KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

<table>
<thead>
<tr>
<th>PATIENT CASES</th>
<th>NET REVENUE</th>
<th>DIRECT COST</th>
<th>CONTRIBUTION MARGIN</th>
<th>NET INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>826</td>
<td>$13,127,706</td>
<td>$10,339,571</td>
<td>$2,788,135</td>
<td>($3,051,613)</td>
</tr>
</tbody>
</table>

*Note: Arrows represent the change from prior year and the lines represent the 4-year trend

METRICS BY SERVICE LINE - FY 2020

<table>
<thead>
<tr>
<th>SERVICE LINE</th>
<th>PATIENT CASES</th>
<th>NET REVENUE</th>
<th>DIRECT COST</th>
<th>CONTRIBUTION MARGIN</th>
<th>NET INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>IP Acute Rehabilitation</td>
<td>445</td>
<td>$10,236,681</td>
<td>$7,214,552</td>
<td>$3,022,129</td>
<td>$1,144,844</td>
</tr>
<tr>
<td>IP Short Stay Rehabilitation</td>
<td>381</td>
<td>$2,891,025</td>
<td>$3,125,019</td>
<td>($233,994)</td>
<td>($1,906,769)</td>
</tr>
<tr>
<td>IP Rehabilitation Services Totals</td>
<td>826</td>
<td>$13,127,706</td>
<td>$10,339,571</td>
<td>$2,788,135</td>
<td>($3,051,613)</td>
</tr>
</tbody>
</table>

METRICS SUMMARY - 4 YEAR TREND

<table>
<thead>
<tr>
<th>METRIC</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>%CHANGE FROM PRIOR YR</th>
<th>4 YR TREND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>967</td>
<td>1,011</td>
<td>945</td>
<td>826</td>
<td>▼ -13%</td>
<td>11,792</td>
</tr>
<tr>
<td>Patient Days</td>
<td>10,404</td>
<td>11,279</td>
<td>11,474</td>
<td>10,878</td>
<td>▼ -5%</td>
<td>14,300,541</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$13,442,381</td>
<td>$13,534,895</td>
<td>$13,939,312</td>
<td>$13,127,706</td>
<td>▼ -6%</td>
<td>$11,262,357</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$8,994,220</td>
<td>$9,417,310</td>
<td>$9,794,716</td>
<td>$10,339,571</td>
<td>▲ 6%</td>
<td>$12,784,535</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$4,448,161</td>
<td>$4,117,585</td>
<td>$4,144,596</td>
<td>$2,788,135</td>
<td>▼ -33%</td>
<td>$1,573,819</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$4,508,842</td>
<td>$5,443,128</td>
<td>$5,442,753</td>
<td>$5,839,748</td>
<td>▲ 7%</td>
<td>$5,942,322</td>
</tr>
<tr>
<td>Net Income</td>
<td>($60,681)</td>
<td>($1,325,543)</td>
<td>($1,298,157)</td>
<td>($3,051,613)</td>
<td>▼ -135%</td>
<td>($3,313,968)</td>
</tr>
<tr>
<td>Net Revenue Per Case</td>
<td>$13,901</td>
<td>$13,388</td>
<td>$14,751</td>
<td>$15,893</td>
<td>▲ 8%</td>
<td>$15,996</td>
</tr>
<tr>
<td>Direct Cost Per Case</td>
<td>$9,301</td>
<td>$9,315</td>
<td>$10,365</td>
<td>$12,518</td>
<td>▲ 21%</td>
<td>$12,598</td>
</tr>
<tr>
<td>Contrb Margin Per Case</td>
<td>$4,600</td>
<td>$4,073</td>
<td>$4,386</td>
<td>$3,375</td>
<td>▼ -23%</td>
<td>$3,396</td>
</tr>
</tbody>
</table>

GRAPHS

Notes:
Source: Inpatient Service Line Reports
Criteria: Inpatient Rehab and Short Stay Rehab Service Lines
Criteria: Service Names Kaweah Delta Rehabilitation Hospital and TCS Ortho Unit
**KDHCD ANNUAL BOARD REPORT**

**Rehabilitation Services - Outpatient Summary**

**KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020**

<table>
<thead>
<tr>
<th>METRIC</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>% CHANGE FROM PRIOR YR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units of Service</td>
<td>282,969</td>
<td>295,418</td>
<td>307,549</td>
<td>281,869</td>
<td>↓ -8%</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$10,253,649</td>
<td>$10,785,914</td>
<td>$12,069,174</td>
<td>$10,898,207</td>
<td>↓ -10%</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$7,557,611</td>
<td>$7,882,551</td>
<td>$8,123,016</td>
<td>$7,752,884</td>
<td>↓ -5%</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$2,696,038</td>
<td>$2,903,363</td>
<td>$3,946,158</td>
<td>$3,145,323</td>
<td>↓ -20%</td>
</tr>
<tr>
<td>Net Income</td>
<td>$10,898,207</td>
<td>$7,752,884</td>
<td>$3,145,323</td>
<td>($521,515)</td>
<td>↓ -152%</td>
</tr>
</tbody>
</table>

**Net Revenue Per UOS**

<table>
<thead>
<tr>
<th>FY</th>
<th>Net Revenue Per UOS</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2017</td>
<td>$36</td>
</tr>
<tr>
<td>FY2018</td>
<td>$37</td>
</tr>
<tr>
<td>FY2019</td>
<td>$39</td>
</tr>
<tr>
<td>FY2020</td>
<td>$39</td>
</tr>
</tbody>
</table>

**Direct Cost Per UOS**

<table>
<thead>
<tr>
<th>FY</th>
<th>Direct Cost Per UOS</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2017</td>
<td>$26.71</td>
</tr>
<tr>
<td>FY2018</td>
<td>$26.68</td>
</tr>
<tr>
<td>FY2019</td>
<td>$26.41</td>
</tr>
<tr>
<td>FY2020</td>
<td>$27.51</td>
</tr>
</tbody>
</table>

**Contribution Margin Per UOS**

<table>
<thead>
<tr>
<th>FY</th>
<th>Contribution Margin Per UOS</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2017</td>
<td>$9.53</td>
</tr>
<tr>
<td>FY2018</td>
<td>$9.63</td>
</tr>
<tr>
<td>FY2019</td>
<td>$12.63</td>
</tr>
<tr>
<td>FY2020</td>
<td>$11.18</td>
</tr>
</tbody>
</table>

*Note: Arrows represent the change from prior year and the lines represent the 4-year trend.*
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

All O/P Rehab Services Across District

Notes:
Source: Outpatient Service Line Reports
Criteria: Outpatient Service Lines and Secondary Service Line selections
Criteria: specific selection for each Service Line (noted on the Individual Service Line Tabs)
## KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

### METRICS SUMMARY - 4 YEAR TREND

<table>
<thead>
<tr>
<th>METRIC</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>% CHANGE FROM PRIOR YR</th>
<th>4 YR TREND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>552</td>
<td>554</td>
<td>528</td>
<td>445</td>
<td>▼ -16%</td>
<td>485</td>
</tr>
<tr>
<td>Patient Days</td>
<td>6,659</td>
<td>6,788</td>
<td>6,697</td>
<td>5,958</td>
<td>▼ -11%</td>
<td>6,563</td>
</tr>
<tr>
<td>ALOS</td>
<td>12.06</td>
<td>12.25</td>
<td>12.68</td>
<td>13.39</td>
<td>▲ 6%</td>
<td>13.54</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$11,592,659</td>
<td>$11,242,681</td>
<td>$11,537,950</td>
<td>$10,236,681</td>
<td>▼ -11%</td>
<td>$11,241,951</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$6,895,340</td>
<td>$6,973,494</td>
<td>$7,174,902</td>
<td>$7,214,552</td>
<td>▲ 1%</td>
<td>$7,921,964</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$4,697,319</td>
<td>$4,269,387</td>
<td>$4,363,048</td>
<td>$3,022,129</td>
<td>▼ -31%</td>
<td>$3,319,988</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$3,626,099</td>
<td>$3,987,865</td>
<td>$3,965,534</td>
<td>$4,166,973</td>
<td>▲ 5%</td>
<td>$4,572,071</td>
</tr>
<tr>
<td>Net Income</td>
<td>$1,071,220</td>
<td>$281,522</td>
<td>$397,514</td>
<td>(1,144,844)</td>
<td>▼ -38%</td>
<td>($1,252,083)</td>
</tr>
<tr>
<td>Net Revenue Per Case</td>
<td>$21,001</td>
<td>$20,294</td>
<td>$21,852</td>
<td>$23,004</td>
<td>▲ 5%</td>
<td>$23,203</td>
</tr>
<tr>
<td>Direct Cost Per Case</td>
<td>$12,492</td>
<td>$12,588</td>
<td>$13,589</td>
<td>$16,212</td>
<td>▲ 19%</td>
<td>$16,351</td>
</tr>
<tr>
<td>Contrib Marg Per Case</td>
<td>$8,510</td>
<td>$7,706</td>
<td>$8,263</td>
<td>$6,791</td>
<td>▼ -18%</td>
<td>$6,852</td>
</tr>
</tbody>
</table>

### PER CASE TRENDED GRAPHS

#### Net Revenue Per Case

- FY2017: $21,001
- FY2018: $20,294
- FY2019: $21,852
- FY2020: $23,004

#### Direct Cost Per Case

- FY2017: $12,492
- FY2018: $12,588
- FY2019: $13,589
- FY2020: $16,212

#### Contrib Margin Per Case

- FY2017: $8,510
- FY2018: $7,706
- FY2019: $8,263
- FY2020: $6,791

### PAYER MIX - 4 YEAR TREND (TOTAL CHARGES)

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>50%</td>
<td>49%</td>
<td>45%</td>
<td>41%</td>
</tr>
<tr>
<td>Medi-Cal Managed Care</td>
<td>14%</td>
<td>13%</td>
<td>20%</td>
<td>21%</td>
</tr>
<tr>
<td>Managed Care/Other</td>
<td>17%</td>
<td>19%</td>
<td>19%</td>
<td>20%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>8%</td>
<td>9%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>9%</td>
<td>9%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>2%</td>
<td>1%</td>
<td>3%</td>
<td>1%</td>
</tr>
</tbody>
</table>

### FY 2020 PAYER MIX

- Medicare: 41%
- Medi-Cal: 21%
- Work Comp: 1%
- Managed Care/Other: 10%
- Managed Care: 7%
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

Rehabilitation Hospital - Avg. Patients Per Day

Notes:
Source: Inpatient Service Line Report
Selection Criteria: Service Name is Kaweah Delta Rehabilitation Hospital
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

<table>
<thead>
<tr>
<th>METRIC</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>%CHANGE FROM PRIOR YR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>415</td>
<td>457</td>
<td>417</td>
<td>381</td>
<td>▼ -9%</td>
</tr>
<tr>
<td>Patient Days</td>
<td>3,745</td>
<td>4,491</td>
<td>4,777</td>
<td>4,920</td>
<td>▲ 3%</td>
</tr>
<tr>
<td>ALOS</td>
<td>9.02</td>
<td>9.83</td>
<td>11.46</td>
<td>12.91</td>
<td>▲ 13%</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$1,849,722</td>
<td>$2,292,014</td>
<td>$2,401,362</td>
<td>$2,891,025</td>
<td>▲ 20%</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$2,098,880</td>
<td>$2,443,816</td>
<td>$2,619,814</td>
<td>$3,125,019</td>
<td>▲ 19%</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>($249,158)</td>
<td>($151,802)</td>
<td>($218,452)</td>
<td>($233,994)</td>
<td>▼ -7%</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$882,743</td>
<td>$1,455,263</td>
<td>$1,477,219</td>
<td>$1,672,775</td>
<td>▲ 13%</td>
</tr>
<tr>
<td>Net Income</td>
<td>($1,131,901)</td>
<td>($1,607,065)</td>
<td>($1,695,871)</td>
<td>($1,906,769)</td>
<td>▼ -12%</td>
</tr>
<tr>
<td>Net Revenue Per Case</td>
<td>$4,457</td>
<td>$5,015</td>
<td>$5,759</td>
<td>$7,588</td>
<td>▲ 32%</td>
</tr>
<tr>
<td>Direct Cost Per Case</td>
<td>$5,058</td>
<td>$5,348</td>
<td>$6,283</td>
<td>$8,202</td>
<td>▲ 31%</td>
</tr>
<tr>
<td>Contrb Margin Per Case</td>
<td>($600)</td>
<td>($332)</td>
<td>($524)</td>
<td>($614)</td>
<td>▼ -17%</td>
</tr>
<tr>
<td>Net Revenue Per Day</td>
<td>$494</td>
<td>$510</td>
<td>$503</td>
<td>$588</td>
<td>▲ 17%</td>
</tr>
<tr>
<td>Direct Cost Per Day</td>
<td>$560</td>
<td>$544</td>
<td>$548</td>
<td>$635</td>
<td>▲ 16%</td>
</tr>
<tr>
<td>Contribution Margin per Day</td>
<td>($67)</td>
<td>($34)</td>
<td>($46)</td>
<td>($48)</td>
<td>▼ -4%</td>
</tr>
</tbody>
</table>

*Note: Arrows represent the change from prior year and the lines represent the 4-year trend.*

METRICS SUMMARY - 4 YEAR TREND

PER CASE TRENDED GRAPHS

PAYER MIX - 4 YEAR TREND (TOTAL CHARGES)

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>67%</td>
<td>61%</td>
<td>61%</td>
<td>62%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>20%</td>
<td>24%</td>
<td>24%</td>
<td>21%</td>
</tr>
<tr>
<td>Managed Care/Other</td>
<td>7%</td>
<td>9%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Medi-Cal Managed Care</td>
<td>4%</td>
<td>4%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>1%</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

FY 2020 Payer Mix

Managed Care/Other 10%
Medi-Cal Managed Care 7%
Work Comp 1%
Medicare Managed Care 21%
Medicare 62%
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

TCS Ortho - Avg. Patients Per Day

Notes:
Source: Inpatient Service Line Report
Selection Criteria: Service Name is Kaweah Delta TCS Ortho Unit
PAYER MIX - 4 YEAR TREND (TOTAL CHARGES)
Outpatient Services - Therapies - Akers

KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

<table>
<thead>
<tr>
<th>METRIC</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units of Service</td>
<td>104,804</td>
<td>107,657</td>
<td>110,119</td>
<td>106,432</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$3,437,743</td>
<td>$3,678,559</td>
<td>$4,189,749</td>
<td>$4,129,768</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$2,486,132</td>
<td>$2,582,362</td>
<td>$2,628,622</td>
<td>$2,678,816</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$951,611</td>
<td>$1,096,197</td>
<td>$1,561,127</td>
<td>$1,450,952</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$652,233</td>
<td>$688,652</td>
<td>$744,326</td>
<td>$1,161,131</td>
</tr>
<tr>
<td>Net Income</td>
<td>$299,378</td>
<td>$207,345</td>
<td>$395,222</td>
<td>$289,821</td>
</tr>
</tbody>
</table>

#REF!

PER CASE TRENDED GRAPHS

## FY 2020 Payer Mix

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Care/Other</td>
<td>55.3%</td>
<td>54.8%</td>
<td>53.8%</td>
<td>55.1%</td>
</tr>
<tr>
<td>Medi-Cal Managed Care</td>
<td>15.7%</td>
<td>16.3%</td>
<td>17.1%</td>
<td>16.9%</td>
</tr>
<tr>
<td>Medicare</td>
<td>15.5%</td>
<td>17.7%</td>
<td>16.8%</td>
<td>15.8%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>9.4%</td>
<td>6.7%</td>
<td>6.4%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>2.6%</td>
<td>2.9%</td>
<td>4.4%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>0.4%</td>
<td>0.6%</td>
<td>0.8%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>1.1%</td>
<td>1.0%</td>
<td>0.7%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

Note: Arrows represent the change from prior year and the lines represent the 4-year trend.

Pre-COVID 4 Year Trend

Net Revenue Per UOS: $33, $34, $38, $39, $38, $39, $25, $25, $14, $14

Direct Cost Per UOS: $9, $10, $14, $14, $10, $10, $5, $5, $4, $4

Contrib Margin Per UOS: $3, $3, $3, $3, $3, $3, $3, $3, $3, $3

FY 2020 Payer Mix

- Work Comp: 6.8%
- Medi-Cal Managed Care: 16.9%
- Medi-Cal Other: 55.1%
- Medicare: 15.5%
- Managed Care: 0.8%
- Cash Pay: 0.9%
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

Notes:
Source: Outpatient Service Line Reports
Criteria: Outpatient Service Line is O/P Therapies and Secondary Service Line is CCPTS
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

**UNITS OF SERVICE**
- FY2017: 47,923
- FY2018: 51,177
- FY2019: 56,224
- FY2020: 46,800 (△ -17%)

**NET REVENUE**
- FY2017: $1,618,329
- FY2018: $1,671,768
- FY2019: $2,087,256
- FY2020: $1,819,984 (△ -17%)

**DIRECT COST**
- FY2017: $1,278,074
- FY2018: $1,299,786
- FY2019: $1,407,545
- FY2020: $1,302,412 (△ -7%)

**CONTRIBUTION MARGIN**
- FY2017: $340,255
- FY2018: $371,982
- FY2019: $679,711
- FY2020: $517,572 (△ -7%)

**NET INCOME**
- FY2017: ($170,283)
- FY2018: ($214,290)
- FY2019: $56,874
- FY2020: ($265,760) (△ -567%)

**PER CASE TRENDED GRAPHS**

**PAYER MIX - 4 YEAR TREND (TOTAL CHARGES)**

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>36.9%</td>
<td>37.0%</td>
<td>38.2%</td>
<td>35.1%</td>
</tr>
<tr>
<td>Managed Care/Other</td>
<td>29.0%</td>
<td>33.5%</td>
<td>31.0%</td>
<td>32.4%</td>
</tr>
<tr>
<td>Medi-Cal Managed Care</td>
<td>21.4%</td>
<td>18.0%</td>
<td>18.1%</td>
<td>21.4%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>6.8%</td>
<td>7.1%</td>
<td>8.0%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>4.2%</td>
<td>2.5%</td>
<td>3.3%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>1.5%</td>
<td>1.8%</td>
<td>1.3%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>0.2%</td>
<td>0.0%</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

**FY 2020 Payer Mix**

- Medicare 36.9%
- Medi-Cal 21.4%
- Managed Care/Other 32.4%
- Medi-Cal Managed Care 3.3%
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

Notes:
Source: Outpatient Service Line Reports
Criteria: Outpatient Service Line is O/P Therapies and Secondary Service Line is Neuro Clinic

O/P Rehab Services

Notes:
Source: Outpatient Service Line Reports
Criteria: Outpatient Service Line is O/P Therapies and Secondary Service Line is Neuro Clinic
# KDHCD Annual Board Report

## Outpatient Services - Hand Therapy

### FY2020

#### Key Metrics - FY2020 Twelve Months Ended June 30, 2020

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Units of Service</td>
<td>29,262</td>
<td>33,136</td>
<td>39,560</td>
<td>32,830</td>
<td>▼ -17%</td>
<td>35,400</td>
<td>35,000</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$1,110,303</td>
<td>$1,211,305</td>
<td>$1,677,697</td>
<td>$1,390,742</td>
<td>▼ -17%</td>
<td>$1,505,028</td>
<td>$1,032,398</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$879,133</td>
<td>$984,236</td>
<td>$1,145,370</td>
<td>$965,767</td>
<td>▼ -16%</td>
<td>$1,032,398</td>
<td>$472,631</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$231,170</td>
<td>$227,069</td>
<td>$332,327</td>
<td>$424,975</td>
<td>▼ -20%</td>
<td>$427,160</td>
<td>$45,471</td>
</tr>
<tr>
<td>Net Income</td>
<td>($34,797)</td>
<td>($93,196)</td>
<td>$238,753</td>
<td>$22,903</td>
<td>▼ -90%</td>
<td>$45,471</td>
<td>$43</td>
</tr>
<tr>
<td>Net Revenue Per UOS</td>
<td>$38</td>
<td>$37</td>
<td>$42</td>
<td>$42</td>
<td>▲ 0%</td>
<td>$43</td>
<td>$43</td>
</tr>
<tr>
<td>Direct Cost Per UOS</td>
<td>$30</td>
<td>$30</td>
<td>$29</td>
<td>$29</td>
<td>▲ 2%</td>
<td>$29</td>
<td>$29</td>
</tr>
<tr>
<td>Contribr Margin Per UOS</td>
<td>$8</td>
<td>$7</td>
<td>$13</td>
<td>$13</td>
<td>▼ -4%</td>
<td>$13</td>
<td>$13</td>
</tr>
</tbody>
</table>

#### Metrics Summary - 4 Year Trend

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
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<td>33,136</td>
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<td>32,830</td>
<td>▼ -17%</td>
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</tr>
<tr>
<td>Net Revenue</td>
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<td>$1,211,305</td>
<td>$1,677,697</td>
<td>$1,390,742</td>
<td>▼ -17%</td>
<td>$1,505,028</td>
<td>$1,032,398</td>
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<tr>
<td>Direct Cost</td>
<td>$879,133</td>
<td>$984,236</td>
<td>$1,145,370</td>
<td>$965,767</td>
<td>▼ -16%</td>
<td>$1,032,398</td>
<td>$472,631</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$231,170</td>
<td>$227,069</td>
<td>$332,327</td>
<td>$424,975</td>
<td>▼ -20%</td>
<td>$427,160</td>
<td>$45,471</td>
</tr>
<tr>
<td>Net Income</td>
<td>($34,797)</td>
<td>($93,196)</td>
<td>$238,753</td>
<td>$22,903</td>
<td>▼ -90%</td>
<td>$45,471</td>
<td>$43</td>
</tr>
<tr>
<td>Net Revenue Per UOS</td>
<td>$38</td>
<td>$37</td>
<td>$42</td>
<td>$42</td>
<td>▲ 0%</td>
<td>$43</td>
<td>$43</td>
</tr>
<tr>
<td>Direct Cost Per UOS</td>
<td>$30</td>
<td>$30</td>
<td>$29</td>
<td>$29</td>
<td>▲ 2%</td>
<td>$29</td>
<td>$29</td>
</tr>
<tr>
<td>Contribr Margin Per UOS</td>
<td>$8</td>
<td>$7</td>
<td>$13</td>
<td>$13</td>
<td>▼ -4%</td>
<td>$13</td>
<td>$13</td>
</tr>
</tbody>
</table>

#### Per Case Trended Graphs

#### Payer Mix - 4 Year Trend (Total Charges)

<table>
<thead>
<tr>
<th>Payer</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Care/Other</td>
<td>33.1%</td>
<td>33.0%</td>
<td>42.4%</td>
<td>41.8%</td>
</tr>
<tr>
<td>Medi-Cal Managed Care</td>
<td>26.1%</td>
<td>18.9%</td>
<td>16.3%</td>
<td>24.6%</td>
</tr>
<tr>
<td>Medicare</td>
<td>22.0%</td>
<td>27.5%</td>
<td>24.5%</td>
<td>18.6%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>6.4%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>10.1%</td>
<td>12.4%</td>
<td>8.5%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>0.8%</td>
<td>0.8%</td>
<td>1.0%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>1.6%</td>
<td>1.5%</td>
<td>0.3%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

#### FY2020 Payer Mix

- Medi-Cal Managed Care: 41.8%
- Medicare: 18.6%
- Work Comp: 9.3%
- Managed Care/Other: 33.1%
- Cash Pay: 1.6%
- Medi-Cal: 0.8%
- Work Comp: 24.6%
## KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

### METRICS SUMMARY - 4 YEAR TREND

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Units of Service</td>
<td>21,511</td>
<td>21,595</td>
<td>19,535</td>
<td>17,975</td>
<td>▼ -8%</td>
<td></td>
<td>18,272</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$715,176</td>
<td>$784,070</td>
<td>$772,459</td>
<td>$700,506</td>
<td>▼ -9%</td>
<td></td>
<td>$689,682</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$534,188</td>
<td>$515,097</td>
<td>$498,179</td>
<td>$463,505</td>
<td>▼ -7%</td>
<td></td>
<td>$469,547</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$180,988</td>
<td>$268,973</td>
<td>$274,280</td>
<td>$237,001</td>
<td>▼ -14%</td>
<td></td>
<td>$220,136</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$182,718</td>
<td>$207,024</td>
<td>$160,759</td>
<td>$211,883</td>
<td>▲ 32%</td>
<td></td>
<td>$214,185</td>
</tr>
<tr>
<td>Net Income</td>
<td>($1,730)</td>
<td>$61,949</td>
<td>$113,521</td>
<td>$25,118</td>
<td>▼ -78%</td>
<td></td>
<td>$5,951</td>
</tr>
<tr>
<td>Net Revenue Per UOS</td>
<td>$33</td>
<td>$36</td>
<td>$40</td>
<td>$39</td>
<td>▼ -1%</td>
<td></td>
<td>$38</td>
</tr>
<tr>
<td>Direct Cost Per UOS</td>
<td>$25</td>
<td>$24</td>
<td>$26</td>
<td>$26</td>
<td>▲ 1%</td>
<td></td>
<td>$26</td>
</tr>
<tr>
<td>Contrib Margin Per UOS</td>
<td>$8</td>
<td>$12</td>
<td>$14</td>
<td>$13</td>
<td>▼ -6%</td>
<td></td>
<td>$12</td>
</tr>
</tbody>
</table>

### PER CASE TRENDED GRAPHS

#### Net Revenue Per UOS

- FY2017: $33
- FY2018: $36
- FY2019: $40
- FY2020: $39

#### Direct Cost Per UOS

- FY2017: $25
- FY2018: $24
- FY2019: $26
- FY2020: $26

#### Contrib Margin Per UOS

- FY2017: $8
- FY2018: $12
- FY2019: $14
- FY2020: $13

### PAYER MIX - 4 YEAR TREND (TOTAL CHARGES)

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Care/Other</td>
<td>43.4%</td>
<td>48.6%</td>
<td>51.6%</td>
<td>50.6%</td>
</tr>
<tr>
<td>Medicare</td>
<td>26.1%</td>
<td>27.7%</td>
<td>28.4%</td>
<td>26.8%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>6.3%</td>
<td>7.0%</td>
<td>5.5%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Medi-Cal Managed Care</td>
<td>18.3%</td>
<td>13.3%</td>
<td>8.1%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>5.2%</td>
<td>3.1%</td>
<td>6.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.4%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>0.7%</td>
<td>0.2%</td>
<td>0.1%</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

### FY 2020 Payer Mix

- Cash Pay: 0.8%
- Medicare: 26.8%
- Medicare Managed Care: 10.3%
- Medi-Cal Managed Care: 55.6%
- Managed Care/Other: 5.7%
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

O/P Rehab - LLOPT

Notes:
Source: Outpatient Service Line Reports
Criteria: Outpatient Service Line is O/P Therapies and Secondary Service Line is Lover’s Lane Therapy
KEY METRICS - FY 20 Twenty Twelve Months Ended June 30, 2020

METRICS SUMMARY - 4 YEAR TREND

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Units of Service</td>
<td>23,686</td>
<td>26,712</td>
<td>25,519</td>
<td>26,389</td>
<td>▲ 3%</td>
<td></td>
<td>27,405</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$594,604</td>
<td>$690,851</td>
<td>$739,095</td>
<td>$813,523</td>
<td>▲ 3%</td>
<td></td>
<td>$857,433</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$494,153</td>
<td>$539,328</td>
<td>$562,729</td>
<td>$581,190</td>
<td>▲ 3%</td>
<td></td>
<td>$602,840</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$100,451</td>
<td>$151,523</td>
<td>$176,366</td>
<td>$232,333</td>
<td>▲ 32%</td>
<td></td>
<td>$254,594</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$126,700</td>
<td>$162,720</td>
<td>$177,386</td>
<td>$211,672</td>
<td>▲ 19%</td>
<td></td>
<td>$217,544</td>
</tr>
<tr>
<td>Net Income</td>
<td>($26,249)</td>
<td>($11,197)</td>
<td>($1,020)</td>
<td>$20,661</td>
<td>▲ 2126%</td>
<td></td>
<td>$37,050</td>
</tr>
<tr>
<td>Net Revenue Per UOS</td>
<td>$25</td>
<td>$26</td>
<td>$29</td>
<td>$31</td>
<td>▲ 6%</td>
<td></td>
<td>$31</td>
</tr>
<tr>
<td>Direct Cost Per UOS</td>
<td>$21</td>
<td>$20</td>
<td>$22</td>
<td>$22</td>
<td>▲ 0%</td>
<td></td>
<td>$22</td>
</tr>
<tr>
<td>Contrib Margin Per UOS</td>
<td>$4</td>
<td>$6</td>
<td>$7</td>
<td>$9</td>
<td>▲ 27%</td>
<td></td>
<td>$9</td>
</tr>
</tbody>
</table>

PER CASE TRENDED GRAPHS

PAYER MIX - 4 YEAR TREND (TOTAL CHARGES)

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medi-Cal Managed Care</td>
<td>38.5%</td>
<td>35.5%</td>
<td>34.8%</td>
<td>34.8%</td>
</tr>
<tr>
<td>Managed Care/Other</td>
<td>23.2%</td>
<td>31.0%</td>
<td>30.0%</td>
<td>30.0%</td>
</tr>
<tr>
<td>Medicare</td>
<td>25.4%</td>
<td>20.3%</td>
<td>23.0%</td>
<td>23.0%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>3.5%</td>
<td>6.5%</td>
<td>7.8%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>7.5%</td>
<td>4.5%</td>
<td>2.9%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>1.6%</td>
<td>1.8%</td>
<td>0.9%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>0.3%</td>
<td>0.3%</td>
<td>0.5%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

FY 2020 Payer Mix

- Medicare: 23.0%
- Medi-Cal Managed Care: 34.8%
- Work Comp: 0.5%
- Cash Pay: 0.3%
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

O/P Rehab - Exeter

Notes:
Source: Outpatient Service Line Reports
Criteria: Outpatient Service Line is O/P Therapies and Secondary Service Line is Exeter Clinic
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

METRICS SUMMARY - 4 YEAR TREND

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Units of Service</td>
<td>6,086</td>
<td>6,628</td>
<td>6,486</td>
<td>4,366</td>
<td>▼ -33%</td>
<td></td>
<td>5,727</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$623,732</td>
<td>$620,640</td>
<td>$708,830</td>
<td>$443,346</td>
<td>▼ -37%</td>
<td></td>
<td>$582,444</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$375,250</td>
<td>$399,014</td>
<td>$368,270</td>
<td>$319,929</td>
<td>▼ -13%</td>
<td></td>
<td>$417,848</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$248,482</td>
<td>$221,626</td>
<td>$340,560</td>
<td>$123,417</td>
<td>▼ -64%</td>
<td></td>
<td>$164,597</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$149,667</td>
<td>$175,143</td>
<td>$191,898</td>
<td>$179,251</td>
<td>▼ -7%</td>
<td></td>
<td>$234,027</td>
</tr>
<tr>
<td>Net Income</td>
<td>$98,815</td>
<td>$46,483</td>
<td>$148,662</td>
<td>($55,834)</td>
<td>▼ -138%</td>
<td></td>
<td>($69,431)</td>
</tr>
<tr>
<td>Net Revenue Per UOS</td>
<td>$102</td>
<td>$94</td>
<td>$109</td>
<td>$102</td>
<td>▼ -7%</td>
<td></td>
<td>$102</td>
</tr>
<tr>
<td>Direct Cost Per UOS</td>
<td>$62</td>
<td>$60</td>
<td>$57</td>
<td>$73</td>
<td>▲ 29%</td>
<td></td>
<td>$73</td>
</tr>
<tr>
<td>Contrib Margin Per UOS</td>
<td>$41</td>
<td>$33</td>
<td>$53</td>
<td>$28</td>
<td>▼ -46%</td>
<td></td>
<td>$29</td>
</tr>
</tbody>
</table>

PER CASE TRENDED GRAPHS

PAYER MIX - 4 YEAR TREND (TOTAL CHARGES)

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>55%</td>
<td>49%</td>
<td>57%</td>
<td>52%</td>
</tr>
<tr>
<td>Managed Care/Other</td>
<td>37%</td>
<td>39%</td>
<td>33%</td>
<td>37%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>9%</td>
<td>9%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Medi-Cal Managed Care</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>0%</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Notes:
Source: Outpatient Service Line Reports
Criteria: Outpatient Service Line is D/P Therapies and Secondary Service Line is Cardiac Rehab

FY 2020 PAYER MIX

- Medicare: 52%
- Managed Care: 37%
- Medi-Cal Managed Care: 2%
- Managed Care/Other: 3%
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

Notable arrows represent the change from prior year and the lines represent the 4-year trend.

METRICS SUMMARY - 4 YEAR TREND

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Units of Service</td>
<td>30,846</td>
<td>28,385</td>
<td>26,151</td>
<td>23,914</td>
<td>▼ -9%</td>
<td>25,727</td>
<td></td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$1,792,503</td>
<td>$1,746,001</td>
<td>$1,375,401</td>
<td>$1,081,531</td>
<td>▼ -21%</td>
<td>$1,180,020</td>
<td></td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$1,090,480</td>
<td>$1,208,115</td>
<td>$1,053,146</td>
<td>$993,416</td>
<td>▼ -6%</td>
<td>$1,066,703</td>
<td></td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$683,083</td>
<td>$537,886</td>
<td>$322,255</td>
<td>$88,115</td>
<td>▼ -73%</td>
<td>$113,318</td>
<td></td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$383,688</td>
<td>$452,384</td>
<td>$503,188</td>
<td>$542,582</td>
<td>▲ 8%</td>
<td>$579,851</td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>$299,215</td>
<td>$85,502</td>
<td>($180,933)</td>
<td>($454,467)</td>
<td>▼ -151%</td>
<td>($466,533)</td>
<td></td>
</tr>
<tr>
<td>Net Revenue Per UOS</td>
<td>$58</td>
<td>$62</td>
<td>$53</td>
<td>$45</td>
<td>▼ -14%</td>
<td>$46</td>
<td></td>
</tr>
<tr>
<td>Direct Cost Per UOS</td>
<td>$36</td>
<td>$43</td>
<td>$40</td>
<td>$42</td>
<td>▲ 3%</td>
<td>$41</td>
<td></td>
</tr>
<tr>
<td>Contrib Margin Per UOS</td>
<td>$22</td>
<td>$19</td>
<td>$12</td>
<td>$4</td>
<td>▼ -70%</td>
<td>$4</td>
<td></td>
</tr>
</tbody>
</table>

PER CASE TRENDED GRAPHS

PAYER MIX - 4 YEAR TREND (TOTAL CHARGES)

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>57.5%</td>
<td>54.6%</td>
<td>54.7%</td>
<td>52.4%</td>
</tr>
<tr>
<td>Medi-Cal Managed Care</td>
<td>14.6%</td>
<td>17.1%</td>
<td>16.8%</td>
<td>22.1%</td>
</tr>
<tr>
<td>Managed Care/Other</td>
<td>18.4%</td>
<td>14.9%</td>
<td>16.0%</td>
<td>14.1%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>6.2%</td>
<td>11.5%</td>
<td>10.4%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>0.4%</td>
<td>0.1%</td>
<td>0.0%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>2.1%</td>
<td>1.2%</td>
<td>1.6%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>0.8%</td>
<td>0.6%</td>
<td>0.6%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

FY 2020 Payer Mix

Notes:
Source: Outpatient Service Line Reports
Criteria: Outpatient Service Line is Wound Care
### Key Metrics - FY 2020 Twelve Months Ended June 30, 2020

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Units of Service</td>
<td>18,851</td>
<td>20,128</td>
<td>23,955</td>
<td>23,163</td>
<td>▼ -3%</td>
<td></td>
<td>24,812</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$361,259</td>
<td>$382,720</td>
<td>$518,687</td>
<td>$518,807</td>
<td>▶ 0%</td>
<td></td>
<td>$567,443</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$401,261</td>
<td>$354,613</td>
<td>$459,155</td>
<td>$447,849</td>
<td>▼ -2%</td>
<td></td>
<td>$479,064</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>($40,002)</td>
<td>$28,107</td>
<td>$70,958</td>
<td></td>
<td>▲ 19%</td>
<td></td>
<td>$88,379</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$96,330</td>
<td>$121,935</td>
<td>$122,434</td>
<td>$174,915</td>
<td>▲ 43%</td>
<td></td>
<td>$186,768</td>
</tr>
<tr>
<td>Net Income</td>
<td>($136,332)</td>
<td>($93,828)</td>
<td>($62,902)</td>
<td>($103,957)</td>
<td>▼ -65%</td>
<td></td>
<td>($98,390)</td>
</tr>
<tr>
<td>Net Revenue Per UOS</td>
<td>$19</td>
<td>$19</td>
<td>$22</td>
<td>$22</td>
<td>▲ 3%</td>
<td></td>
<td>$23</td>
</tr>
<tr>
<td>Direct Cost Per UOS</td>
<td>$21</td>
<td>$18</td>
<td>$19</td>
<td>$19</td>
<td>▲ 1%</td>
<td></td>
<td>$19</td>
</tr>
<tr>
<td>Contrib Margin Per UOS</td>
<td>($2)</td>
<td>$1</td>
<td>$2</td>
<td>$3</td>
<td>▲ 23%</td>
<td></td>
<td>$4</td>
</tr>
</tbody>
</table>

### Metrics Summary - 4 Year Trend

#### Net Revenue Per UOS
- FY2017: $19
- FY2018: $19
- FY2019: $22
- FY2020: $32

#### Direct Cost Per UOS
- FY2017: $21
- FY2018: $18
- FY2019: $19
- FY2020: $19

#### Contrib Margin Per UOS
- FY2017: ($2)
- FY2018: $1
- FY2019: $2
- FY2020: $3

### Payer Mix - 4 Year Trend (Total Charges)

<table>
<thead>
<tr>
<th>Payer</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medi-Cal Managed Care</td>
<td>70.5%</td>
<td>68.2%</td>
<td>68.2%</td>
<td>68.2%</td>
</tr>
<tr>
<td>Managed Care/Other</td>
<td>11.8%</td>
<td>7.4%</td>
<td>11.8%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Medicare</td>
<td>13.3%</td>
<td>15.4%</td>
<td>10.7%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>2.2%</td>
<td>4.1%</td>
<td>5.7%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>1.9%</td>
<td>1.9%</td>
<td>1.7%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>0.3%</td>
<td>2.3%</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>0.0%</td>
<td>0.6%</td>
<td>0.6%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

### FY 2020 Payer Mix
- Medicare: 10.7%
- Medi-Cal Managed Care: 1.8%
- Managed Care/Other: 11.7%
- Medi-Cal Managed Care: 68.2%
- Work Comp: 1.3%
- Cash Pay: 0.6%
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

Notes:
Source: Outpatient Service Line Reports
Criteria: Outpatient Service Line is O/P Therapies and Secondary Service Line is Dinuba Clinic
Summary Issue/Service Considered

- Continue to work on recruiting qualified employees and retaining current staff while eliminating contract labor.
- New leadership has been established at clinic. A new Nurse Manager started in August 2019, new Nursing Director in February 2020, and two new charge nurses.
- Improve internal processes to expedite care of patients at clinic. This includes optimizing patient treatment schedule and employee work schedule.
- Actively monitor all quality measures with a focused effort on KT/V goals, our fistula rate and blood stream infections.
- Nursing remains focused on patient satisfaction scores and patient education.
- Working on increasing census for Continuous Ambulatory Peritoneal Dialysis (CAPD) program.
- Address specific renal population needs related to Covid Pandemic.

Quality/Performance Improvement Data

Patient Satisfaction Scores:

Press Ganey completes our clinic patient satisfaction scores twice a year. For November 2019 to January 2020 twenty seven patients rated the dialysis clinic a 9 or 10 resulting in a 100% score. Patients rated the dialysis center staff at 96.3% putting us in the 99th percentile compared to other clinics within our region (Network 18).

KT/V Scores:

<table>
<thead>
<tr>
<th>%KT/V&gt;1.2</th>
<th>Goal 2019</th>
<th>Goal 2020</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>97.50%</td>
<td>98%</td>
<td>98.09%</td>
<td>98.83%</td>
</tr>
</tbody>
</table>

A KT over V score measures how well a patient is being dialyzed. It measures the adequacy of the dialysis treatments. In the last fiscal year we have met our goal of 98%. This is
due to it being a priority for everyone involved. From the dieticians to nurses on the
treatment floor working closely with the physicians making sure the appropriate clearance
is maintained is key for a positive outcome. We even had three months of 100% in the
2019-2020 fiscal year.

Fistula and Catheter Rates:

<table>
<thead>
<tr>
<th></th>
<th>Goal 2019</th>
<th>Goal 2020</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fistula Rate</td>
<td>75%</td>
<td>70%</td>
<td>56.43%</td>
<td>59.60%</td>
</tr>
<tr>
<td>Long term Catheter Rate</td>
<td>10.7%</td>
<td>10.7%</td>
<td>27%</td>
<td>23.40%</td>
</tr>
<tr>
<td>(Greater than 90 days)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Our team strongly believes in Fistula First to prevent complications associated with catheters. This is the industry standard. With our new Renal Access Coordinator things have begun to change at the clinic. Our catheter rate is the lowest it's ever been at 23.40%. The RAC organized the process and includes transport now when scheduling procedures. This has resulted in greater compliance.

Bloodstream Infection Rates (BSI):

<table>
<thead>
<tr>
<th></th>
<th>Goal 2019</th>
<th>Goal 2020</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSI Ratio (SIR)</td>
<td>0</td>
<td>0</td>
<td>1.964</td>
<td>1.345</td>
</tr>
</tbody>
</table>

Bloodstream infections can occur when bacteria or fungus enter the bloodstream. With patients receiving hemodialysis three times a week there chances of obtaining a bloodstream infection is higher than the general population. At the Dialysis Clinic, we take every precaution to prevent bloodstream infections and this is evident by our ratio decreasing over the last year. The number of actual infections divided by the number of expected infections gives us a standard infection ratio (SIR). Network 18 goal of a 20% reduction was achieved by the clinic. The 20% reduction is 1.55 and we achieved a 1.345.

Policy, Strategic or Tactical Issues

- Review monthly, all quality data, in our Quality Assessment and Performance Improvement committee (QAPI) meeting to ensure we are meeting our goals. If a goal is not met then further evaluation is completed to see what needs to be done to correct fall out.
- Started inviting patients to our QAPI meetings to be involved in care provided.
- Continue to perform 20 different audits to validate best practice is being performed at chairside. We have streamlined the process for holding staff accountable for any fallouts in care at bedside.
- Continuing to stay up to date on Covid 19 care at the clinic. This includes continuous education for patients and employees. Refining our screening process to ensure compliance. Safeguarding our isolation shift to keep patients and employees safe.
- Reviewing current policies for clinic and updating order sets for admission.
- Made patient dialysis schedule efficient and created isolation shift for Covid positive hemodialysis patients. Continue to monitor and balance new admissions with isolation shift demand.

Recommendations/Next Steps

- Educate and retain Registered Nurses and Certified Hemodialysis Technicians to decrease turnover and burn out.
• Focus on employee engagement by producing stop light reports to provide feedback to employees about what is being worked on in Clinic. Continue with employee weekly updates to facilitate information from leadership to employees.
• Focus on improving supply utilization by eliminating unnecessary items on supply list.
• Look at vendor contracts to explore better pricing options.
• Work closely with pharmacy to monitor medication trends and evaluate cost versus benefit to patient.
• Evaluate need to update facility. For example new flooring in treatment room and updated operating system in each dialysis machine.

Approvals/Conclusions

• Strive for overall quality outcomes and set goals to continue to improve.
• Increase CAPD and Hemodialysis patient volumes to improve financial strength of clinic.
• Continue to collaborate with finance, patient accounting and insurance contracts to find ways to become a profitable service line.
• Evaluate third party billing companies to increase revenue for clinic.
• Continue to work with supply vendors specifically Fresenius to decrease supply cost.
• Evaluate hemodialysis standards in care to make appropriate pharmaceutical decisions for patients and clinic.
KEY METRICS - FY 2020

FY 2020 METRICS

<table>
<thead>
<tr>
<th>SERVICE LINE</th>
<th>STATISTIC</th>
<th>NET REVENUE</th>
<th>NET REVENUE PER UOS</th>
<th>DIRECT COST</th>
<th>CONTRIBUTION MARGIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>OUTPATIENT DIALYSIS SERVICES</td>
<td>32,468</td>
<td>$6,809,454</td>
<td>$210</td>
<td>$7,444,846</td>
<td>($635,392)</td>
</tr>
</tbody>
</table>

METERS SUMMARY - 4 YEAR TREND

<table>
<thead>
<tr>
<th>METRIC</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>% CHANGE PRIOR YR</th>
<th>4 YR TREND</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET REVENUE</td>
<td>$6,646,400</td>
<td>$6,578,835</td>
<td>$6,816,603</td>
<td>$6,809,454</td>
<td>0%</td>
<td>$6,804,667</td>
</tr>
<tr>
<td>DIRECT COST</td>
<td>$6,308,447</td>
<td>$6,718,863</td>
<td>$6,942,355</td>
<td>$7,444,846</td>
<td>7%</td>
<td>$7,476,968</td>
</tr>
<tr>
<td>CONTRIBUTION MARGIN</td>
<td>$337,953</td>
<td>($140,128)</td>
<td>($125,752)</td>
<td>($635,392)</td>
<td>-405%</td>
<td>($671,921)</td>
</tr>
<tr>
<td>NET INCOME</td>
<td>($2,021,711)</td>
<td>($2,605,081)</td>
<td>($2,427,053)</td>
<td>($4,294,865)</td>
<td>-77%</td>
<td>($4,346,160)</td>
</tr>
</tbody>
</table>

PAYER MIX - 4 YEAR TREND (GROSS REVENUE)

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2020 PAYER MIX</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEDICARE</td>
<td>71.4%</td>
<td>68.9%</td>
<td>63.5%</td>
<td>59.5%</td>
<td>MEDICARE, 59.5%</td>
</tr>
<tr>
<td>MEDI-CAL MGD. CARE/OTHER</td>
<td>11.7%</td>
<td>13.9%</td>
<td>16.0%</td>
<td>16.0%</td>
<td>MEDI-CAL MGD. CARE/OTHER, 16.0%</td>
</tr>
<tr>
<td>MEDICARE MGD. CARE/OTHER</td>
<td>9.6%</td>
<td>11.7%</td>
<td>11.5%</td>
<td>15.5%</td>
<td>MEDICARE MGD. CARE/OTHER, 15.5%</td>
</tr>
<tr>
<td>MGD. CARE/OTHER</td>
<td>6.3%</td>
<td>5.2%</td>
<td>8.2%</td>
<td>7.4%</td>
<td>MGD. CARE/OTHER, 7.4%</td>
</tr>
<tr>
<td>MEDI-CAL</td>
<td>1.0%</td>
<td>0.3%</td>
<td>0.9%</td>
<td>1.4%</td>
<td>MEDI-CAL, 1.4%</td>
</tr>
</tbody>
</table>

STATISTIC TREND

Notes:
Source: Outpatient Service Line Reports
Criteria: Outpatient Service Lines Dialysis (includes CAPD and Hemodialysis)
Emergency Department

Keri Noeske, VP Chief Nursing Officer
November 23, 2020
knoeske@kdhcd.org
559-624-5916
November 2020

Summary Issue/Service Considered

- In 2020, the Emergency Department physicians, providers and staff developed a strategic plan with input from the medical staff and department team members. The goal of the strategic plan work was to make improvements in the quality of care and the delivery of care. They used the organizational strategic plan as the model for the development of department specific goals. The team focused on Operational Efficiency, development of a stronger Kaweah Care culture, Strategic Growth, Outstanding Health Outcomes and improving their outpatient network.

- The team saw successes in Operational Efficiency with a decrease in the rate of patients who left without being seen, implementation of a provider at triage for earlier medical screening examinations and the launch of Zone 6 for lower acuity care.

- The focus for outstanding health outcomes included improved psychological and crisis evaluations, collaboration with pediatric hospitalists, improved compliance with care related to sepsis, stroke, pediatric emergencies and bronchitis. The achieved their goals with bronchitis care. They had improved compliance with sepsis bundles and improved times with stroke access to care. The team continues to work on aligning psychological and crisis services.

- The primary Kaweah Care culture focus was the experience of the patients. Through various strategies, the team was able to achieve their annual goal for patient experience and saw dramatic improvement in patient experience scores overall. The team has also been working to improve the engagement of the team with increased recruitment and hiring of nurses, licensed psych techs and ED techs. The team has implemented a mentor program for new hires throughout their first two years of employment. After orientation, they continue to be supported by the two department mentors. The medical staff has been working to improve physician engagement and satisfaction with improved communication, engagement and connection throughout the organization.

- The ED team has launched a Street Medicine program to serve the community. The medical staff of the ED has implemented a care advocate role with the team to improve connecting patients with their primary care provider after discharge. They have also expanded their education focus by increasing the number of physician instructors prepared to teach in the Advanced Trauma Life Support program.

- ED Financial Score Card Key Takeaways:
  - Contribution margin $63.4 million.
  - 87% of inpatient acute adults/pediatric admissions originate in ED
  - COVID impact, estimated 10% decline in volume.
  - Increased patient care expenses and increased observation stay minutes cut into contribution margin.
Quality/Performance Improvement Data

- Left without being seen rates decreased to less than goal of 1.5%. Averaging 0.6% of patients each month.
- Patient experience percent of patients reporting a score of 9 or 10 with overall greater increased above goal of 62%.
- Percent of patients who would recommend the ED increased above goal of 76% of patients.
- Median length of stay for patients discharged remained longer than the goal of 186 minutes.
- Median Length of Stay for admitted patients was above goal of 407 minutes but is improving in FY2021.
- Median length of stay for patients admitted to time of depart was above the goal of 197 minutes but improving in FY2021.

Policy, Strategic or Tactical Issues

- Throughout fiscal year 2020, the team employed various tactics and strategies to implement changes in their performance and quality. Using the structure of their Emergency Department Operations team, they created an avenue for team members to share ideas.
- They were also able to assess and problem solve barriers or setbacks. They implemented the provider at triage and zone 6 care protocols to improve the ability to see patients in a more timely manner.
- They implemented leader rounding, employee of the month for the ED, a staff recognition board in the department, patient navigators in the department for follow-up, social events for the team (pre-COVID), weekly rounding with EVS and reviews of knowledge gained or lessons learned to improve the culture and work environment for the teams.
- The team decreased blood culture contamination rates with the implementation of pre-packaged culture kits and worked with the sepsis coordinator to improve the sepsis bundle compliance implementation in the ED.
- The department opened Zone 4, the nine bed mental health area and continued to support completion of the construction for the rest of the ED expansion.
- The team has also been able to improve follow-up with primary care providers with patient navigators in the department scheduling follow-ups for patients before they discharge.

Recommendations/Next Steps

- FY2021 Strategic Planning for the Emergency Department Is underway. Focus areas for planning include:
  o Throughput Efficiency for discharged and admitted patients
  o Increased employee and provider engagement
  o Realignment of staffing resources based on volumes and acuity of patients
  o Implementation of ED stoplight report to be reviewed monthly with the ED team for improvements.
  o Decreased turnover of ED staff nurses and techs.
• Construction completion in spring of 2021. ED team will be moving operations and patient flow in the department to maximize space and establish new care patterns.
• Recruitment of Director of Emergency Services position recently vacated.
• Collaboration with inpatient and ancillary departments in continued response to patient surges and throughput of patients.
• Maintain and improve patient experience scores.
• Review risk analysis and implement processes to improve standardization of care and expectations in the department.
• Implementation of evidence based pediatric services in the emergency care with collaboration from the pediatric inpatient teams.

**Approvals/Conclusions**

The emergency department staff and medical team have built a team that is collaborative and competent with their patient care skills and knowledge. They are passionate about emergency medicine and providing high quality outcomes for the patients and the community. The medical staff is highly engaged in the success of the department and works closely in the development of a strong team to lead. Their successes this last year in patient experience and improving throughput times has come from the team implementing changes and holding the team accountable to them.

Opportunities exist in the recruitment and retention of nursing staff in the department. Turnover creates gaps in staffing leaving the department short-staffed and unable to fully utilize the areas they have been given to provide care. Though zone 6 was opened and created for lower acuity, they often cannot use this space due to staffing constraints. Retention of staff and reorganization of the staff to be used during various predicted high volumes times will allow for more utilization of the new space.

The leadership will work together to address employee engagement feedback and concerns. They can focus on the needs of the team and develop processes and opportunities for the team to care for patients in a supportive environment.
KDHCD ANNUAL BOARD REPORT

Emergency Services - Summary

KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

<table>
<thead>
<tr>
<th>METRICS BY SERVICE LINE - FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>SERVICE LINE</td>
</tr>
<tr>
<td>----------------------------------</td>
</tr>
<tr>
<td>ED Inpatient</td>
</tr>
<tr>
<td>ED Inpatient Mental Health Hospital</td>
</tr>
<tr>
<td>ED Trauma Inpatient</td>
</tr>
<tr>
<td>ED Trauma Outpatient</td>
</tr>
<tr>
<td>Outpatient Emergency Department</td>
</tr>
<tr>
<td>Outpatient ED Surgery</td>
</tr>
<tr>
<td>Emergency Services Totals</td>
</tr>
</tbody>
</table>

*Note: Arrows represent the change from prior year and the lines represent the 4-year trend.

**METRICS SUMMARY - 4 YEAR TREND**

<table>
<thead>
<tr>
<th>METRIC</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>% CHANGE FROM PRIOR YR</th>
<th>4 YR TREND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>86,890</td>
<td>87,297</td>
<td>81,940</td>
<td>77,857</td>
<td>-5%</td>
<td>$85,972</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$248,045,494</td>
<td>$278,980,378</td>
<td>$296,862,900</td>
<td>$284,480,897</td>
<td>-5%</td>
<td>$294,904,577</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$189,291,867</td>
<td>$208,749,824</td>
<td>$215,406,741</td>
<td>$221,014,740</td>
<td>3%</td>
<td>$229,031,371</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$58,753,627</td>
<td>$70,230,554</td>
<td>$81,456,159</td>
<td>$63,466,157</td>
<td>-22%</td>
<td>$65,873,260</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$58,098,255</td>
<td>$73,713,472</td>
<td>$74,900,099</td>
<td>$76,707,735</td>
<td>2%</td>
<td>$79,704,058</td>
</tr>
<tr>
<td>Net Income</td>
<td>$655,372</td>
<td>($3,482,918)</td>
<td>$6,556,060</td>
<td>($13,241,578)</td>
<td>-30%</td>
<td>($13,830,798)</td>
</tr>
<tr>
<td>Net Revenue Per Case</td>
<td>$2,855</td>
<td>$3,196</td>
<td>$3,623</td>
<td>$3,654</td>
<td>1%</td>
<td>$3,430</td>
</tr>
<tr>
<td>Direct Cost Per Case</td>
<td>$2,179</td>
<td>$2,391</td>
<td>$2,629</td>
<td>$2,839</td>
<td>8%</td>
<td>$2,664</td>
</tr>
<tr>
<td>Contrib Margin Per Case</td>
<td>$676</td>
<td>$805</td>
<td>$994</td>
<td>$815</td>
<td>-18%</td>
<td>$766</td>
</tr>
</tbody>
</table>

**GRAPH**

Source: Inpatient and Outpatient Service Line Reports
Criteria: Inpatient Service Line
- Trauma - Inpatient KDHCM patients with Trauma Flag valued at 1.
- ED - Inpatient KDHCM patients with ED Flag valued at 1.
Criteria: Outpatient Service Line
- Trauma - Outpatient KDHCM patients with Trauma Flag valued at 1.
- ED - Outpatients in the Emergency Department Service Line, excluding Sugeries, Cath Lab and Trauma Activations.
- Patients in the O/P Surgery Service Line, with the ED Flag valued at 1, excludes Trauma Activations.
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>14,356</td>
<td>15,764</td>
<td>16,166</td>
<td>14,602</td>
<td>▼ -10%</td>
<td>15,554</td>
<td></td>
</tr>
<tr>
<td>Patient Days</td>
<td>75,972</td>
<td>83,134</td>
<td>80,824</td>
<td>73,593</td>
<td>▼ -9%</td>
<td>76,185</td>
<td></td>
</tr>
<tr>
<td>ALOS</td>
<td>5.29</td>
<td>5.27</td>
<td>5.00</td>
<td>5.04</td>
<td>▲ 1%</td>
<td>4.90</td>
<td></td>
</tr>
<tr>
<td>GM LOS</td>
<td>4.05</td>
<td>4.00</td>
<td>3.88</td>
<td>3.98</td>
<td>▲ 3%</td>
<td>4.01</td>
<td></td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$194,005,609</td>
<td>$221,841,635</td>
<td>$234,826,869</td>
<td>$224,922,211</td>
<td>▼ -4%</td>
<td>$232,683,702</td>
<td></td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$140,856,821</td>
<td>$158,056,572</td>
<td>$165,256,117</td>
<td>$169,278,237</td>
<td>▲ 2%</td>
<td>$175,229,045</td>
<td></td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$53,148,788</td>
<td>$63,785,063</td>
<td>$69,570,752</td>
<td>$55,643,974</td>
<td>▼ -20%</td>
<td>$57,713,914</td>
<td></td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$40,248,338</td>
<td>$53,076,513</td>
<td>$55,299,748</td>
<td>$55,770,694</td>
<td>▲ 1%</td>
<td>$57,713,914</td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>$12,900,450</td>
<td>$10,708,550</td>
<td>$14,271,004</td>
<td>($126,720)</td>
<td>▼ -101%</td>
<td>($259,257)</td>
<td></td>
</tr>
<tr>
<td>Net Revenue Per Case</td>
<td>$13,514</td>
<td>$14,073</td>
<td>$14,526</td>
<td>$15,404</td>
<td>▲ 6%</td>
<td>$14,960</td>
<td></td>
</tr>
<tr>
<td>Direct Cost Per Case</td>
<td>$9,812</td>
<td>$10,026</td>
<td>$10,222</td>
<td>$11,593</td>
<td>▲ 13%</td>
<td>$11,266</td>
<td></td>
</tr>
<tr>
<td>Contrb Margin Per Case</td>
<td>$3,702</td>
<td>$4,046</td>
<td>$4,304</td>
<td>$3,811</td>
<td>▼ -11%</td>
<td>$3,694</td>
<td></td>
</tr>
</tbody>
</table>

PER CASE TRENDED GRAPHS

PAYER MIX - 4 YEAR TREND (GROSS REVENUE)

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>49%</td>
<td>47%</td>
<td>46%</td>
<td>42%</td>
</tr>
<tr>
<td>Medi-Cal Managed Care</td>
<td>20%</td>
<td>22%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Managed Care/Other</td>
<td>14%</td>
<td>13%</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>9%</td>
<td>10%</td>
<td>11%</td>
<td>13%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>County Indigent</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

FY 2020 Payer Mix

Inpatients Admitted Through ED: Contribution Margin for the Top 10 Service Lines

<table>
<thead>
<tr>
<th>SERVICE LINE</th>
<th>CONTRIBUTION MARGIN</th>
<th>CONTRIBUTION MARGIN</th>
<th>CONTRIBUTION MARGIN</th>
<th>CONTRIBUTION MARGIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardiology</td>
<td>$13,295,508</td>
<td>$13,525,202</td>
<td>$13,514,508</td>
<td>$13,514,508</td>
</tr>
<tr>
<td>General Surgery</td>
<td>$8,335,376</td>
<td>$8,335,376</td>
<td>$8,335,376</td>
<td>$8,335,376</td>
</tr>
<tr>
<td>General Medicine</td>
<td>$5,889,550</td>
<td>$5,889,550</td>
<td>$5,889,550</td>
<td>$5,889,550</td>
</tr>
<tr>
<td>Gastroenterology</td>
<td>$4,782,613</td>
<td>$4,782,613</td>
<td>$4,782,613</td>
<td>$4,782,613</td>
</tr>
<tr>
<td>Hematology</td>
<td>$4,909,270</td>
<td>$4,909,270</td>
<td>$4,909,270</td>
<td>$4,909,270</td>
</tr>
<tr>
<td>Neurology</td>
<td>$5,798,494</td>
<td>$5,798,494</td>
<td>$5,798,494</td>
<td>$5,798,494</td>
</tr>
<tr>
<td>Orthopedics</td>
<td>$2,101,955</td>
<td>$2,101,955</td>
<td>$2,101,955</td>
<td>$2,101,955</td>
</tr>
<tr>
<td>Ophthalmology</td>
<td>$1,688,589</td>
<td>$1,688,589</td>
<td>$1,688,589</td>
<td>$1,688,589</td>
</tr>
<tr>
<td>Pathology</td>
<td>$1,890,445</td>
<td>$1,890,445</td>
<td>$1,890,445</td>
<td>$1,890,445</td>
</tr>
<tr>
<td>Radiology</td>
<td>$1,553,177</td>
<td>$1,553,177</td>
<td>$1,553,177</td>
<td>$1,553,177</td>
</tr>
</tbody>
</table>

Notes:
Source: Inpatient Service Line Report
Selection Criteria: Inpatient RDWC patients with ED Flag valued at 1, Trauma Flag valued at 0.
# KDHCD Annual Board Report

**Emergency Services - Mental Health Hospital Inpatients Admitted through FY2020**

## Key Metrics - FY2020 Twelve Months Ended June 30, 2020

- **Patient Cases**: 152 (-19%)
- **Net Revenue**: $1,660,940 (-28%)
- **Direct Cost**: $1,596,951 (-25%)
- **Contribution Margin**: $63,989 (-63%)
- **Net Income**: ($521,713) (16%)

### Metrics Summary - 4 Year Trend

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>170</td>
<td>179</td>
<td>187</td>
<td>152</td>
<td>-19%</td>
<td>162</td>
</tr>
<tr>
<td>ALOS</td>
<td>12.39</td>
<td>12.58</td>
<td>13.73</td>
<td>12.39</td>
<td>-10%</td>
<td>11.48</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$1,529,099</td>
<td>$1,859,378</td>
<td>$2,310,451</td>
<td>$1,660,940</td>
<td>-28%</td>
<td>$1,660,624</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$1,479,800</td>
<td>$1,572,015</td>
<td>$2,139,600</td>
<td>$1,596,951</td>
<td>-25%</td>
<td>$1,582,660</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$49,299</td>
<td>$287,363</td>
<td>$170,851</td>
<td>$63,989</td>
<td>-63%</td>
<td>$77,964</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$508,470</td>
<td>$650,086</td>
<td>$792,946</td>
<td>$585,702</td>
<td>-26%</td>
<td>$582,179</td>
</tr>
<tr>
<td>Net Income</td>
<td>($459,171)</td>
<td>($362,723)</td>
<td>($622,095)</td>
<td>($521,713)</td>
<td>16%</td>
<td>($504,215)</td>
</tr>
<tr>
<td>Net Revenue Per Case</td>
<td>$8,995</td>
<td>$10,388</td>
<td>$12,355</td>
<td>$10,927</td>
<td>-12%</td>
<td>$10,251</td>
</tr>
<tr>
<td>Direct Cost Per Case</td>
<td>$8,705</td>
<td>$8,782</td>
<td>$11,442</td>
<td>$10,506</td>
<td>-8%</td>
<td>$9,770</td>
</tr>
<tr>
<td>Contrib Margin Per Case</td>
<td>$290</td>
<td>$1,605</td>
<td>$914</td>
<td>$421</td>
<td>-54%</td>
<td>$481</td>
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</table>

**Per Case Trended Graphs**

**Payer Mix - 4 Year Trend (Gross Revenue)**

<table>
<thead>
<tr>
<th>Payer</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>90%</td>
<td>94%</td>
<td>89%</td>
<td>89%</td>
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<tr>
<td>Medicare Managed Care</td>
<td>8%</td>
<td>5%</td>
<td>5%</td>
<td>11%</td>
</tr>
<tr>
<td>Managed Care/Other</td>
<td>1%</td>
<td>0%</td>
<td>6%</td>
<td>0%</td>
</tr>
<tr>
<td>Medi-Cal Managed Care</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>County Indigent</td>
<td>1%</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

### Notes

- Source: Inpatient Service Line Report
- Selection Criteria: Inpatient KDH patients with ED Flag valued at 1.
KDHCD ANNUAL BOARD REPORT

Emergency Services - Inpatient Trauma Activations admitted through the ED

KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

<table>
<thead>
<tr>
<th>METRIC</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>%CHANGE FROM PRIOR YR</th>
<th>4 YR TREND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>455</td>
<td>448</td>
<td>533</td>
<td>475</td>
<td>▼ -11%</td>
<td></td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$11,637,726</td>
<td>$13,631,676</td>
<td>$16,645,621</td>
<td>$15,803,666</td>
<td>▼ -5%</td>
<td></td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$7,770,106</td>
<td>$7,654,170</td>
<td>$9,604,296</td>
<td>$10,012,792</td>
<td>▲ 4%</td>
<td></td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$3,867,620</td>
<td>$5,977,506</td>
<td>$7,041,325</td>
<td>$5,790,874</td>
<td>▼ -18%</td>
<td></td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$2,162,724</td>
<td>$2,478,118</td>
<td>$3,085,631</td>
<td>$3,091,164</td>
<td>▲ 0%</td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>$1,704,896</td>
<td>$3,499,388</td>
<td>$3,955,694</td>
<td>$2,699,710</td>
<td>▼ -32%</td>
<td></td>
</tr>
</tbody>
</table>

PER CASE TRENDED GRAPHS

PAYER MIX - 4 YEAR TREND (GROSS REVENUE)

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medi-Cal Managed Care</td>
<td>31%</td>
<td>29%</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>Medicare</td>
<td>15%</td>
<td>15%</td>
<td>19%</td>
<td>21%</td>
</tr>
<tr>
<td>Managed Care/Other</td>
<td>26%</td>
<td>27%</td>
<td>22%</td>
<td>19%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>18%</td>
<td>17%</td>
<td>14%</td>
<td>18%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>2%</td>
<td>3%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>2%</td>
<td>3%</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>5%</td>
<td>5%</td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td>County Indigent</td>
<td>2%</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Notes:
Source: Inpatient Service Line Reports
Criteria: Inpatient KDHCD patients with Trauma Flag valued at 1.

FY 2020 Payer Mix

Notes:
Pre-COVID Ann. Jul. 19 - Feb. 20
473
$14,640,414
$9,121,216
$5,519,198
$2,835,985
$2,683,213
$30,952
$19,284
$11,668
**KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020**

**PATIENT CASES**
- 530
- -21%

**NET REVENUE**
- $1,691,326
- -17%

**DIRECT COST**
- $1,535,188
- -3%

**CONTRIBUTION MARGIN**
- $156,138
- -67%

**NET INCOME**
- ($374,706)
- -87%

*Note: Arrows represent the change from prior year and the lines represent the 4-year trend*

**METRICS SUMMARY - 4 YEAR TREND**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>517</td>
<td>678</td>
<td>668</td>
<td>530</td>
<td>-21%</td>
<td></td>
<td>524</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$1,421,431</td>
<td>$2,037,149</td>
<td>$2,047,132</td>
<td>$1,691,326</td>
<td>-17%</td>
<td></td>
<td>$1,756,546</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$1,428,836</td>
<td>$1,662,941</td>
<td>$1,578,975</td>
<td>$1,535,188</td>
<td>-3%</td>
<td></td>
<td>$1,519,760</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>($7,405)</td>
<td>$374,208</td>
<td>$468,157</td>
<td>$156,138</td>
<td>-67%</td>
<td></td>
<td>$236,786</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$497,218</td>
<td>$698,747</td>
<td>$669,064</td>
<td>$530,844</td>
<td>-21%</td>
<td></td>
<td>$462,558</td>
</tr>
<tr>
<td>Net Income</td>
<td>($504,623)</td>
<td>($324,539)</td>
<td>($200,907)</td>
<td>($374,706)</td>
<td>-87%</td>
<td></td>
<td>($225,772)</td>
</tr>
<tr>
<td>Net Revenue Per Case</td>
<td>$2,749</td>
<td>$3,005</td>
<td>$3,065</td>
<td>$3,191</td>
<td>4%</td>
<td></td>
<td>$3,352</td>
</tr>
<tr>
<td>Direct Cost Per Case</td>
<td>$2,764</td>
<td>$2,453</td>
<td>$2,364</td>
<td>$2,897</td>
<td>23%</td>
<td></td>
<td>$2,900</td>
</tr>
<tr>
<td>Contrib Margin Per Case</td>
<td>($14)</td>
<td>$552</td>
<td>$701</td>
<td>$295</td>
<td>-58%</td>
<td></td>
<td>$452</td>
</tr>
</tbody>
</table>

**PER CASE TRENDED GRAPHS**

**PAYER MIX - 4 YEAR TREND (GROSS REVENUE)**

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medi-Cal Managed Care</td>
<td>37%</td>
<td>35%</td>
<td>35%</td>
<td>40%</td>
</tr>
<tr>
<td>Managed Care/Other</td>
<td>23%</td>
<td>28%</td>
<td>23%</td>
<td>21%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>12%</td>
<td>10%</td>
<td>13%</td>
<td>16%</td>
</tr>
<tr>
<td>Medicare</td>
<td>10%</td>
<td>9%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>10%</td>
<td>9%</td>
<td>13%</td>
<td>8%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>2%</td>
<td>2%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>County Indigent</td>
<td>2%</td>
<td>4%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

**FY 2020 Payer Mix**

- Medicare 9%
- Medi-Cal 8%
- Managed Care/Other 21%
- Managed Care 40%
- Cash Pay 15%

Notes:
- Source: Outpatient Service Line Reports
- Criteria: Outpatient KDMC patients with Trauma Flag valued at 1.

*Note: Arrows represent the change from prior year and the lines represent the 4-year trend*
**KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Cases</td>
<td>71,041</td>
<td>69,865</td>
<td>63,921</td>
<td>61,579</td>
<td>▼ -4%</td>
<td></td>
<td>68,732</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$38,059,957</td>
<td>$38,241,385</td>
<td>$39,319,965</td>
<td>$38,478,243</td>
<td>▼ -4%</td>
<td></td>
<td>$42,285,662</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>$35,366,006</td>
<td>$37,212,651</td>
<td>$34,073,883</td>
<td>$34,793,485</td>
<td>▲ 2%</td>
<td></td>
<td>$37,668,883</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$2,693,951</td>
<td>$1,028,734</td>
<td>$5,246,082</td>
<td>$3,684,758</td>
<td>▼ -30%</td>
<td></td>
<td>$4,616,779</td>
</tr>
<tr>
<td>Net Income</td>
<td>($11,126,874)</td>
<td>($14,806,772)</td>
<td>($8,666,082)</td>
<td>($11,653,013)</td>
<td>▼ -31%</td>
<td></td>
<td>($12,062,434)</td>
</tr>
</tbody>
</table>

**PER CASE TRENDED GRAPHS**

**PAYER MIX - 4 YEAR TREND (GROSS REVENUE)**

<table>
<thead>
<tr>
<th>PAYER</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medi-Cal Managed Care</td>
<td>39%</td>
<td>39%</td>
<td>39%</td>
<td>37%</td>
</tr>
<tr>
<td>Managed Care/Other</td>
<td>21%</td>
<td>21%</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>Medicare</td>
<td>23%</td>
<td>21%</td>
<td>22%</td>
<td>21%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>5%</td>
<td>5%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Medi-Cal</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Cash Pay</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Work Comp</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>County Indigent</td>
<td>1%</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

<table>
<thead>
<tr>
<th>Level Of Care</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level I</td>
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<td>2%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Level II</td>
<td>0%</td>
<td>9%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Level III</td>
<td>0%</td>
<td>28%</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>Level IV</td>
<td>1%</td>
<td>37%</td>
<td>41%</td>
<td>40%</td>
</tr>
<tr>
<td>Level V</td>
<td>80%</td>
<td>22%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Level VI</td>
<td>18%</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>No Level</td>
<td>0%</td>
<td>1%</td>
<td>5%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Notes:
Source: Outpatient Service Line Report
Selection Criteria: Outpatients in the Emergency Department Service Line, excluding Sugeries, Cath Lab and Trauma Activations
**KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020**

**METRICS SUMMARY - 4 YEAR TREND**

--- | --- | --- | --- | --- | --- | --- | ---
Patient Cases | 351 | 363 | 465 | 519 ▲ 12% |  | $527 | $1,877,629
Net Revenue | $1,391,672 | $1,369,155 | $1,712,862 | $1,924,511 ▲ 12% | ▲ -0% | $3,909,753 | $2,032,124
Direct Cost | $2,390,298 | $2,591,475 | $2,753,870 | $3,798,087 ▲ 38% | ▲ -80% | $3,140,209
Contribution Margin | ($998,626) | ($1,222,320) | ($1,041,008) | ($1,873,576) ▼ -38% | ▼ -80% | ($3,462,333) | ($3,462,333)
Indirect Cost | $860,680 | $974,502 | $940,546 | $1,391,560 ▲ 48% | ▲ 48% | $1,430,209 | $1,430,209
Net Income | ($1,859,306) | ($2,196,822) | ($1,981,554) | ($3,265,136) ▼ -65% | ▼ -65% | ($3,856) | ($3,856)
Net Revenue Per Case | $3,965 | $3,772 | $3,684 | $3,708 ▲ 1% | ▲ 1% | $3,563 | $7,419
Direct Cost Per Case | $6,810 | $7,139 | $5,922 | $7,318 ▲ 24% | ▲ 24% | $3,856 | $3,856
Contrib Margin Per Case | ($2,845) | ($3,367) | ($2,239) | ($3,610) ▼ -61% | ▼ -61% | ($3,856) | ($3,856)

**PER CASE TRENDED GRAPHS**

**PAYER MIX - 4 YEAR TREND (GROSS REVENUE)**

| PAYER | FY2017 | FY2018 | FY2019 | FY2020 |
--- | --- | --- | --- | ---
Managed Care/Other | 47% | 48% | 47% | 38%
Medi-Cal Managed Care | 27% | 28% | 31% | 36%
Medicare | 8% | 7% | 9% | 11%
Medi-Cal | 8% | 7% | 6% | 5%
Medicare Managed Care | 5% | 3% | 3% | 4%
Cash Pay | 3% | 3% | 3% | 4%
Work Comp | 1% | 1% | 2% | 2%
County Indigent | 1% | 2% | 0% | 0%

**FY 2020 Payer Mix**

- Medi-Cal: 36%
- Medicare: 11%
- Managed Care: 4%
- Medi-Cal Managed Care: 36%
- Cash Pay: 4%
- Work Comp: 2%
- County Indigent: 0%

*Note: Arrows represent the change from prior year and the lines represent the 4-year trend.*
KEY METRICS - FY 2020 Twelve Months Ended June 30, 2020

Outpatient ED Surgery Observation Trends

Notes:
Source: Outpatient Service Line Reports
Criteria: Patients in the O/P Surgery Service Line, with the ED Flag valued at 1, excludes Trauma Activations
# Quality Council – Open Session
**Thursday, October 15, 2020**
8:00am – 9:00am
The Lifestyle Center / GoToMeeting

**Attendees:** Board Members – Herb Hawkins, David Francis; Anu Banerjee; Tom Gray, MD; Sandy Volchko; Gary Herbst; Keri Noeske; Ben Cripps; Alexandra Bennett; Jaime Hinesly; Evelyn McEntire; Cheryl Smit; Tiffany Bullock; Jon Knudsen; Malinda Tupper; Keri Knudsen; Michelle Adams – Recording; Members from the Public – Chad Vawter; Mike Olmos.

**Call to order:** 8:00am

<table>
<thead>
<tr>
<th>TOPICS</th>
<th>LEADER</th>
<th>FOLLOW-UP</th>
</tr>
</thead>
</table>
| **Written Quality Reports** – A review of key quality metrics and actions associated with the following improvement initiatives:  
  - Code Blue and Rapid Response System – Committee asked why do we have such an increase in mortalities related to RRT in July? Jon Knudsen stated looking at the number of codes and codes that perished this year through August, attributed COVID to the number of patients. Dr. Gray stated, “July was the month we had the highest number of COVID admissions.” Rates of RRT and codes for the first three quarters of this year take a jump. Saw a trend of having patients who deteriorated sooner causing a higher rate of codes. The only thing that is correlating is COVID and COVID census at that time. | Jon Knudsen |  |

| **Follow Up from Previous Meetings** – Anu Banerjee, PhD, VP & Chief Quality Officer; Tom Gray, MD, Quality and Patient Safety Medical Director; Sandy Volchko, RN, DNP, Director of Quality and Patient Safety. | |  |

  - **Handoff Quality Focus Team** – The Emergency Department and 4T are piloting a new process. The team analyzed process maps and designed a new process to address which pieces of the handoff that need to be address. Dave Francis inquired about the revising of the electronic handoff tool. When the pilot takes place, they will figure out what works and what does not. Having someone from the IT team as a part of that group would be good. | Sandy Volchko and Anu Banerjee | Keri will bring a follow-up to the committee next month. |

  - **Bathing for central line and urinary catheter patients** – 4N piloted a bath priority board. It identifies patients with a central line or catheter that require bathing for that | Sandy Volchko |  |
day. As the bath is done, they can check them off. 3N is now piloting it. All units at Kaweah will start the bath piloting board starting 10/27. Providing some additional CNA education on how to ensure CNAs are bathing around the central line appropriately. Will continue to monitor in gemba dashboards.

- **Health Information Management Documentation H&P** – Providers that are out of compliance feel these are the only documents they need. Anu has a meeting set up with the doctors who are out of compliance. Paper documentation continues to happen. Trying to reduce the paper compliance percentage.

**Catheter Associated Urinary Tract Infection (CAUTI) Quality Focus Team Report** – Report on CAUTI rates and quality improvement actions aimed at reducing these healthcare acquired infections. *Kari Knudsen, MPA, BSN, RN, NE-BC, Director of Post-Surgical Care.*

- Did not achieve our goals for fiscal year 2020. Ended the year at 1.12. Goal for fiscal year 2021 is less than or equal to 0.727. Committee asked how come we had five in May? Kari stated she would have to go back to look at each one of them and will provide a summary. Quality and patient safety investigate every single CAUTI; the themes are the same, culturing practices of physicians, patients getting a catheter when they really do not need it, or don’t continue to need it. Two of the five were COVID related which shows how disruptive COVID has been overall.

- **KAIZEN Root Cause** – Since April 2020, we have incorporated strategies to address seven of the root causes. Total catheter days rounded on is 4198. Huge effort from so many people. An extraordinary amount of hours are spent looking at catheters - 97 percent of patients had daily baths; 92 percent have order and valid rationale, 178 catheters were removed because of the Gemba.

- **ICU shift huddle** has been through adjustments. The new bath board will be a more effective measure to ensure bathing. Gemba looks at the bath completed the previous day; bath board is in the moment. November dashboard will look different.

- **IUC shift huddle data** insertion missed as a part of the huddle was removed in July. The data is reported as the overall huddle completion, and then when the huddle was not completed as intended, which of the 2 parts were being missed.

- **Plans for Improvement** – Order management and how the catheter gets in the patient in the first place. 17 Cerner changes are underway. Created CAUTI reduction email group that goes to all patient care leaders – IP analyst looks at catheter data daily, looking at elements that produce a CAUTI.

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this month to track actions and the lessons learned with be reported back to the QFT to see if there is anything actionable.

- Made changes to UA orders. Went live July 28. Added mandatory criteria to testing, addressed both ways and we control those reasons.
- IUC power plan – has an order to change catheter at 30 days; went live at on August 25. Building a task that will task the nurse at 30 days. Embedding IUC power plan into every other existing power plan. Taking a less aggressive approach so we continue to work with providers.
- Adult urinary retention management order went live September 29. Retention issue, patients have retention for a variety of reasons either chronic or acute. Algorithm exists in a policy. Walks the nurse through to effectively manage. You do not want an order for a culture only without an associated UA. Culture only order was being overused. Dr. Tang wanted to change the name of the order to include restricted use.
- Evaluating the reason for insertion of an IUC. Neurogenic bladder and chronic retention are going to be priorities. It is unusual to have as much as we do; we think it is a convenience to use it as a reason for IUC insertion and it also be related to not having an option for attributing acute retention as a reason for IUC insertion. We want to make sure providers know how retention is managed now so they feel comfortable to discontinue the ICU. This topic is on the agenda for GME because many resident physicians are ordering. Also trying to get it on the hospitalists’ staff meeting to talk to them because they take care of many inpatient admissions.
- Bathing prioritization reevaluation underway in collaboration with CLABSI QFT to standardize how this work is prioritized.
- Safety Summit CAUTI education for newly hired staff will be relaunched post COVID.
- Sandy has been working on post gemba rapid cycle. She has gotten out five Foley catheters and a central line within 11 days of rounding. Catheters are the root causes. Patients have Foley catheters and they do not appear to need them. Advocating getting the catheter out of the patient, completing afternoon follow-up with a resident who can write the order to get the catheter out. Retention management – physicians do not understand or are uncomfortable with removing the catheter. Huge commitment from nursing, GME and quality. Dr. Winston’s commitment to making sure a resident is always available is huge! Gives the residents a better perception of the big picture of caring for inpatients.
**Update: Proposed Clinical Quality Goals** – A review of current performance and actions focused on the fiscal year 2020 clinical quality goals. *Sandy Volchko, RN, DNP, Director of Quality and Patient Safety.*

- **Sepsis** – The preference is to wait until we have three months of data to start reporting the compliance rates. Denominator – CMS does a random audit on the total number of patients and picks only 20-30 patients per month. Gary asked, “why wouldn’t we say every single patient that we diagnosed, what percent did we not fully follow the bundle?” Sandy stated we doubled the sample size a couple of years ago that are abstracted for CMS. We count concurrent the patients that the coordinators follow. Core measures is a manual abstraction, to abstract all charts we need more FTEs. Need the resources to extract the volume. We could report all the results from our sepsis coordinator cases, but results on CMS hospital compare could show something different. The number we report is the exact number that is reported to CMS.

- **COVID patients** are being removed so sample size is shrinking. 21 patients is the sample size. 14 of the 21 were compliant – 67 percent in July. Preliminary number for August is 80 percent. Of the 7 fallouts, only 1 was a sepsis coordinator case. 3 of the remaining 6 were sepsis alerts that occurred when our coordinators would typically be working, but were working back at the bedside due to staff shortages due to COVID-19.

- Anu’s goal is that we apply 100 percent of the time the sepsis bundle with every patient so that luck does not play a factor. Sepsis coordinator should not have to follow the bundle, at some point it needs to happen, we should not need the sepsis coordinator. Every sepsis case the coordinator follows has the complete bundle. Approximately 50-60 percent of sepsis patients are seen by the sepsis coordinators. We try to continuously make everyone a sepsis coordinator, but it is so complex and extremely complicated.

- Abstractors need to look into sepsis patients. Some patients do not have sepsis but are being tagged as Sepsis.

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**Adjourned:** 9:07am

**Approved By:** COMMITTEE MINUTES WERE APPROVED FOR DISTRIBUTION TO THE BOARD BY THE COMMITTEE CHAIR ON October 22, 2020.
Patient Experience Committee Meeting  
Wednesday, October 28, 2020 – 2:30 PM  
Kaweah Delta SSB Emerald Conference Room – 520 W Mineral King Ave., Visalia, CA 93291

Directors: Nevin House (chair) & Dave Francis; Gary Herbst, Chief Executive Office, Dianne Cox, VP Chief of Human Resources, Keri Noeske, Interim Chief Nursing Officer, Ed Largoza, RN, Director of Patient Experience; George Ortega, Recording

Called to order at 2:35 PM

Public Participation – None

OVERVIEW — Importance of Patient Experience, Dianne Cox, VP Chief of Human Resources

- Discussed the follow up items from the previous Patient Experience Committee meeting. Some items discussed are still pending.

KDMF Move to CG CAHPS survey tool:
  - Mr. Largoza is working with JL Morgan along with KDMF to move patient experience surveying to a CGCAHPS survey administered continually throughout the year via phone calls.

Urgent Care data (ClockwiseMD):
  - ClockwiseMD uses the text platform to communicate with patients after their visits to rate their experience.
  - If the score is below a seven, a UC leader calls the patient and identifies what could have been better.
  - Timeliness of care has the highest impact in scores.

Discharge Outcomes Calls by JL Morgan:
  - Mr. Largoza presented the group with discharge outcomes outlined in a chart which reduces the risk of readmission and improves patient satisfaction (attached).
  - Mr. Largoza will be notified when patients need additional assistance with an issue.

Near Top Box Comments:
  - Limited comments and no theme by position or unit.
  - Ms. Noeske expressed that they use the HCAHPS scores to improve within the units and Urgent Care departments.
FY2021 Data Review - (copy attached to the original of these minutes) – Ed Largoza, RN, Director of Patient Experience

- Mr. Largoza reviewed the current patient experience HCAHPS scores and ED PEC scores.
  - HCAHPS Score Goal - 76.5% (68th percentile) Actual Performance 74.4%
  - Mr. Largoza reviewed HCAHPS Domains with majority being under the 50th percentile.
- Mr. Largoza reviewed the HCAHPS Units Performance
  - Broderick Pavilion is performing above the 90th percentile.
  - 2 South and 4 Tower are performing between the 75th and 90th percentile.
  - 4 North, Mother Baby / Labor & Delivery, 2 North are performing at the 50th-75th percentile.

FY2020 Data Review - (copy attached to the original of these minutes) – Ed Largoza, RN, Director of Patient Experience

- Mr. Largoza reviewed the current patient experience scores for Home Health, Hospice, In Center Hemodialysis as well as Rehab. (Copy attached)
  - Covid-19 had a major impact with the scores

- Ms. Cox stated that an update to the Mineral King Wing would help improve scores. She stated there is a review of the current rooms amenities, including blankets, curtains, shades, TV channels, and food.

Improvements - Ed Largoza, RN, Director of Patient Experience

- Mr. Largoza discussed the importance of Leadership rounding. This best practice helps identify team members to recognize as well as coaching opportunities.

- Mr. Largoza also mentioned that Leader rounding would be expanded to all managers and directors.

- Communication White Boards:
  - Mr. Largoza and Ms. Noeske are working with a vendor to replace the current white boards. Currently the vendor is on backorder.

Adjourned at 4:01 PM

Nevin House, Chair – Patient Experience Committee
Human Resources Committee
Wednesday, October 29, 2020 – 2:00PM
SSB Emerald Conference Room – 520 W Mineral King Ave., Visalia, CA 93291

Directors: Lynn Havard Mirviss (chair) & Garth Gipson; Gary Herbst, Chief Executive Office, Dianne Cox, VP Chief of Human Resources, Keri Noeske, Interim VP & Chief Nursing Officer; Linda Hansen, Director of Human Resources, Brittany Taylor, Sr. Physician Recruiter; Raleen Larez, Employee Relations Manager; George Ortega, Recording

Called to order at 2:01 PM

PHYSICIAN RECRUITMENT REPORT — Update on Medical Staff recruitment efforts - Brittany Taylor, Sr. Physician Recruiter

- Review of the physician recruitment and relations medical staff recruitment report – October 2020 (copy attached to the original of these minutes and considered a part thereof).
- Ms. Taylor noted that they are actively scheduling onsite visits and tours with physician candidates.
- Ms. Taylor held the first virtual recruitment event for residents with 19 out of 21 attendees. This gave the possible candidates to hear from each medical group and gave them time for Q&A’s.
- Ms. Taylor notified the committee of a Physician Engagement Committee that is formed of physician spouses. They will be starting an events page via Facebook to interact and stay connected with the physicians, residents and community members.

401K Plan Amendment — Dianne Cox, VP Chief of Human Resources

- Ms. Cox discussed the 401(k) and the plan amendments for Calendar Year 2020.
  - The memo that summarizes the changes as well as all referenced documents will be in the consent agenda for the November Board meeting.

401K and DB Plan Charters — Dianne Cox, VP Chief of Human Resources

- Ms. Cox presented the committee drafted Charters by Lockton Consulting Services. These Charters establish guidelines for the 401(k) and 457(b). These documents were also reviewed by Malinda Tupper, VP Chief Financial Officer, and Ben Cripps, Chief Compliance Officer.

Employee Connection-Honoring a Deceased Employee — Dianne Cox, VP Chief of Human Resources, Raleen Larez, Employee Relations Manager
Ms. Cox and Ms. Larez presented the committee with the idea of honoring a deceased employee. There will be a plaque along side the creek celebrating the lives of those employee’s we have lost.
  o Mr. Gary Herbst expressed he would like to include the active Medical Staff members. It was also mentioned that we need to get the family’s permission to honor the deceased employee.
  o They will be starting with the 2018 year going forward.

Executive Development – Dianne Cox, VP Chief of Human Resources

Ms. Cox expressed there are many new Executive Team (E.T.) members and she stated we have initiated a new self assessment tool for the members. This tool was created by American College of Healthcare Executives (ACHE)
  o Once the assessment tool is completed by all ET members, Ms. Cox will present it to Gary Herbst.
  o The results will help focus in Executive Development, collectively and individually.

Adjourned at 3:00 PM

Lynn Havard Mirviss, Chair – Human Resources Committee
ATTENDING: Directors Nevin House (Chair) and Garth Gipson; Gary Herbst, CEO; Marc Mertz, Vice President of Strategic Planning & Business Development; Raymond Macareno, Senior Communications Specialist; Karen Tellalian, Interim Director of Marketing; Melissa Withnell, Communications Specialist; Jennifer Manduffie, Senior Graphic Designer; Yolanda Chavez, Senior Graphic Designer; Kaci Hansen, Social Media Specialist; Maria Rodriguez Ornelas, Communications Specialist; and Kelsie Davis, recording.

Called to order at 3:00PM

**Public/Medical Staff Participation-** None.

**Community Engagement- Deborah Volosin, Director of Community Engagement**

- Ms. Volosin introduced NRC Health. NRC Health did a brief introduction of each team member then immediately went right into their presentation which is attached with these minutes.
- Director House asked why our ED providers have different name badges (Vituity) and not Kaweah Delta as it can be confusing to our patients.
- Ms. Volosin gave an update on our biweekly webinars and employee huddles.
- Director House asked about number of views and why the numbers are still down.
  - Marketing team member will see if the numbers include Youtube metrics on post views. It was noted the numbers have come down since transition of Kaweah Compass.
- Ms. Volosin updated on the Speaker’s Bureau and Community Engagement Meetings and spoke about the lack of rooms to hold some of the in person meetings.
  - Director House and Mr. Herbst noted to look at other possible rooms like COS and Quail Park Shannon Ranch for use of their rooms.

**Marketing- Karen Tellalian, Interim Director of Marketing**

- Ms. Tellalian noted that the physician booklets are completed.
- Ms. Tellalian brought examples of signage and what it would look like on blue background vs. a white background. Also shows the difference in the logo.
- Director House asked that we have a special marketing committee board meeting prior to the November Board and for the team to bring a finalized package of cost for signage on the rebranding.

**Social Media Update-** Maria Rodriguez Ornelas, Communications Specialist

- Ms. Rodriguez Ornelas noted that Dr. Hamdi and Dr. Nye have live events coming soon.
- Ms. Rodriguez Ornelas gave an update on the review trackers and online analytics.
- Director House asked if we can update our landing page too look like VMCs and have physician videos to mirror that of VMCs.

Adjourned- 4:30PM

Nevin House, Chair
OPEN Audit and Compliance Committee  
Tuesday, November 10, 2020  
Conference Room – Kaweah Delta Health Care District, Support Services Building, 2nd Floor  
Copper Room

ATTENDING:  
Directors; Herb Hawkins (Chair) & Nevin House; Gary Herbst, CEO; Ben Cripps, Chief Compliance Officer; Suzy Plummer, Director of Audit and Consulting Services; Amy Valero, Compliance Manager; Keri Noeske, VP Chief Nursing Officer

Via Conference Line: Rachele Berglund, Legal Counsel; Malinda Tupper, Chief Financial Officer; Lisa Wass, Compliance Analyst

Guests Via Conference Line: Frances Carrera, Director of Revenue Cycle
Absent: Dennis Lynch, Legal Counsel

Herb Hawkins Called to order at 8:33AM – A verbal role call was taken via Go to Meeting and no public attendance was noted.

Public/Medical Staff participation – None

1. Written Reports –  
1.1. Compliance Program Activity Report –

Ben Cripps presented the Quarterly Open Compliance Program Activity Report – Mr. Cripps asked the Committee if they had any questions relating to the report. Nevin House (Board Member) inquired about the Registration Audit findings, specifically highlighting the findings related to Medical Necessity Screening process. Mr. Cripps provided the Committee with the background and selection process for the audit, citing concerns related to the medical necessity screening process identified through evaluation of a different compliance matter. It was determined that a comprehensive review of the outlying registration areas was warranted to evaluate the compliance with all regulatory requirements of the registration process. Based on the audit findings, Compliance has requested that Patient Access Leadership provide education, support and quality assurance audits to the outside clinics. Additionally, Compliance has requested that we reinstitute monthly Patient Access meetings that include registration staff and leadership from off-campus clinic sites.

Next, a Committee discussion was held regarding the process and need for photo identification during the registration process. Mr. Cripps will work with Keri Noeske to implement this process. Mr. House recommended that Kaweah Delta assess an Identity Theft initiative over the next year to reduce organizational risk. The Committee was given the opportunity to ask questions.
Mr. Cripps provided an update on the implementation of an Operational Compliance Committee. The Committee involves the high-risk areas including Patient Access, Health Information Management (Coding), Patient Accounting, Revenue Integrity, and Case Management. Mr. Cripps noted that Amy Valero is doing a phenomenal job leading the meetings, further supported by Lisa Wass. The Operational Compliance Committee had its first joint meeting, discussing discuss cross-departmental matters identified during the one-on-one department meetings. Mr. Cripps stated that additional ancillary depart (Lab, Radiology, Pharmacy) will likely be added in Calendar Year 2021. Malinda Tupper suggested including the Rural Health Clinics and Jessica Rodriguez as this would bring in a wide range of services. The Committee was given the opportunity to ask questions.

1.2 Cash Audits – Suzy Plummer reviewed the results from the Cash Audits Review at Kaweah Delta Medical Foundation (KDMF). Ms. Plummer stated that Cash Audits have not been previously conducted at KDMF. The audit process includes discussions with staff and management on topics such as daily counts, drops access to cash drawers, how discrepancies are handled, as well as other cash control practices. Ms. Plummer noted KDMF has great processes, and noted few recommendations, including participation in the annual cash controls training through Net Learning. The Committee was given the opportunity to ask questions.

1.3 Denials Management Assessment – Ms. Plummer reviewed the results from the Denials Management review. The review focused on processes to prevent and manage healthcare denials. Ms. Plummer noted that the assessment reviewed job aides, workflows and written policies and procedures to get a better understanding of outlined processes as a whole. Ms. Plummer also discussed the Denials Management tool in Cerner that is used to manage automate denials. Ms. Plummer stated that a variety of efforts are underway to manage these denials including cross functional bi weekly meetings that review specific denials and related trends, tracking and reporting of key benchmarks related to denials and a denials steering committee that meets regularly to provide oversight to the efforts. Following the review of the denials management process, it was determined, that Internal Audit will revisit Denials Management processes in the next calendar year.

2. Verbal Reports –

2.1 – Mr. Cripps held his verbal update for closed session.

2.2 – Ms. Plummer provided a verbal update concerning the work Internal Audit has completed or is in the process of completing. Ms. Plummer noted that she audited the performance-related compensation bonuses for the fiscal year 2020 Leadership Goals. She noted that a report does not come to the Committee, but a letter related to the audit is sent to the Board President noted the findings from this year’s audit.

Ms. Plummer explained to the Committee that she is currently validating the actual performance of the organization in relation to approximately 144 metrics outlined in the
The study, approved by the Kaweah Delta Institutional Review Board, included a number of participants including the Kaweah Delta Board of Directors, physicians, staff members, community members, leadership and Executive Team. Internal Audit will be tasked with determining, with input from subject matter experts, where Kaweah Delta is actually performing when compared to the perception of the survey participants.

Ms. Plummer provided a verbal update, informing the Committee that the Internal Audit Department will plan to conduct a Denials Management review for Kaweah Delta Medical Foundation (KDMF) following a similar approach to the review completed at Kaweah Delta. The Committee was given the opportunity to ask questions.

Ms. Plummer provided a verbal update on the Annual Risk Assessment. Projects that were not completed this year, due to COVID and other projects will likely be added to next year’s plan. Other areas will also be assessed for inclusion in the 2021 calendar year audit plan. This proposed plan will be presented to the Audit and Compliance Committee at the February 2021 meeting.

**Approval of Closed Meeting Agenda** – Kaweah Delta Health Care District – Kaweah Delta Support Services Building, 2nd Floor Copper Room – Go to Meeting immediately following the open meeting

- Conference with Legal Counsel – Anticipated Litigation – Significant exposure to litigation pursuant to Government Code 54956.9(d)(2) (15 cases) – Ben Cripps and Rachele Berglund, Legal Counsel

Committee members approved the closed agenda.

*Meeting adjourned at 9:10AM to Closed Session.*

Herb Hawkins, Committee Member

**THESE COMMITTEE MINUTES WERE APPROVED FOR DISTRIBUTION TO THE BOARD ON 11/18/2020.**
MEMORANDUM

To: Kaweah Delta Health Care District (KDHCD) Board of Directors
From: Dianne Cox, Vice President Human Resources
Subject: Plan Amendments and Loan Administration Policy

Kaweah Delta Health Care District Employees’ Salary Deferral Plan (401(k))
Kaweah Delta Health Care District 457(b) Deferred Compensation Plan

DATE: November 11, 2020

Each year, Kaweah Delta Health Care District (KDHCD) reviews our retirement plans and makes several plan amendments and administration updates to these plans. These amendments reflect business strategy changes at KDHCD and legal requirements to administer these plans. This Memorandum is an overview of the changes that are proposed for our retirement plans at this time.

**Employees’ Salary Deferral Plan (401(k) Plan)**

KDHCD has reviewed the plan document and proposes to amend the Employees’ Salary Deferral Plan as of January 1, 2020 to reflect business strategy changes at KDHCD and to comply with current regulations. There will be two separate amendments: An Interim Amendment and a separate amendment of the Adoption Agreement.

The proposed Interim Amendment specifically addresses Hardship Withdrawal plan design changes and includes:

- **Hardship Withdrawals will be amended as follows:**
  - Remove the 6-month suspension on Elective Deferral Contributions after a Hardship Withdrawal
  - Remove the requirement that a Participant must take a Loan prior to taking a Hardship Withdrawal
  - Unsuspend ability to make an Elective Deferral Contribution for any Participant that was in suspended status due to a Hardship Withdrawal

The proposed Adoption Agreement amendment includes:

- Amend the Employer Match Contribution to a Discretionary Employer Match Contribution. This Amendment provides the Board of Directors the ability to make changes to the Employer Match Contribution on an annual basis through a Board Resolution;
- The Definition of Eligible Compensation will exclude any contributions, accruals or distributions to/from the 457(f) Plan;
The definition of Eligible Compensation will exclude Compensation attributable to Education Assistance for Books and Tuition (Payroll Code 701), Initial Certification (Payroll Code 703) and Cell Phone Stipend (Payroll Code 750);

The definition of Eligible Compensation will include Compensation attributable to Employee Emergency Relief (Payroll Code 129) and Supplemental Paid Sick Leave California (Payroll Code 144);

Amend the definition of Predecessor Employer to include the T.M.S & Associates, Inc. (Tulare Walk in Clinic). This provision recognizes Employment Service with the Tulare Walk in Clinic for purposes of Eligibility, Vesting and Employer Match Contributions in the KDHCD Plan;

Additionally, KDHCD has reviewed the plan document and proposes to amend the Employees’ Salary Deferral Plan as of January 1, 2021 to provide additional benefit opportunities to Eligible Participants of the Plan and to comply with current regulations. The proposed Adoption Agreement amendments include:

- Permit Employee ROTH Contributions to the Plan. This amendment permits Employees to define Employee Contributions as being “after tax” contributions in addition to the current plan provisions permitting Employee Contributions on a “pre-tax” basis. ROTH Contributions provide Employees with additional, potential tax benefits,

- Hardship Withdrawals will be amended to permit Earnings on eligible Hardship Withdrawals to be available on Hardship Distributions. This provision is added to provide additional financial flexibility to Participants that require a Hardship Distribution;

Effective January 1, 2021, the Loan Administration Policy needs to be updated. This updated policy includes:

- Updates to the Loan Administration Policy to reflect the addition of ROTH Contribution provisions and application of loan procedures to ROTH related assets

457(b) Deferred Compensation Plan

KDHCD has reviewed the plan document and proposes to retroactively amend the 457(b) Deferred Compensation Plan as of January 1, 2020, to reflect business strategy changes at KDHCD and to comply with current regulations. The proposed Adoption Agreement amendment includes:

- The Definition of Eligible Compensation will exclude any contributions, accruals or distributions to/from the 457(f) Plan;

Additionally, KDHCD has reviewed the plan document and proposes to prospectively amend the 457(b) Deferred Compensation Plan as of January 1, 2021 to provide additional benefit opportunities to Eligible Participants of the Plan and to comply with current regulations. The proposed Adoption Agreement amendments include:

- Permit Employee ROTH Contributions to the Plan. This amendment permits Employees to define Employee Contributions as being “after tax” contributions in addition to permitting Employee Contributions on a “pre-tax” basis. ROTH Contributions provide Employees with additional, potential tax benefits
RESOLUTION 2107
OF THE BOARD OF DIRECTORS OF
KAWEAH DELTA HEALTH CARE DISTRICT
AMENDING THE EMPLOYEES' SALARY DEFERRAL PLAN

WHEREAS, the Board of Directors (the “Board”) of the Kaweah Delta Health Care District (the “District”) adopted the Kaweah Delta Health Care District Employees’ Salary Deferral Plan, as amended and restated effective January 1, 2020 (the “Plan”); and

WHEREAS, the District reserves the right to amend or restate the Plan in Section 14.01 of the Plan’s Base Plan Document;

WHEREAS, the District desires to amend the Plan document by an Interim Amendment effective January 1, 2020, to reflect the following:

- Amend Hardship Withdrawals to reflect removal of the 6 month suspension of Deferral Contributions after a Hardship Withdrawal; removal of the requirement that a Loan must be taken by a Participant prior to the ability to obtain a Hardship Withdrawal; and remove the Suspended Status for Participants who are Employee Deferral Suspended Status due to having taken a Hardship Withdrawal.

WHEREAS, the District desires to restate the Plan document effective January 1, 2020, to reflect the following:

- Amend the Employer Matching Contribution to reflect that the Match will be a Discretionary Match and the formula for the Employer Match will be defined annually by Kaweah Delta Health Care District; and
- Amend the Definition of Plan Compensation to exclude any Contributions, Distributions or Accruals to the District’s 457(f) Plan; and
- Amend the Definition of Plan Compensation to exclude Educational Assistance for Books and Tuition; exclude Initial Certification; and exclude Cell Phone Stipend; and
- Amend the Definition of Plan Compensation to include Employee Emergency Relief; and include Supplemental Paid Sick Leave California; and
- Amend Predecessor Employer to include service with T.M.S. & Associates (Tulare Walk-In Clinic) for purposes of Eligibility, Vesting and Employer Match Contributions.

WHEREAS, the District desires to restate the Plan document effective January 1, 2021, to reflect the following:

- Amend Salary Deferrals to permit ROTH Employee Contributions;
- Amend Hardship Withdrawals to permit Earnings on eligible Hardship Withdrawals.
WHEREAS, the District desires to restate the Loan Administration Policy effective January 1, 2021, to reflect the following:

- Update the Loan Administration Policy to reflect the addition of ROTH Employee Contributions and alignment of the Loan Administration Policy with these new plan provisions

NOW, THEREFORE, BE IT RESOLVED, that an authorized officer be and hereby is directed and authorized to the Restatement to the plan which is attached hereto.

This Resolution is adopted by the Board of Directors of Kaweah Delta Health Care District at a duly constituted meeting held on the 23rd day of November 2020.

KAWEAH DELTA HEALTH CARE DISTRICT

___________________________________________
President, Kaweah Delta Health Care District

ATTEST:

_____________________________
Secretary/Treasurer
Kaweah Delta Health Care District
and of the Board of Directors, thereof
Kaweah Delta Health Care District
GOVERNMENTAL VOLUME SUBMITTER PLAN
ADOPTION AGREEMENT

By executing this Governmental Volume Submitter Plan Adoption Agreement (the "Agreement"), the undersigned Employer agrees to establish or continue a Governmental Plan for its Employees. The Plan adopted by the Employer consists of the Governmental Defined Contribution Volume Submitter Plan and Trust Basic Plan Document #005 (the "BPD") and the elections made under this Agreement (collectively referred to as the "Plan"). An Employer may jointly co-sponsor the Plan by signing a Participating Employer Adoption Page, which is attached to this Agreement. This Plan is effective as of the Effective Date identified on the Signature Page of this Agreement.

SECTION 1
EMPLOYER INFORMATION

The information contained in this Section 1 is informational only. The information set forth in this Section 1 may be modified without amending this Agreement. Any changes to this Section 1 may be accomplished by substituting a new Section 1 with the updated information. The information contained in this Section 1 is not required for qualification purposes and any changes to the provisions under this Section 1 will not affect the Employer's reliance on the IRS Favorable Letter.

1-1 EMPLOYER INFORMATION:

Name: Kaweah Delta Health Care District
Address: 400 W. Mineral King Ave.
Visalia, CA 93291-6237
Telephone: 559-624-2000
Fax: n/a

1-2 EMPLOYER IDENTIFICATION NUMBER (EIN): 94-1534475

1-3 FORM OF BUSINESS:
☐ State or political subdivision of a State
☐ State agency or instrumentality
☐ Indian Tribal Government
☐ Other Employer qualified to adopt a Governmental Plan:

1-4 EMPLOYER'S TAX YEAR END: The Employer's tax year ends June 30

1-5 RELATED EMPLOYERS: Is the Employer part of a group of Related Employers (as defined in Section 1.78 of the Plan)?
☐ Yes
☐ No

If yes, Related Employers may be listed below. A Related Employer must complete a Participating Employer Adoption Page for Employees of that Related Employer to participate in this Plan.

[Note: This AA §1-5 is for informational purposes. The failure to identify all Related Employers will not jeopardize the qualified status of the Plan.]

SECTION 2
PLAN INFORMATION

2-1 PLAN NAME: Kaweah Delta Health Care District Employees' Salary Deferral Plan

2-2 PLAN NUMBER: 001
2-3 TYPE OF PLAN: This Plan is a Grandfathered 401(k) Plan. To qualify as a Grandfathered 401(k) Plan, the Employer must have maintained a 401(k) plan as of May 6, 1986. A Grandfathered 401(k) Plan may also include a plan of an Indian Tribal Government, as defined in Section 1.54. (See Section 1.57 of the Plan for a more detailed description of a Grandfathered 401(k) Plan.)

☐ The Plan is intended to be a FICA Replacement Plan (as defined under Section 4.03 of the Plan).

2-4 PLAN YEAR:
☐ (a) Calendar year.
☐ (b) The 12-consecutive month period ending on __________________________ each year.
☐ (c) The Plan has a Short Plan Year running from ____ to ____.

2-5 FROZEN PLAN: Check this AA §2-5 if the Plan is a frozen Plan to which no contributions will be made.
☐ This Plan is a frozen Plan effective _____. (See Section 3.02(a)(i)(v) of the Plan.)

[Note: As a frozen Plan, the Employer will not make any contributions with respect to Plan Compensation earned after such date and no Participant will be permitted to make any contributions to the Plan after such date. In addition, no Employee will become a Participant after the date the Plan is frozen.]

2-6 PLAN ADMINISTRATOR:
☐ (a) The Employer identified in AA §1-1.
☐ (b) Name: __________________________

Address: __________________________

Telephone: _________________________

SECTION 3
ELIGIBLE EMPLOYEES

3-1 ELIGIBLE EMPLOYEES: In addition to the Employees identified in Section 2.02 of the Plan, the following Employees are excluded from participation under the Plan with respect to the contribution source(s) identified in this AA §3-1. See Sections 2.02(d) and (e) of the Plan for rules regarding the effect on Plan participation if an Employee changes between an eligible and ineligible class of employment.

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[Note: The elections under the ER column apply to any Pick-Up Contributions authorized under AA §6-1(d) and any After-Tax Employee Contributions authorized under AA §6-6, unless elected otherwise under subsection (b).]

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PPA Restatement – DC-BPD #05

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SECTION 4
MINIMUM AGE AND SERVICE REQUIREMENTS

4-1 ELIGIBILITY REQUIREMENTS — MINIMUM AGE AND SERVICE: An Eligible Employee (as defined in AA §3-1) who satisfies the minimum age and service conditions under this AA §4-1 will be eligible to participate under the Plan as of his/her Entry Date (as defined in AA §4-2 below).

(a) Service Requirement. An Eligible Employee must complete the following minimum service requirements to participate in the Plan.

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(1) There is no minimum service requirement for participation in the Plan.

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(2) ___ Year(s) of Service (as defined in Section 2.03(a)(1) of the Plan and AA §4-3).

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(3) The completion of at least ___ Hours of Service during the first ___ months of employment or the completion of a Year of Service (as defined in AA §4-3), if earlier.

- ☐ (i) An Employee who completes the required Hours of Service satisfies eligibility at the end of the designated period, regardless if the Employee actually works for the entire period.
- ☐ (ii) An Employee who completes the required Hours of Service must also be employed continuously during the designated period of employment. See Section 2.03(a)(2) of the Plan for rules regarding the application of this subsection (ii).

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(4) The completion of ___ Hours of Service during an Eligibility Computation Period. [An Employee satisfies the service requirement immediately upon completion of the designated Hours of Service rather than at the end of the Eligibility Computation Period.]

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(5) Full-time Employees are eligible to participate as set forth in subsection (i). Employees who are "part-time" Employees must complete a Year of Service (as defined in AA §4-3). For this purpose, a full-time Employee is any Employee not defined in subsection (ii).

- ☐ (i) Full-time Employees must complete the following minimum service requirements to participate in the Plan:
  - ☐ (A) There is no minimum service requirement for participation in the Plan.
  - ☐ (B) The completion of at least ___ Hours of Service during the first ___ months of employment or the completion of a Year of Service (as defined in AA §4-3), if earlier.
  - ☐ (C) Under the Elapsed Time method as defined in AA §4-3(c) below.
  - ☐ (D) Describe: ____________________________

(ii) Part-time Employees must complete a Year of Service (as defined in AA §4-3). For this purpose, a part-time Employee is any Employee (including a temporary or seasonal Employee) whose normal work schedule is less than:

- ☐ (A) ___ hours per week.
- ☐ (B) ___ hours per month.
- ☐ (C) ___ hours per year.

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(6) Under the Elapsed Time method as defined in AA §4-3(c) below.

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(7) Describe eligibility conditions: ____________________________
(b) Minimum Age Requirement. An Eligible Employee (as defined in AA §3-1) must have attained the following age with respect to the contribution source(s) identified in this AA §4-1(b).

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(c) Special eligibility rules. The following special eligibility rules apply with respect to the Plan:

[Note: Any elections under the ER column under this AA §4-1 apply to any Pick-Up Contributions authorized under AA §6-1(d) and any After-Tax Employee Contributions authorized under AA §6-6, unless elected otherwise under subsection (c). Subsection (c) may be used to apply the eligibility conditions selected under this AA §4-1 separately with respect to different Employee groups or different contribution formulas under the Plan. Any special rules under subsection (c) must be definitely determinable.]

4-2 ENTRY DATE: An Eligible Employee (as defined in AA §3-1) who satisfies the minimum age and service requirements in AA §4-1 shall be eligible to participate in the Plan as of his/her Entry Date. For this purpose, the Entry Date is the following date with respect to the contribution source(s) identified under this AA §4-2.

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An Eligible Employee’s Entry Date (as defined above) is determined based on when the Employee satisfies the minimum age and service requirements in AA §4-1. For this purpose, an Employee’s Entry Date is the Entry Date:

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This section may be used to describe any special rules for determining Entry Dates under the Plan. For example, if different Entry Date provisions apply for the same contribution sources with respect to different groups of Employees, such different Entry Date provisions may be described below.

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[Note: The elections under the ER column under this AA §4-1 apply to any Pick-Up Contributions selected under AA §6-1(d) and any After-Tax Employee Contributions selected under AA §6-6, unless elected otherwise under subsection (k). Any special rules under subsection (k) must be definitely determinable.]
4-3 DEFAULT ELIGIBILITY RULES. In applying the minimum age and service requirements under AA §4-1 above, the following default rules apply with respect to all contribution sources under the Plan:

- **Year of Service.** An Employee earns a Year of Service for eligibility purposes upon completing 1,000 Hours of Service during an Eligibility Computation Period. Hours of Service are calculated based on actual hours worked during the Eligibility Computation Period. (See Section 1.36 of the Plan for the definition of Hours of Service.)

- **Eligibility Computation Period.** If one Year of Service is required for eligibility, the Plan will determine subsequent Eligibility Computation Periods on the basis of Plan Years. (See Section 2.03(a)(3)(i) of the Plan). If more than one Year of Service is required for eligibility, the Plan will determine subsequent Eligibility Computation Periods on the basis of Anniversary Years. (See Section 2.03(a)(3)(ii) of the Plan.)

To override the default eligibility rules, complete the applicable sections of this AA §4-3. If this AA §4-3 is not completed for a particular contribution source, the default eligibility rules apply.

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  a. **Year of Service.** Instead of 1,000 Hours of Service, an Employee earns a Year of Service upon the completion of ___ Hours of Service during an Eligibility Computation Period.

  b. **Eligibility Computation Period (ECP).** The Plan will use Anniversary Years, unless more than one Year of Service is required under AA §4-1(a), in which case the Plan will shift to Plan Years if the Employee does not earn a Year of Service during the first Eligibility Computation Period. (See Section 2.03(a)(3)(ii) of the Plan.)

  c. **Elapsed Time method.** Eligibility service will be determined under the Elapsed Time method. An Eligible Employee (as defined in AA §3-1) must complete a ___ period of service to participate in the Plan. (See Section 2.03(a)(6) of the Plan.)

  [Note: Under the Elapsed Time method, service will be measured from the Employee's commencement date of reemployment (commencement date, if applicable) without regard to the Eligibility Computation Period designated in Section 2.03(a)(3) of the Plan.]

  d. **Equivalency Method.** For purposes of determining an Employee's Hours of Service for eligibility, the Plan will use the Equivalency Method (as defined in Section 2.03(a)(5) of the Plan). The Equivalency Method will apply to:

  - (1) All Employees.
  - (2) Only Employees for whom the Employer does not maintain hourly records. For Employees for whom the Employer maintains hourly records, eligibility will be determined based on actual hours worked.

  Hours of Service for eligibility will be determined under the following Equivalency Method.

  - (3) Monthly. 190 Hours of Service for each month worked.
  - (4) Weekly. 45 Hours of Service for each week worked.
  - (5) Daily. 10 Hours of Service for each day worked.
  - (6) Semi-monthly. 95 Hours of Service for each semi-monthly period worked.

  e. **Special eligibility provisions.**

  [Note: The elections under the ER column under this AA §4-3 apply to any Pick-Up Contributions authorized under AA §6-1(d) and any After-Tax Employee Contributions selected under AA §6-6, unless elected otherwise under subsection (e). Any special rules under subsection (e) must be definitely determinable.]
4-4 EFFECTIVE DATE OF MINIMUM AGE AND SERVICE REQUIREMENTS. The minimum age and/or service
requirements under AA §4-1 apply to all Employees under the Plan. An Employee will participate with respect to all contribution
sources under the Plan as of his/her Entry Date, taking into account all service with the Employer, including service earned prior
to the Effective Date.

To allow Employees hired on a specified date to enter the Plan without regard to the minimum age and/or service conditions,
complete this AA §4-4.

Deferral Match ER
☐ ☐ ☐ ☐ An Eligible Employee who is employed by the Employer on the following date will
become eligible to enter the Plan without regard to minimum age and/or service
requirements (as designated below):
☐ (a) the Effective Date of this Plan (as designated in the Employer Signature
Page).
☐ (b) the date the Plan is executed by the Employer (as indicated on the
Employer Signature Page).
☐ (c) _______ [insert date]
An Eligible Employee who is employed on the designated date will become eligible
to participate in the Plan without regard to the minimum age and service
requirements under AA §4-1. If both minimum age and service conditions are not
waived, select (d) or (e) to designate which condition is waived under this AA §4-4.
☐ (d) This AA §4-4 only applies to the minimum service condition.
☐ (e) This AA §4-4 only applies to the minimum age condition.
The provisions of this AA §4-4 apply to all Eligible Employees employed on the
designated date unless designated otherwise under subsection (f) or (g) below.
☐ (f) The provisions of this AA §4-4 apply to the following group of
Employees employed on the designated date: ________________________________
☐ (g) Describe special rules: __________________________________________

[Note: An Employee who is employed as of the date described in this AA §4-4 will
be eligible to enter the Plan as of such date unless a different Entry Date is
designated under subsection (g). The elections under the ER column apply to any
Pick-Up Contributions authorized under AA §6-1(d) and any After-Tax Employee
Contributions selected under AA §6-6, unless elected otherwise under subsection
(g). Any special rules under subsection (g) must be definitely determinable.]

4-5 SERVICE WITH PREDECESSOR EMPLOYER. Service with the following Predecessor Employers will be counted for
purposes of determining eligibility, vesting and allocation conditions under this Plan, unless designated otherwise under
subsection (a) or (b) below. (See Sections 2.06, 3.07(b) and 6.07 of the Plan.)

☐ (a) The Plan will count service with the following Predecessor Employers:

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<th>Eligibility</th>
<th>Vesting</th>
<th>Allocation Conditions</th>
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<td>☑ (1) Visalia Medical Clinic, Inc., if employed with Visalia Medical Clinic, Inc. immediately prior to the acquisition and subsequently hired by the Employer on 11-1-2015 or as part of the acquisition process.</td>
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<td>☑ (2) Harry R. Lively MD Inc., if employed with Harry R. Lively MD Inc. immediately prior to the acquisition and subsequently hired by the Employer on 7-1-2017 or as part of the acquisition process.</td>
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<td>☑ (3) David J. Cisloewski MD Inc., if employed with David J. Cisloewski MD Inc. immediately prior to the acquisition and subsequently hired by the Employer on 7-1-2017 or as part of the acquisition process.</td>
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<td>☑ (4) Strickler &amp; Johnson, if employed with Strickler &amp; Johnson immediately prior to the acquisition and subsequently hired by the Employer on 7-1-2017 or as part of the acquisition process.</td>
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<td>☑ (5) John S. Lin, M.D., Inc., if employed with John S. Lin, M.D., Inc. immediately prior to the acquisition and subsequently hired by the Employer</td>
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on 2-1-2017 or as part of the acquisition process.

☐ (6) T.M.S. & Associates, Inc., if employed with T.M.S. & Associates, Inc., immediately prior to the acquisition and subsequently hired by the Employer on 1-1-2020 or as part of the acquisition process.

☐ (b) Describe any special provisions applicable to Predecessor Employer service: Prior service is also credited with any listed Predecessor Employer for the purpose of determining Matching Contributions Years of Service.

4-6 BREAKS IN SERVICE. Generally, an Employee will be credited with all service earned with the Employer, including service earned prior to a Break in Service. To disregard service earned prior to a Break in Service for eligibility purposes, complete this AA §4-6. (See Section 2.07 of the Plan.)

☐ (a) If an Employee incurs at least one Break in Service, the Plan will disregard all service earned prior to such Break in Service for purposes of determining eligibility to participate.

☐ (b) If an Employee incurs at least _____ Breaks in Service, the Plan will disregard all service earned prior to such Break in Service for purposes of determining eligibility to participate. [Enter “0” if prior service will be disregarded for all retired Employees.]

☐ (c) Describe:

SECTION 5
COMPENSATION DEFINITIONS

5-1 TOTAL COMPENSATION. Total Compensation is based on the definition set forth under this AA §5-1. See Section 1.89 of the Plan for a specific definition of the various types of Total Compensation.

☐ (a) W-2 Wages
☐ (b) Code §415 Compensation
☐ (c) Wages under Code §3401(a)

[For purposes of determining Total Compensation, each definition includes Elective Deferrals as defined in Section 1.35 of the Plan, pre-tax contributions to a Code §125 cafeteria plan or a Code §457 plan, and qualified transportation fringes under Code §132(f)(4).]

5-2 POST-SEVERANCE COMPENSATION. Total Compensation includes post-severance compensation, to the extent provided in Section 1.89(b) of the Plan.

☐ (a) Exclusion of post-severance compensation from Total Compensation. The following amounts paid after a Participant’s severance of employment are excluded from Total Compensation.

☐ (1) Unused leave payments. Payment for unused accrued bona fide sick, vacation, or other leave, but only if the Employee would have been able to use the leave if employment had continued.

☐ (2) Deferred compensation. Payments received by an Employee pursuant to a nonqualified unfunded deferred compensation plan, but only if the payment would have been paid to the Employee at the same time if the Employee had continued in employment and only to the extent that the payment is includible in the Employee’s gross income.

[Note: Plan Compensation (as defined in Section 1.72 of the Plan) includes any post-severance compensation amounts that are includible in Total Compensation. The Employer may elect to exclude all compensation paid after severance of employment from the definition of Plan Compensation under AA §5-3(f) or may elect to exclude specific types of post-severance compensation from Plan Compensation under AA §5-3(h).]

☐ (b) Continuation payments for disabled Participants. Unless designated otherwise under this subsection (b), Total Compensation does not include continuation payments for disabled Participants.

☐ Payments to disabled Participants. Total Compensation shall include post-severance compensation paid to a Participant who is permanently and totally disabled, as provided in Section 1.89(c) of the Plan.
5-3 PLAN COMPENSATION: Plan Compensation is Total Compensation (as defined in AA §5-1 above) with the following exclusions described below.

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(a) No exclusions.

(b) Elective Deferrals (as defined in Section 1.3.5 of the Plan), pre-tax contributions to a cafeteria plan or a Code §457 plan, and qualified transportation fringes under Code §132(f)(4) are excluded.

(c) All fringe benefits (cash and noneash), reimbursements or other expense allowances, moving expenses, deferred compensation, and welfare benefits are excluded.

(d) Compensation above $___ is excluded.

(e) Amounts received as a bonus are excluded.

(f) Amounts received as commissions are excluded.

(g) Overtime payments are excluded.

(h) Amounts received for services performed for a non-signatory Related Employer are excluded. (See Section 2.02(c) of the Plan.)

(i) “Deemed §125 compensation” as defined in Section 1.89(d) of the Plan.

(j) Amounts received after termination of employment are excluded. (See Section 1.89(b) of the Plan.)

(k) Differential Pay (as defined in Section 1.89(c) of the Plan).

(l) Describe adjustments to Plan Compensation: For purposes of Salary Deferrals and Employer Contributions: (1) Rewards and recognition (RNR) compensation; (2) Excess group term life greater than $50,000; (3) Severance pay; and effective 1-1-2020 (4) Education Assistance Book & Tuition; (5) Initial certification fee; and (6) Cell phone stipend. For purposes of Matching Contributions: All Plan Compensation except the following pay codes: (1) Base Pay; (2) Bereavement; (3) Blood Donation; (4) Extended Illness Bank (EIB); (5) Flex Time Off; (6) Jury Duty; (7) Merit Lump Sum; (8) Orientation; (9) Paid Sick Leave; (10) Paid Time Off (PTO); (11) Retro Pay; (12) Sitter Pay; (13) Sleep Pay; (14) Workshop and effective 1-1-2020 (15) Employee Emergency Relief; and (16) Supplemental Paid Sick Leave - CA. The detailed pay code listing is kept in Human Resources and Finance. Effective 1-1-2020, for purposes of Salary Deferrals, Matching and Employer Contributions: Any contributions, accruals or distributions to/from the 457(f) Plan.

[Note: Any modification under subsection (l) must be definitely determinable and preclude Employer discretion. The elections under the ER column under this AA §5-3 apply to any Pick-Up Contributions authorized under AA §6-1(d) and any After-Tax Employee Contributions selected under AA §6-6, unless elected otherwise under subsection (l).]

5-4 PERIOD FOR DETERMINING COMPENSATION.

(a) Compensation Period. Plan Compensation will be determined on the basis of the following period(s) for the contribution sources identified in this AA §5-4. [If a period other than the Plan Year applies for any contribution source, any reference to the Plan Year as it refers to Plan Compensation for that contribution source will be deemed to be a reference to the period designated under this AA §5-4.]
Deferral Match ER
☐ ☐ ☐ (2) The calendar year ending in the Plan Year.
☐ ☐ ☐ (3) The Employer’s fiscal tax year ending in the Plan Year.
☐ ☐ ☐ (4) The 12-month period ending on _____ which ends during the Plan Year.

(b) Compensation while a Participant. Unless provided otherwise under this subsection (b), in determining Plan Compensation, only compensation earned while an individual is a Participant under the Plan with respect to a particular contribution source will be taken into account.

To count compensation for the entire Plan Year for a particular contribution source, including compensation earned while an individual is not a Participant with respect to such contribution source, check below. (See Section 1.72(b) of the Plan.)

Deferral Match ER
☐ ☐ ☐ All compensation earned during the Plan Year will be taken into account, including compensation earned while an individual is not a Participant.

(c) Few weeks rule. The few weeks rule (as described in Section 5.02(c)(7)(i) of the Plan) will not apply unless designated otherwise under this subsection (c).

☐ Amounts earned but not paid during a Limitation Year solely because of the timing of pay periods and pay dates shall be included in Total Compensation for the Limitation Year, provided the amounts are paid during the first few weeks of the next Limitation Year, the amounts are included on a uniform and consistent basis with respect to all similarly situated Employees, and no amounts are included in more than one Limitation Year.

SECTION 6
EMPLOYER AND EMPLOYEE CONTRIBUTIONS

6-1 EMPLOYER/EMPLOYEE CONTRIBUTIONS. The Employer/Employee may make the following contributions under the Plan:

☐ (a) Employer Contributions under AA §6-2
☐ (b) Voluntary After-Tax Employee Contributions under AA §6-6(a)
☐ (c) Mandatory After-Tax Employee Contributions under AA §6-6(b)
☐ (d) Employer Pick-Up Contributions under AA §6-6(c)
☐ (e) N/A. No Employer/Employee Contributions are permitted under the Plan [Skip to Section 6.2]

6-2 EMPLOYER CONTRIBUTION FORMULA. For the period designated in AA §6-4(a) below, the Employer will make the following Employer Contributions on behalf of Participants who satisfy the allocation conditions designated in AA §6-3 below. Any Employer Contribution authorized under this AA §6-2 will be allocated in accordance with the allocation formula selected under AA §6-3.

☐ (a) Discretionary contribution. The Employer will determine in its sole discretion how much, if any, it will make as an Employer Contribution.

☐ (b) Fixed contribution.

☐ (1) Fixed percentage. ___% of each Participant’s Plan Compensation.
☐ (2) Fixed dollar. $_____ for each Participant.
☐ (3) Determined in accordance with the terms of the Employment contract between an Eligible Employee and the Employer. [If this subsection (3) is checked, the provisions of an Employment contract addressing retirement benefits will override any selection under this AA §6-2.]

☐ (c) Service-based contribution. The Employer will make the following contribution:

☐ (1) Discretionary. A discretionary contribution determined as a uniform percentage of Plan Compensation or a uniform dollar amount for each period of service designated below.
☐ (2) Fixed percentage. ___% of Plan Compensation paid for each period of service designated below.
☐ (3) Fixed dollar. $____ for each period of service designated below.
The service-based contribution will be based on the following periods of service:

☐ (4) Each Hour of Service
☐ (5) Each week of employment
☐ (6) Describe period: __________________________

The service-based contribution is subject to the following rules.

☐ (7) Describe any special provisions that apply to service-based contribution: __________________________

☐ (d) Describe special rules for determining contributions under Plan: __________________________

[Note: Any special rules under subsection (d) must be definitely determinable.]

6-3 ALLOCATION FORMULA.

☒ (a) Pro rata allocation. The discretionary Employer Contribution under AA §6-2(a) will be allocated:

☐ (1) as a uniform percentage of Plan Compensation.
☐ (2) as a uniform dollar amount.

☐ (b) Fixed contribution. The fixed Employer Contribution under AA §6-2(b) will be allocated in accordance with the selections made under AA §6-2(b).

☐ (c) Permitted disparity allocation. The discretionary Employer Contribution under AA §6-2(a) will be allocated under the two-step method (as defined in Section 3.02(a)(1)(i)(B)(I) of the Plan), using the Taxable Wage Base (as defined in Section 1.87 of the Plan) as the Integration Level.

To modify these default rules, complete the appropriate provision(s) below.

☐ (1) Integration Level. Instead of the Taxable Wage Base, the Integration Level is:

☐ (i) ___% of the Taxable Wage Base, increased (but not above the Taxable Wage Base) to the next higher:
☐ (A) N/A ☐ (B) $1
☐ (C) $100 ☐ (D) $1,000

☐ (ii) $____ (not to exceed the Taxable Wage Base)
☐ (iii) 20% of the Taxable Wage Base

[Note: See Section 3.02(a)(1)(i)(B)(IV) of the Plan for rules regarding the Maximum Disparity Rate that may be used where an Integration Level other than the Taxable Wage Base is selected.]

☐ (2) Describe special rules for applying permitted disparity allocation formula: __________________________

[Note: Any special rules under subsection (2) must be definitely determinable.]

☐ (d) Uniform points allocation. The discretionary Employer Contribution designated in AA §6-2(a) will be allocated to each Participant in the ratio that each Participant’s total points bears to the total points of all Participants. A Participant will receive the following points:

☐ (1) ____ point(s) for each year(s) of age (attained as of the end of the Plan Year).
☐ (2) ____ points for each $____ of Plan Compensation.
☐ (3) ____ point(s) for each ____ Year(s) of Service. For this purpose, Years of Service are determined:

☐ (i) In the same manner as determined for eligibility.
☐ (ii) In the same manner as determined for vesting.
☐ (iii) Points will not be provided with respect to Years of Service in excess of ____.

☐ (e) Employee group allocation. The Employer may make a separate discretionary Employer Contribution to the Participants in the following allocation groups. The Employer must notify the Trustee in writing of the amount of the contribution to be allocated to each allocation group.

☐ (1) A separate discretionary Employer Contribution may be made to each Participant of the Employer (i.e., each Participant is in his/her own allocation group).

☐ (2) A separate discretionary or fixed Employer Contribution may be made to the following allocation groups. If no fixed amount is designated for a particular allocation group, the contribution made for such allocation group will be allocated as a uniform percentage of Plan Compensation or as a uniform dollar amount to all Participants within that allocation group.

Group 1: __________________________
[Note: The Employee allocation groups designated above must be clearly defined in a manner that will not violate the definite allocation formula requirement of Treas. Reg. §1.401-1(b)(1)(i).]

☐ (3) Special rules.

☐ (i) More than one Employee group. Unless designated otherwise under this subsection (i), if a Participant is in more than one allocation group described in (2) above during the Plan Year, the Participant will receive an Employer Contribution based on the Participant's status on the last day of the Plan Year. (See Section 3.02(a)(1)(D) of the Plan.)

☐ Determined separately for each Employee group. If a Participant is in more than one allocation group during the Plan Year, the Participant's share of the Employer Contribution will be based on the Participant's status for the part of the year the Participant is in each allocation group.

☐ (ii) Describe:

[Note: Any special rules under subsection (ii) must be definitely determinable.]

☐ (f) Age-based allocation. The discretionary Employer Contribution designated in AA §6-2(a) will be allocated under the age-based allocation formula so that each Participant receives a pro rata allocation based on adjusted Plan Compensation. For this purpose, a Participant's adjusted Plan Compensation is determined by multiplying the Participant's Plan Compensation by an Actuarial Factor (as described in Section 1.03 of the Plan).

A Participant's Actuarial Factor is determined based on a specified interest rate and mortality table. Unless designated otherwise under (1) or (2) below, the Plan will use an applicable interest rate of 8.5% and a UP-1984 mortality table.

☐ (1) Applicable interest rate. Instead of 8.5%, the Plan will use an interest rate of ____% (must be between 7.5% and 8.5%) in determining a Participant's Actuarial Factor.

☐ (2) Applicable mortality table. Instead of the UP-1984 mortality table, the Plan will use the following mortality table in determining a Participant's Actuarial Factor: ________________________

☐ (3) Describe special rules applicable to age-based allocation:

[Note: See Exhibit A of the Plan for sample Actuarial Factors based on an 8.5% applicable interest rate and the UP-1984 mortality table. If an interest rate or mortality table other than 8.5% or UP-1984 is selected, appropriate Actuarial Factors must be calculated.]

☐ (g) Service-based allocation formula. The service-based Employer Contribution selected in AA §6-2(c) will be allocated in accordance with the selections made in AA §6-2(c).

☐ (h) Describe special rules for determining allocation formula:

[Note: Any special rules under subsection (h) must be definitely determinable.]

6-4 SPECIAL RULES. No special rules apply with respect to Employer/Employee Contributions under the Plan, except to the extent designated under this AA §6-4. Unless designated otherwise, in determining the amount of the Employer/Employee Contributions to be allocated under this AA §6, the contribution will be based on Plan Compensation earned during the Plan Year.

☐ (a) Period for determining Employer/Employee Contributions. Instead of the Plan Year, Employer/Employee Contributions will be determined based on Plan Compensation earned during the following period: [The Plan Year must be used if the permitted disparity allocation method is selected under AA §6-3(c) above.]

☐ (1) Plan Year quarter

☐ (2) calendar month

☐ (3) payroll period

☐ (4) Other: __________________________

[Note: Although Employer Contributions are determined on the basis of Plan Compensation earned during the period designated under this subsection (a), this does not require the Employer to actually make contributions or allocate contributions on the basis of such period. Employer Contributions may be contributed and allocated to Participants at any time within the contribution period permitted under Treas. Reg. §1.415(c)-1(b)(6)(B), regardless of the period selected under this subsection (a).]
☐ (b) **Limit on Employer Contributions.** The Employer Contribution elected in AA §6-2 may not exceed:
   ☐ (1) ___% of Plan Compensation
   ☐ (2) $___
   ☐ (3) Describe: ____________________________

☐ (c) **Offset of Employer Contribution.**
   ☐ (1) A Participant's allocation of Employer Contributions under AA §6-2 of this Plan is reduced by contributions under ______________________ [insert name of plan(s)]. (See Section 3.02(a)(1) of the Plan.)
   ☐ (2) In applying the offset under this subsection (c), the following rules apply: ____________________________

☐ (d) **Special rules:** ________________________

[Note: Any special rules under subsection (d) must be definitely determinable.]

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6-5 **ALLOCATION CONDITIONS.** A Participant must satisfy any allocation conditions designated under this AA §6-5 to receive an allocation of Employer Contributions under the Plan. [Note: No allocation conditions apply to After-Tax Employee Contributions or Employer Pick-Up Contributions under AA §6-6.]

☐ (a) **No allocation conditions** apply with respect to Employer Contributions under the Plan.

☐ (b) **Employment condition.** An Employee must be employed with the Employer on the last day of the Plan Year.

☐ (c) **Minimum service condition.** An Employee must be credited with at least:
   ☐ (1) ___ Hours of Service during the Plan Year.
      ☐ (A) Hours of Service are determined using actual Hours of Service.
      ☐ (B) Hours of Service are determined using the following Equivalency Method (as defined under Section 2.03(a)(5) of the Plan):
      ☐ (i) Monthly
      ☐ (ii) Weekly
      ☐ (C) Daily
      ☐ (D) Semi-monthly
   ☐ (2) ___ consecutive days of employment with the Employer during the Plan Year.

☐ (d) **Exceptions.**
   ☐ (1) The above allocation condition(s) will not apply if the Employee:
      ☐ (i) dies during the Plan Year.
      ☐ (ii) terminates employment due to becoming Disabled.
      ☐ (iii) terminates employment after attaining Normal Retirement Age.
      ☐ (iv) terminates employment after attaining Early Retirement Age.
      ☐ (v) is on an authorized leave of absence from the Employer.
   ☐ (2) The exceptions selected under subsection (1) will apply even if an Employee has not terminated employment at the time of the selected event(s).
   ☐ (3) The exceptions selected under subsection (1) do not apply to:
      ☐ (i) an employment condition under subsection (b) above.
      ☐ (ii) a minimum service condition under subsection (c) above.

☐ (e) **Describe** any special rules governing the allocation conditions under the Plan: ________________________

[Note: Any special rules under subsection (e) must be definitely determinable.]

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6-6 **AFTER-TAX EMPLOYEE CONTRIBUTIONS AND EMPLOYER PICK-UP CONTRIBUTIONS.**

☐ (a) **Voluntary After-Tax Employee Contributions.** If permitted under this subsection (a), a Participant may contribute any amount as Voluntary After-Tax Employee Contributions up to the Code §415 Limitation (as defined in Section 5.02 of the Plan), except as limited under this subsection (a).

   ☐ (1) **Limits on Voluntary After-Tax Employee Contributions.** If this subsection (1) is checked, the following limits apply to Voluntary After-Tax Employee Contributions:
      ☐ (i) Maximum limit. A Participant may make Voluntary After-Tax Employee Contributions up to:
      ☐ (A) ___% of Plan Compensation
      ☐ (B) $___
for the following period:

☐ (C) the entire Plan Year.
☐ (D) the portion of the Plan Year during which the Employee is eligible to participate.
☐ (E) each separate payroll period during which the Employee is eligible to participate.

☐ (ii) Minimum limit. The amount of Voluntary After-Tax Employee Contributions a Participant may make for any payroll period may not be less than:

☐ (A) _____% of Plan Compensation

☐ (B) $_____

☐ (2) Change or revocation of Voluntary After-Tax Employee Contributions. In addition to the Participant’s Entry Date under the Plan, a Participant’s election to change or resume Voluntary After-Tax Employee Contributions will be effective as of the dates designated under the Voluntary After-Tax Employee Contribution election form or other written procedures adopted by the Plan Administrator. Alternatively, the Employer may designate under this subsection (2) specific dates as of which a Participant may change or resume Voluntary After-Tax Employee Contributions. (See Section 3.04 of the Plan.)

☐ (i) The first day of each calendar quarter.
☐ (ii) The first day of each Plan Year.
☐ (iii) The first day of each calendar month.
☐ (iv) The beginning of each payroll period.
☐ (v) Other: ____________________

[Note: A Participant must be permitted to change or revoke a Voluntary After-Tax Employee Contribution election at least once per year. Unless designated otherwise under subsection (vi), a Participant may revoke an election to make Voluntary After-Tax Employee Contributions on a prospective basis at anytime. This subsection (2) also applies to any Employer Pick-Up Contributions selected under subsection (c) below, unless designated otherwise under subsection (c)(2).]

☐ (3) Other limits or special rules relating to Voluntary After-Tax Employee Contributions: ____________________

[Note: Any limits described under this subsection (3) must be consistent with the provisions of Section 3.04 of the Plan.]

☐ (b) Mandatory After-Tax Employee Contributions. If this subsection (b) is checked, Employees are required to make Mandatory After-Tax Employee Contributions in order to participate under the Plan.

☐ (1) Amount of Mandatory After-Tax Employee Contributions. Employees are required to contribute the following amount in order to participate in the Plan:

☐ (i) _____% of each Employee’s Total Compensation.

☐ (ii) $_____

☐ (iii) Describe rate or amount: ____________________

☐ (2) Special rules applicable to Mandatory After-Tax Employee Contributions: ____________________

☐ (c) Employer Pick-Up Contributions. Each Participant will be required to make a Pick-up Contribution to the Plan equal to the amount specified under this subsection (c). Any amounts contributed pursuant to this subsection (c) will be picked up by the Employer pursuant to Code §414(b) and will be treated as Employer Contributions under the Plan. Such contributions and earnings thereon will be 100% vested at all times. (See Section 3.03 of the Plan.)

☐ (1) The following amounts will be contributed to the Plan as an Employer Pick-Up Contribution:

☐ (i) _____% of Plan Compensation.

☐ (ii) $____ per pay period.

☐ (iii) Any amount from _____% to _____% of Plan Compensation, as designated by the Participant.

☐ (2) Special rules applicable to Employer Pick-Up Contributions: ____________________

[Note: Any Employer Pick-Up Contributions made under this subsection (c) must satisfy the requirements of Section 3.03 of the Plan. See All §11-4 for an Employee’s ability to elect out of making Employer Pick-Up Contributions.]

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SECTION 6A
SALARY DEFERRALS

6A-1 SALARY DEFERRALS. Are Employees permitted to make Salary Deferrals under the Plan?

☐ Yes.
☐ No. [If "No" is checked, skip to Section 6B.]

6A-2 MAXIMUM LIMIT ON SALARY DEFERRALS. Unless designated otherwise under this AA §6A-2, a Participant may defer any amount up to the Elective Deferral Dollar Limit and the Code §415 Limitation (as set forth in Sections 5.02 and 5.03 of the Plan).

☐ (a) Salary Deferral Limit. A Participant may not defer an amount in excess of:

☐ (1) ___% of Plan Compensation.
☐ (2) $____.

[Note: If both (1) and (2) are checked, the deferral limit is the lesser of the amounts selected.]

Any limit described in subsection (1) or (2) above applies with respect to the following period:

☐ (3) Plan Year.
☐ (4) the portion of the Plan Year during which the individual is eligible to participate.
☐ (5) each separate payroll period during which the individual is eligible to participate.

☐ (b) Special limit for bonus payments. If bonus payments are not excluded from the definition of Plan Compensation under AA §5-3, Employees may defer any amounts out of bonus payments, subject to the Elective Deferral Dollar Limit and the Code §415 Limitation (as defined in Sections 5.02 and 5.03 of the Plan) and any other limit on Salary Deferrals under this AA 6A-2. The Employer may use this section to impose special limits on bonus payments or may impose special limits on bonus payments under the Salary Deferral Election. (See Section 3.02(c)(2) of the Plan.)

☐ A Participant may defer up to ___% (not to exceed 100%) of any bonus payment (subject to the Elective Deferral Dollar Limit and the Code §415 Limitation), with regard to any other limits described under this AA §6A-2.

[Note: If this subsection (b) is checked, bonus payments may not be excluded from Plan Compensation in the Deferral column under AA §5-3(c).]

☐ (c) Describe any other limits that apply with respect to Salary Deferrals under the Plan: ______________________________

6A-3 MINIMUM DEFERRAL RATE. Unless designated otherwise under this AA §6A-3, no minimum deferral requirement applies under the Plan. Alternatively, a Participant must defer at least the following amount in order to make Salary Deferrals under the Plan.

☐ (a) ___% of Plan Compensation for a payroll period.
☐ (b) $____ for a payroll period.
☐ (c) Describe: ______________________________

[Note: If more than one limit applies under this AA §6A-3, the minimum deferral rate is the lesser of the amounts designated under this AA §6A-3.]

6A-4 CATCH-UP CONTRIBUTIONS. Catch-Up Contributions (as defined in Section 3.02(c)(2)(iv) of the Plan) are permitted under the Plan, unless designated otherwise under this AA §6A-4.

☐ Catch-Up Contributions are not permitted under the Plan.
6A-5 ROTH DEFERRALS. Roth Deferrals (as defined in Section 3.02(c)(2)(v) of the Plan) are not permitted under the Plan, unless designated otherwise under this AA §6A-5.

☐ (a) Availability of Roth Deferrals. Roth Deferrals are permitted under the Plan. [Note: If Roth Deferrals are effective as of a date later than the Effective Date of the Plan, designate such special Effective Date in AA §6A-8(b) below. Roth Deferrals may not be made prior to January 1, 2006.]

☐ (b) Distribution of Roth Deferrals. Unless designated otherwise under this subsection (b), to the extent a Participant takes a distribution or withdrawal from his/her Salary Deferral Account(s), the Participant may designate the extent to which such distribution is taken from the Pre-Tax Deferral Account or from the Roth Deferral Account.

Alternatively, the Employer may designate the order of distributions as listed below:

☐ (1) Any distribution will be taken on a pro rata basis from the Participant’s Pre-Tax Deferral Account and Roth Deferral Account.

☐ (2) Any distribution will be taken first from the Participant’s Roth Deferral Account and then from the Participant’s Pre-Tax Deferral Account.

☐ (3) Any distribution will be taken first from the Participant’s Pre-Tax Deferral Account and then from the Participant’s Roth Deferral Account.

☐ (c) In-Plan Roth Conversions (pre-2013 provisions). Unless elected under this subsection, the Plan does not permit a Participant to make an In-Plan Roth Conversion under the Plan. To override this provision to allow Participants to make an In-Plan Roth Conversion, this subsection must be completed.

☐ (1) Effective date. Effective ___________ [not earlier than 9/27/2010 or later than 12/31/2012], a Participant may elect to convert all or any portion of his/her non-Roth vested Account Balance to an In-Plan Roth Conversion Account.

[Note: The Plan must provide for Roth Deferrals under AA §6A-5 as of the effective date designated in this subsection (1). The provisions under this subsection do not address the provisions under the American Taxpayer Relief Act of 2012 (ATRA). To apply the rules under ATRA for In-Plan Roth Conversions made on or after January 1, 2013, see Appendix B of the Plan and Interim Amendment #1.]

☐ (2) Additional in-service distribution options for In-Plan Roth Conversions. For a Participant to convert his/her contributions to Roth contributions, the Participant must be eligible to take a distribution from the Plan. This subsection (2) may be used to add the in-service distribution options under the Plan applicable only to In-Plan Roth Conversions.

☐ (i) In-service distribution events: In addition to any in-service distribution options described in AA §10, the following in-service distribution options apply for In-Plan Roth Conversions: [Check the appropriate boxes.]

☐ (A) Attainment of age 59½ for all contribution sources.

☐ (B) Attainment of age 59½ for Salary Deferrals.

☐ (C) Attainment of age ___ for contribution sources other than Salary Deferrals.

☐ (D) Completion of ___ (cannot be less than 60) months of participation in the Plan. (Not applicable to Salary Deferrals.)

☐ (E) The amounts being withdrawn have been held in Plan for at least two years. (Not applicable to Salary Deferrals.)

☐ (F) Other distribution event: _____________

[Note: For Salary Deferrals, a Participant must be at least age 59½ to take an in-service distribution. For Employer Contributions and Matching Contributions, the Plan may authorize an in-service distribution upon a stated event, including the attainment of any age. Any selection in subsection (F) must be definitely determinable and not subject to Employer discretion.]
☐ (ii) In-service distribution option available only to accomplish In-Plan Roth Conversion. If this subsection (ii) is checked, the in-service distribution options described in subsection (i) will be permitted only to accomplish an In-Plan Roth Conversion.

[Note: An in-service distribution may be limited solely to accomplish a Roth conversion only if the Plan does not already authorize an in-service distribution. Thus, this subsection (ii) will not apply to the extent an in-service distribution is already authorized under the Plan.]

☐ (3) Contribution sources. An Employee may only elect to make an In-Plan Roth Conversion from the following sources: [Check all contribution sources available under the Plan from which an In-Plan Roth Conversion is available.]

☐ (i) All available sources under the Plan
☐ (ii) Pre-tax Salary Deferrals
☐ (iii) Employer Contributions
☐ (iv) Matching Contributions
☐ (v) After-Tax Contributions
☐ (vi) Employer Pick-Up Contributions
☐ (vii) Rollover Contributions
☐ (viii) Describe: ____________________________________________________________________________

[Note: Any selection in subsection (viii) must be definitely determinable and not subject to Employer discretion.]

☐ (4) Limits applicable to In-Plan Roth Conversions. The following limits apply in determining the amounts that are eligible for an In-Plan Roth Conversion.

☐ (i) Check this box if Roth conversions may only be made from contribution sources that are fully vested (i.e., 100% vested).

[Note: If an In-Plan Roth Conversion is permitted from partially-vested sources, special rules apply for determining the vested percentage of such amounts after conversion. See Section 7.09 of the Plan.]

☐ (ii) A Participant may not make an In-Plan Roth Conversion of less than $_____ (may not exceed $1,000).

☐ (iii) A Participant may not make an In-Plan Roth Conversion of any outstanding loan amount.

[Note: If this subsection (iii) is not checked, a Participant may convert amounts that are attributable to an outstanding loan, to the extent the loan relates to a contribution source that is eligible for conversion under subsection (3) above.]

☐ (iv) Describe: ____________________________________________________________________________

[Note: Any selection in subsection (iv) must be definitely determinable and not subject to Employer discretion.]

☐ (5) Amounts available to pay federal and state taxes generated from an In-Plan Roth Conversion.

☐ (i) In-service distribution. If the Plan does not otherwise permit an in-service distribution at the time of the In-Plan Roth Conversion and this subsection (a) is checked, a Participant may elect to take an in-service distribution solely to pay taxes generated from the In-Plan Roth Conversion.

☐ (ii) Participant loan. Generally, a Participant may request a loan from the Plan to the extent permitted under Section 13 of the Plan and Appendix B of this Adoption Agreement. However, to the extent a Participant loan is not otherwise allowed and this subsection (ii) is selected, a Participant may receive a Participant loan solely to pay taxes generated from an In-Plan Roth Conversion.

[Note: If this subsection (ii) is selected and Participant loans are not otherwise authorized under the Plan, any Participant loan made pursuant to this subsection (ii) will be made in accordance with the default loan policy described in Section 13 of the Plan.]

☐ (6) Distribution from In-Plan Roth Conversion Account. Distributions from the In-Plan Roth Conversion account will be permitted as follows:
☐ (i) In-service distributions will not be permitted from an In-Plan Roth Conversion account until the earliest date a distribution would otherwise be permitted for any contribution source eligible for conversion, without regard to the conversion distribution.

☐ (ii) An in-service distribution may be made from the In-Plan Roth Conversion account at any time.

☐ (iii) A separate In-Plan Roth Conversion account will be maintained for converted amounts attributable to Rollover Contributions and/or After-Tax Contributions. An in-service distribution may be made at any time from this separate account.

☐ (iv) Describe distribution options:

[Note: This subsection (6) may not be used to eliminate an in-service distribution option that was otherwise available at the time of the In-Plan Roth Conversion. Thus, for example, if a Participant is permitted to make an In-Plan Roth Conversion of After-Tax Contributions or Rollover contributions, and such contributions are eligible for immediate distribution at the time of the In-Plan Roth Conversion, those amounts must continue to be available for distribution after the In-Plan Roth Conversion. Subsection (3) permits the protection of the immediate distribution option for Rollover and After-Tax Contributions while still delaying the distribution of other contribution sources. If subsection (iii) is checked, subsection (i) or (iv) should also be checked to describe distribution options for other contribution sources. To the extent a selection in this subsection (6) results in an improper elimination of a distribution right, the provisions of this subsection (6) will not apply.]

☐ (d) Describe any special rules that apply to Roth Deferrals under the Plan:

6A-6 CHANGE OR REVOCATION OF DEFERRAL ELECTION: In addition to the Participant’s Entry Date under the Plan, a Participant’s election to change or revoke a deferral election will be effective as set forth under the Salary Reduction Agreement or any written procedures adopted by the Plan Administrator. Alternatively, the Employer may designate under this AA §6A-6 specific dates as of which a Participant may change or revoke a deferral election. (See Section 3.02(c)(2)(ii) of the Plan.)

☐ (a) The first day of each calendar quarter.

☐ (b) The first day of each Plan Year.

☐ (c) The first day of each calendar month.

☐ (d) The beginning of each payroll period.

☐ (e) Other; [insert]

[Note: A Participant must be permitted to change or revoke a deferral election at least once per year. Unless designated otherwise under subsection (e), a Participant may revoke a deferral election on a prospective basis at any time.]

6A-7 AUTOMATIC CONTRIBUTION ARRANGEMENT. No automatic contribution provisions apply under Section 3.02(c)(2)(iii) of the Plan, unless otherwise provided under this AA §6A-7.

☐ (a) Automatic deferral election. Upon becoming eligible to make Salary Deferrals under the Plan (pursuant to AA §3 and AA §4), a Participant will be deemed to have entered into a Salary Deferral Election for each payroll period, unless the Participant completes a Salary Deferral Election (subject to the limitations under AA §6A-2 and AA §6A-3) in accordance with procedures adopted by the Plan Administrator.

☐ (1) Effective date of Automatic Contribution Arrangement. The automatic deferral provisions under this AA §6A-7 are effective as of:

☐ (i) The Effective Date of this Plan as set forth under the Employer Signature Page.

☐ (ii) [insert date]

☐ (iii) As set forth under a prior Plan document. [Note: If this subsection (iii) is checked, the automatic deferral provisions under this AA §6A-7 will apply as of the original Effective Date of the automatic contribution arrangement. Unless provided otherwise under this AA §6A-7, an Employee who is automatically enrolled under a prior Plan document will continue to be automatically enrolled under the current Plan document.]

☐ (2) Automatic Contribution Arrangement. Check this subsection (2) if the Plan is designated as an Automatic Contribution Arrangement, as described under Section 3.02(c)(2)(iii) of the Plan. [Note: Unless an election is made under this AA §6A-7 that is inconsistent with the requirements of an Eligible Automatic Contribution Arrangement (EACA), the Automatic Contribution Arrangement will qualify as an EACA, as described in Code §414(v).]

☐ (i) Automatic deferral percentage.
☐ (A) ____% of Plan Compensation.
☐ (B) $____.

☐ (ii) Automatic increase. If elected under this subsection (ii), the automatic deferral amount will increase each Plan Year by the following amount:
☐ (A) ____% of Plan Compensation.
☐ (B) $____.
☐ (C) Describe: __________________________

Any automatic increase elected under this subsection (ii) will not cause the automatic deferral amount to exceed:
☐ (D) ____% of Plan Compensation.
☐ (E) $____.
☐ (F) Describe: __________________________

☐ (3) Application of automatic deferral provisions. The automatic deferral election under subsection (2) will apply to new Participants and existing Participants as set forth under this subsection (3):

☐ (i) New Participants. The automatic deferral provisions apply to all eligible Participants who do not enter into a Salary Deferral Election (including an election not to defer) and who:
☐ (A) become Participants on or after the effective date of the automatic deferral provisions.
☐ (B) are hired on or after the effective date of the automatic deferral provisions.

☐ (ii) Current Participants. The automatic deferral provisions apply to all other eligible Participants as follows:
☐ (A) Automatic deferral provisions apply to all current Participants who have not entered into a Salary Deferral Election (including an election not to defer under the Plan).
☐ (B) Automatic deferral provisions apply to all current Participants who have not entered into a Salary Deferral Election that is at least equal to the automatic deferral amount under subsection (2)(i) above. Current Participants who have made a Salary Deferral Election that is less than the automatic deferral amount or who have not made a Salary Deferral Election will automatically be increased to the automatic deferral amount unless the Participant enters into a new Salary Deferral election on or after the effective date of the automatic deferral provisions.
☐ (C) Automatic deferral provisions do not apply to current Participants. Only new Participants described in subsection (i) are subject to the automatic deferral provisions.
☐ (D) Describe: __________________________

☐ (iii) Treatment of automatic deferrals. Any Salary Deferrals made pursuant to an automatic deferral election will be treated as Pre-Tax Salary Deferrals, unless designated otherwise under this subsection (iii).
☐ (iv) Special rules: __________________________

[Note: Any Salary Deferral Election (including an election not to defer under the Plan) made after the effective date of the automatic deferral provisions will override such automatic deferral provisions.]

☐ (iv) Special rules: __________________________

☐ (4) Application of automatic increase. Unless designated otherwise under this subsection (4), if an automatic increase is selected under subsection (2)(ii) above, the automatic increase will take effect as of the first day of the second Plan Year following the Plan Year in which the automatic deferral election first becomes effective with respect to a Participant.

☐ (i) First Plan Year. Instead of applying as of the second Plan Year, the automatic increase described in subsection (2)(ii) takes effect as of the appropriate date within the first Plan Year following the date automatic contributions begin,
☐ (ii) Designated Plan Year. Instead of applying as of the second Plan Year, the automatic increase described in subsection (2)(ii) takes effect as of the appropriate date within the Plan Year following the Plan Year in which the automatic deferral election first becomes effective with respect to a Participant.

☐ (iii) Effective date. The automatic increase described under subsection (2)(ii) generally takes effect as of the first day of the Plan Year. If this subsection (iii) is checked, instead of becoming effective on the first day of the Plan Year, the automatic increase will be effective on:

☐ (A) The anniversary of the Participant's date of hire.
☐ (B) The anniversary of the Participant's first automatic deferral contribution.
☐ (C) The first day of each calendar year.
☐ (D) Other date: __________

☐ (iv) Special rules: ______________

(b) Permissible Withdrawals under Automatic Contribution Arrangement.

☐ (1) Permissible withdrawals allowed. An Employee who has Salary Deferrals contributed to the Plan pursuant to an automatic deferral election under this AA §6A-7 may elect to withdraw such contributions (and earnings attributable thereto) within 90 days after the date such Salary Deferrals would otherwise have been included in gross income, unless designated otherwise under subsection (3).

☐ (2) No permissible withdrawals. The permissible withdrawal provisions under this subsection (b) are not available.

☐ (3) Time period for electing a permissible withdrawal. Instead of a 90-day election period, a Participant must request a permissible withdrawal no later than ______ [may not be less than 30 or more than 90] days after the date the Plan Compensation from which such Salary Deferrals are withheld would otherwise have been included in gross income.

☐ (c) Other automatic deferral provisions: __________

6A-8 SPECIAL DEFERRAL EFFECTIVE DATES. Unless designated otherwise under this AA §6A-8, a Participant is eligible to make Salary Deferrals under the Plan as of the Effective Date of the Plan (as designated in the Employer Signature Page). However, in no case may a Participant begin making Salary Deferrals prior to the later of the date the Employee becomes a Participant, the date the Participant executes a Salary Reduction Agreement or the date the Plan is adopted or effective. (See Section 3.02(c)(2)(i) of the Plan.)

To designate a later Effective Date for Salary Deferrals or Roth Deferrals, complete this AA §6A-8.

☐ (a) Salary Deferrals. A Participant is eligible to make Salary Deferrals under the Plan as of:

☐ (1) the date the Plan is executed by the Employer (as indicated on the Employer Signature Page).
☐ (2) ______ (insert date).

☐ (b) Roth Deferrals. The Roth Deferral provisions under AA §6A-5 are effective as of 1-1-2021 ______. [If Roth Deferrals are permitted under AA §6A-5 above, Roth Deferrals are effective as of the Effective Date applicable to Salary Deferrals under this AA §6A-8, unless a later date is designated under this subsection.]

SECTION 6B
MATCHING CONTRIBUTIONS

6B-1 MATCHING CONTRIBUTIONS. Is the Employer authorized to make Matching Contributions under the Plan?

☐ Yes.
☐ No. [If "No" is checked, skip to Section 7.]

6B-2 MATCHING CONTRIBUTION FORMULA: For the period designated in AA §6B-5 below, the Employer will make the following Matching Contribution on behalf of Participants who satisfy the allocation conditions under AA §6B-6 below. [See AA §6B-3 for the definition of Eligible Contributions for purposes of the Matching Contributions under the Plan.]

☐ (a) Discretionary match. The Employer will determine in its sole discretion how much, if any, it will make as a Matching Contribution. Such amount can be determined either as a uniform percentage of deferrals or as a flat dollar amount for each Participant.
☐ (b) **Fixed match.** The Employer will make a Matching Contribution for each Participant equal to:
☐ (1) ___% of Eligible Contributions made for each period designated in AA §6B-5 below.
☐ (2) $____ for each period designated in AA §6B-5 below.

☐ (c) **Tiered match.** The Employer may make a Matching Contribution to all Participants based on the following tiers of Eligible Contributions as a percentage of Plan Compensation.

<table>
<thead>
<tr>
<th>Eligible Contributions</th>
<th>Fixed Match</th>
<th>Discretionary Match</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ (1) Up to ___% of Plan Compensation</td>
<td>___%</td>
<td>☐</td>
</tr>
<tr>
<td>☐ (2) From ___% up to ___% of Plan Compensation</td>
<td>___%</td>
<td>☐</td>
</tr>
<tr>
<td>☐ (3) From ___% up to ___% of Plan Compensation</td>
<td>___%</td>
<td>☐</td>
</tr>
<tr>
<td>☐ (4) From ___% up to ___% of Plan Compensation</td>
<td>___%</td>
<td>☐</td>
</tr>
</tbody>
</table>

☐ (d) **Year of Service match.** The Employer will make a Matching Contribution as a uniform percentage of Eligible Contributions to all Participants based on Years of Service with the Employer.

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Matching %</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ (1) From ___ up to ___ Years of Service</td>
<td>___%</td>
</tr>
<tr>
<td>☐ (2) From ___ up to ___ Years of Service</td>
<td>___%</td>
</tr>
<tr>
<td>☐ (3) From ___ up to ___ Years of Service</td>
<td>___%</td>
</tr>
<tr>
<td>☐ (4) From ___ up to ___ Years of Service</td>
<td>___%</td>
</tr>
<tr>
<td>☐ (5) Years of Service equal to and above ___</td>
<td>___%</td>
</tr>
</tbody>
</table>

For this purpose, a Year of Service is each Plan Year during which an Employee completes at least 1,000 Hours of Service. Alternatively, a Year of Service is: __________________________

[Note: Any alternative definition of a Year of Service must meet the requirements of a Year of Service as defined in Section 2.03(a)(1) of the Plan.]
☐ (c) Based on employment agreement. The Employer will make a Matching Contribution determined in accordance with the terms of the Employment agreement between an Eligible Employee and the Employer. [If this subsection (e) is checked, the provisions of an Employment agreement addressing retirement benefits will override any selection under this AA §6B-2.]

☒ (f) Describe special rules for determining Matching Contribution formula: Effective 1-1-2020, the Employer has the discretion whether to make a Matching Contribution to the Plan. Each year the Employer will decide how much, if any, the Employer may make as a Matching Contribution. The Matching Contribution, if made, will be based on the number of Years of Service a Participant has per the definition of Years of Service for the purpose of the Matching Contribution and the formula for each Year of Service tier has a separate limit above which Salary Deferrals will not be matched. Matching Contributions are subject to a specific definition of Plan Compensation. Check the definitions for the specific Plan Compensation applicable to Matching Contributions. For a Participant with 1 to 2 Years of Service, for Salary Deferrals the Participant makes up to the first 3% of Plan Compensation (as defined for Salary Deferral purposes) during the Plan Year, the Participant will receive a Matching Contribution equal to a discretionary percentage of such amounts (subject to Plan Compensation as defined for Matching Contribution purposes). For a Participant with 3 to 5 Years of Service, for Salary Deferrals, the Participant makes up to the first 4% of Plan Compensation (as defined for Salary Deferral purposes) during the Plan Year, the Participant will receive a Matching Contribution equal to a discretionary percentage of such amounts (subject to Plan Compensation as defined for Matching Contribution purposes). For a Participant with 6 to 10 Years of Service, for Salary Deferrals, the Participant makes up to the first 5% of Plan Compensation (as defined for Salary Deferral purposes) during the Plan Year, the Participant will receive a Matching Contribution equal to a discretionary percentage of such amounts (subject to Plan Compensation as defined for Matching Contribution purposes). For a Participant with 11 or more Years of Service, for Salary Deferrals, the Participant makes up to the first 6% of Plan Compensation (as defined for Salary Deferral purposes) during the Plan Year, the Participant will receive a Matching Contribution equal to a discretionary percentage of such amounts (subject to Plan Compensation as defined for Matching Contribution purposes). For purposes of the Matching Contribution formula, both earning a Year of Service and crediting Breaks in Service are determined on the same basis as defined for vesting purposes.

6B-3 ELIGIBLE CONTRIBUTIONS. Unless designated otherwise under this AA §6B-3, the Matching Contribution described in AA §6B-2 will apply to all Eligible Contributions authorized under AA §6-6 and/or AA §6A.

☐ (a) Designated Eligible Contributions. If this subsection (a) is checked, the Matching Contribution described in AA §6B-2 will apply only to the Eligible Contributions selected below:

☐ (1) Pre-tax Salary Deferrals under AA §6A.

☐ (2) Roth Deferrals under AA §6A-5.

☐ (3) Catch-Up Contributions under AA §6A-4.

☐ (4) Voluntary After-Tax Employee Contributions under AA §6-6(a).

☐ (5) Mandatory After-Tax Employee Contributions under AA §6-6(b).

☐ (6) Employer Pick-Up Contributions under AA §6-6(c).

☐ (b) Elective deferrals under another plan. If this subsection (b) is checked, the Matching Contributions described in AA §6B-2 will apply to elective deferrals made under another plan maintained by the Employer.

☐ (1) The Matching Contribution designated in AA §6B-2 above will apply to elective deferrals under the following plan maintained by the Employer:

☐ (2) The following special rules apply in determining the amount of Matching Contributions under this Plan with respect to elective deferrals under the plan described in subsection (1):

[Note: This subsection (b) may be used to describe special provisions applicable to Matching Contributions provided with respect to elective deferrals under another plan maintained by the Employer, including another qualified plan or Code §403(b) or Code §457(b) plan.]
6B-4 LIMITS ON MATCHING CONTRIBUTIONS. In applying the Matching Contribution formula(s) selected under AA §6B-2 above, all Eligible Contributions designated under AA §6B-3 are eligible for Matching Contributions, unless elected otherwise under this AA §6B-4.

☐ (a) **Limit on amount of Eligible Contributions.** The Matching Contribution formula(s) selected in AA §6B-2 above apply only to Eligible Contributions under AA §6B-3 that do not exceed:

☐ (1) _____% of Plan Compensation.
☐ (2) $______________.
☐ (3) A discretionary amount determined by the Employer.

[Note: If both (1) and (2) are selected, the limit under this subsection (a) is the lesser of the percentage selected in subsection (1) or the dollar amount selected in subsection (2).]

☐ (b) **Limit on Matching Contributions.** The total Matching Contribution provided under the formula(s) selected in AA §6B-2 above will not exceed:

☐ (1) _____% of Plan Compensation.
☐ (2) $______________.

☐ (c) **Special limits applicable to Matching Contributions:** The Matching Contribution formula for each Years of Service based tier states a specific percentage of Plan Compensation above which Salary Deferrals will not be matched.

6B-5 PERIOD FOR DETERMINING MATCHING CONTRIBUTIONS. The Matching Contribution formula(s) selected in AA §6B-2 above (including any limitations on such amounts under AA §6B-4) are based on Eligible Contributions under AA §6B-3 and Plan Compensation for the Plan Year. To apply a different period for determining the Matching Contributions and limits under AA §6B-2 and AA §6B-4, complete this AA §6B-5.

☐ (a) payroll period
☐ (b) Plan Year quarter
☐ (c) calendar month
☐ (d) Other: ______________

[Note: Although Matching Contributions (and any limits on those Matching Contributions) will be determined on the basis of the period designated under this AA §6B-5, this does not require the Employer to actually make contributions or allocate contributions on the basis of such period. Matching Contributions may be contributed and allocated to Participants at any time within the contribution period permitted under Treas. Reg. §1.415-6, regardless of the period selected under this AA §6B-5.]

[Note: In determining the amount of Matching Contributions for a particular period, if the Employer actually makes Matching Contributions to the Plan on a more frequent basis than the period selected in this AA §6B-5, a Participant will be entitled to a true-up contribution to the extent he/she does not receive a Matching Contribution based on the Eligible Contributions and/or Plan Compensation for the entire period selected in this AA §6B-5. If a period other than the Plan Year is selected under this AA §6B-5, the Employer may make an additional discretionary Matching Contribution equal to the true-up contribution that would otherwise be required if Plan Year was selected under this AA §6B-5. See Section 3.02(c)(3)(ii) of the Plan.]
 cassette Delta Health Care District Employees’ Salary Deferral Plan
Section 6B – Matching Contributions

☐ (d) Exceptions.
☐ (1) The above allocation condition(s) will not apply if the Employee:
☐ (i) dies during the Plan Year.
☐ (ii) terminates employment as a result of becoming Disabled.
☐ (iii) terminates employment after attaining Normal Retirement Age.
☐ (iv) terminates employment after attaining Early Retirement Age.
☐ (v) is on an authorized leave of absence from the Employer.
☐ (2) The exceptions selected under subsection (1) will apply even if an Employee has not terminated employment at the time of the selected event(s).
☐ (3) The exceptions selected under subsection (1) do not apply to:
☐ (i) an employment condition designated under subsection (b) above.
☐ (ii) a minimum service condition designated under subsection (c) above.

☐ (e) Describe any special rules governing the allocation conditions under the Plan:

SECTION 7
RETIREMENT AGES

7-1 NORMAL RETIREMENT AGE: Normal Retirement Age under the Plan is:
☐ (a) Age ___ (not to exceed 65).
☐ (b) The later of age ___ (not to exceed 65) or the ___ (not to exceed 5th) anniversary of:
☐ (1) the Employee’s participation commencement date (as defined in Section 1.64 of the Plan).
☐ (2) the Employee’s employment commencement date.
☐ (c) the later of age 65 or the completion of 5 Years of Service, determined in the same manner as for vesting purposes.

7-2 EARLY RETIREMENT AGE: Unless designated otherwise under this AA §7-2, there is no Early Retirement Age under the Plan.
☐ (a) A Participant reaches Early Retirement Age if he/she is still employed after attainment of each of the following:
☐ (1) Attainment of age ___.
☐ (2) The ___ anniversary of the date the Employee commenced participation in the Plan, and/or
☐ (3) The completion of ___ Years of Service, determined as follows:
☐ (i) Same as for eligibility.
☐ (ii) Same as for vesting.

☐ (b) Describe.

SECTION 8
VESTING AND FORFEITURES

8-1 CONTRIBUTIONS SUBJECT TO VESTING. Does the Plan provide for any Employer and/or Matching Contributions that are subject to a vesting schedule under AA §8-2?
☐ Yes
☐ No [If “No” is checked, skip to Section 9.]

[Note: “Yes” should be checked under this AA §8-1 if the Plan provides for Employer Contributions and/or Matching Contributions that are subject to a vesting schedule, even if such contributions are always 100% vested under AA §8-2. “No” should be checked if the only contributions under the Plan are Salary Deferrals, After-Tax Employee Contributions and/or Employer Pick-Up Contributions. If the Plan holds Employer Contributions and/or Matching Contributions that are subject to vesting but the Plan no longer provides for such contributions, see Sections 7.04(e) and 7.13(e) of the Plan for default rules for applying the vesting and forfeiture rules to such contributions.]
8-2 **VESTING SCHEDULE.** The vesting schedule under the Plan is as follows for both Employer Contributions and Matching Contributions, to the extent authorized under the Plan. See Section 6.02 of the Plan for a description of the various vesting schedules under this AA §8-2.

- **(a) Vesting schedule:**

<table>
<thead>
<tr>
<th>ER</th>
<th>Match</th>
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</thead>
<tbody>
<tr>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
  |☒  | ☒    | (4) Modified vesting schedule  
  |    |       | 0% after 1 Year of Service |
  |    |       | 0% after 2 Years of Service |
  |    |       | 0% after 3 Years of Service |
  |    |       | 0% after 4 Years of Service |
  |    |       | 100% after 5 Years of Service |
  |    |       | 100% after 6 Years of Service |
  |    |       | 100% after 7 Years of Service |
  |    |       | 100% after 8 Years of Service |
  |    |       | 100% after 9 Years of Service |
  |    |       | 100% after 10 Years of Service |

- **(b) Special provisions applicable to vesting schedule:**

  [Note: This subsection (b) may be used to apply a different vesting schedule for different contribution formulas or different Employee groups under the Plan.]

8-3 **VESTING SERVICE.** In applying the vesting schedules under this AA §8, all service with the Employer counts for vesting purposes, unless designated otherwise under this AA §8-3.

- **(a) Service before the original Effective Date of this Plan (or a Predecessor Plan) is excluded.**
- **(b) Service completed before the Employee's ___ birthday is excluded.**
- **(c) Describe vesting service exclusions:**

  [Note: See Section 6.07 of the Plan and AA §4-5 for rules regarding the crediting of service with Predecessor Employers for purposes of vesting under the Plan.]

8-4 **VESTING UPON DEATH, DISABILITY OR EARLY RETIREMENT AGE.** An Employee's vesting percentage increases to 100% if, while employed with the Employer, the Employee

- **(a) dies**
- **(b) becomes Disabled**
- **(c) reaches Early Retirement Age**
- **(d) Not applicable. No increase in vesting applies.**

8-5 **DEFAULT VESTING RULES.** In applying the vesting requirements under this AA §8, the following default rules apply. [Note: No election should be made under this AA §8-5 if all contributions are 100% vested.]

- **Year of Service.** An Employee earns a Year of Service for vesting purposes upon completing 1,000 Hours of Service during a Vesting Computation Period. Hours of Service are calculated based on actual hours worked during the Vesting Computation Period. (See Section 1.56 of the Plan for the definition of Hours of Service.)

- **Vesting Computation Period.** The Vesting Computation Period is the Plan Year.

To override the default vesting rules, complete the applicable sections of this AA §8-5. If this AA §8-5 is not completed, the default vesting rules apply.
ER Match

(a) **Year of Service.** Instead of 1,000 Hours of Service, an Employee earns a Year of Service upon the completion of ___ Hours of Service during a Vesting Computation Period.

(b) **Vesting Computation Period (VCP).** Instead of the Plan Year, the Vesting Computation Period is:
   - (1) The 12-month period beginning with the Employee’s date of hire and, for subsequent Vesting Computation Periods, the 12-month period beginning with the anniversary of the Employee’s date of hire.
   - (2) Describe: __________________________

[Note: Any Vesting Computation Period described in (2) must be a 12-consecutive month period and must apply uniformly to all Participants.]

(c) **Elapsed Time Method.** Instead of determining vesting service based on actual Hours of Service, vesting service will be determined under the Elapsed Time Method. If this subsection (c) is checked, service will be measured from the Employee’s employment commencement date (or reemployment commencement date, if applicable) without regard to the Vesting Computation Period designated in Section 6.05 of the Plan. (See Section 6.04(b) of the Plan.)

(d) **Equivalency Method.** For purposes of determining an Employee’s Hours of Service for vesting, the Plan will use the Equivalency Method (as defined in Section 6.04(a)(2) of the Plan). The Equivalency Method will apply to:
   - (1) All Employees.
   - (2) Only to Employees for whom the Employer does not maintain hourly records. For Employees for whom the Employer maintains hourly records, vesting will be determined based on actual hours worked.

   Hours of Service for vesting will be determined under the following Equivalency Method.
   - (3) Monthly. 190 Hours of Service for each month worked.
   - (4) Weekly. 45 Hours of Service for each week worked.
   - (5) Daily. 10 Hours of Service for each day worked.
   - (6) Semi-monthly. 95 Hours of Service for each semi-monthly period.

(e) **Special rules:__________________________**

[Note: Any special rules under subsection (a) must be definitely determinable.]

**8-6 BREAKS IN SERVICE.** Generally, an Employee will be credited with all service earned with the Employer, including service earned prior to a Break in Service. To disregard service earned prior to a Break in Service for vesting purposes, complete this AA §8-6. (See Section 6.08 of the Plan.)

   (a) If an Employee incurs at least one Break in Service, the Plan will disregard all service earned prior to such Break in Service for purposes of determining vesting under the Plan.

   (b) If an Employee incurs at least _____ consecutive Breaks in Service, the Plan will disregard all service earned prior to such consecutive Breaks in Service for purposes of determining vesting under the Plan. [Enter “0” if prior service will be disregarded for all retired Employees.]

   (c) Describe any special rules for applying the vesting Break in Service rules: For purposes of calculating vesting Years of Service: (A) Employees employed as of 12-31-2018 will be credited with vesting Years of Service earned from the later of the Participant’s Employment Commencement Date or their most recent Reemployment Commencement Date; if prior to 1-1-2019; (B) Former Employees not employed on 12-31-2018 and reemployed on or after 1-1-2019 will be credited with vesting Years of Service earned from their Reemployment Commencement Date (after 1-1-2019). No vesting Years of Service prior to 1-1-2019 will be credited; and (C) Employees employed on or after 1-1-2019 will be credited with vesting Years of Service earned from the Participant’s Employment Commencement Date.

[Note: Any special rules under subsection (c) must be definitely determinable.]

**8-7 ALLOCATION OF FORFEITURES.**

The Employer may decide in its discretion how to treat forfeitures under the Plan. Alternatively, the Employer may designate under this AA §8-7 how forfeitures occurring during a Plan Year will be treated. (See Section 6.11 of the Plan.)
8-8 SPECIAL RULES REGARDING CASH-OUT DISTRIBUTIONS.

(a) Additional allocations. If a terminated Participant receives a complete distribution of his/her vested Account Balance while still entitled to an additional allocation, the Cash-Out Distribution forfeiture provisions do not apply until the Participant receives a distribution of the additional amounts to be allocated. (See Section 6.10(a)(1) of the Plan.)

To modify the default Cash-Out Distribution forfeiture rules, complete this AA §8-8(a).

☐ The Cash-Out Distribution forfeiture provisions will apply if a terminated Participant takes a complete distribution, regardless of any additional allocations during the Plan Year.

(b) Timing of forfeitures. A Participant who receives a Cash-Out Distribution (as defined in Section 6.10(a) of the Plan) is treated as having an immediate forfeiture of his/her nonvested Account Balance.

To modify the forfeiture timing rules to delay the occurrence of a forfeiture upon a Cash-Out Distribution, complete this AA §8-8(b).

☐ A forfeiture will occur upon the completion of ____ consecutive Breaks in Service (as defined in Section 6.08 of the Plan).

SECTION 9
DISTRIBUTION PROVISIONS – TERMINATION OF EMPLOYMENT

9-1 AVAILABLE FORMS OF DISTRIBUTION.

Lump sum distribution. A Participant may take a distribution of his/her entire vested Account Balance in a single lump sum upon termination of employment. The Plan Administrator may, in its discretion, permit Participants to take distributions of less than their entire vested Account Balance provided, if the Plan Administrator permits multiple distributions, all Participants are allowed to take multiple distributions upon termination of employment. In addition, the Plan Administrator may permit a Participant to take partial distributions or installment distributions solely to the extent necessary to satisfy the required minimum distribution rules under Section 8 of the Plan.

Additional distribution options. To provide for additional distribution options, check the applicable distribution forms under this AA §9-1.

☐ (a) Installment distributions. A Participant may take a distribution over a specified period not to exceed the life or life expectancy of the Participant (and a designated beneficiary).
☐ (b) **Annuity distributions.** A Participant may elect to have the Plan Administrator use the Participant’s vested Account Balance to purchase an annuity as described in Section 7.01 of the Plan.

☐ (c) **Describe distribution options:**

[Note: Any distribution option described in (c) may not be subject to the discretion of the Employer or Plan Administrator.]

9-2 **PARTICIPANT AND SPOUSAL CONSENT.**

☐ (a) **Involuntary Cash-Out Distribution.** A Participant who terminates employment with a vested Account Balance of $5,000 or less will receive an Involuntary Cash-Out Distribution, unless elected otherwise under this AA §9-2. If a Participant’s vested Account Balance exceeds $5,000, the Participant generally must consent to a distribution from the Plan, except to the extent provided otherwise under this AA §9-2. See Sections 7.03 of the Plan for additional rules regarding the Participant consent requirements under the Plan.

☐ (1) **No Involuntary Cash-Out Distributions.** The Plan does not provide for Involuntary Cash-Out Distributions. A terminated Participant must consent to any distribution from the Plan. (See Section 14.02(b) of the Plan for special rules upon Plan termination.)

☐ (2) **Involuntary Cash-Out Distribution threshold.** A terminated Participant will receive an Involuntary Cash-Out Distribution only if the Participant’s vested Account Balance is less than or equal to $______.

☐ (3) **Application of Automatic Rollover rules.** The Automatic Rollover rules described in Section 7.05 of the Plan do not apply to any Involuntary Cash-Out Distribution below $1,000, unless elected otherwise under this subsection (3). If this subsection (3) is checked, the Automatic Rollover provisions apply to all Involuntary Cash-Out Distributions (including those below $1,000).

☐ (4) **Distribution upon attainment of stated age.** Participant consent will not be required with respect to distributions made upon attainment of Normal Retirement Age (or age 62, if later), regardless of the value of the Participant’s vested Account Balance.

☐ (5) **Treatment of Rollover Contributions.** Unless elected otherwise under this (5), Rollover Contributions will be excluded in determining whether a Participant’s vested Account Balance exceeds the Involuntary Cash-Out threshold for purposes of applying the distribution rules under this AA §9 and the Automatic Rollover provisions under Section 7.05 of the Plan. To include Rollover Contributions in determining whether a Participant’s vested Account Balance exceeds the Involuntary Cash-Out threshold, check this (5).

☐ (b) **Spousal consent.** Spousal consent is not required for a Participant to receive a distribution or name an alternate beneficiary, unless designated otherwise under this subsection (b). See Section 9.02 of the Plan for rules regarding Spousal consent under the Plan.

☐ (1) **Distribution consent.** A Participant’s Spouse must consent to any distribution or loan, provided the Participant’s vested Account Balance exceeds $______.

☐ (2) **Beneficiary consent.** A Participant’s Spouse must consent to naming someone other than the Spouse as beneficiary under the Plan.

☐ (c) **Describe any special rules affecting Participant or Spousal consent:** *The spousal consent requirement for loans shall be determined under a separate loan policy.*

[Note: Any special rules under subsection (c) must be definitely determinable.]

9-3 **TIMING OF DISTRIBUTIONS UPON TERMINATION OF EMPLOYMENT.**

(a) **Distribution of vested Account Balances exceeding $5,000.** A Participant who terminates employment with a vested Account Balance exceeding $5,000 may receive a distribution of his/her vested Account Balance in any form permitted under AA §9-1 within a reasonable period following:

☐ (1) the date the Participant terminates employment.

☐ (2) the last day of the Plan Year during which the Participant terminates employment.

☐ (3) the first Valuation Date following the Participant’s termination of employment.

☐ (4) the end of the calendar quarter following the date the Participant terminates employment.

☐ (5) attainment of Normal Retirement Age, death or becoming Disabled.

☐ (6) **Describe:**

[Note: Any special rules under subsection (6) must be definitely determinable.]
(b) Distribution of vested Account Balances not exceeding $5,000. A Participant who terminates employment with a vested Account Balance that does not exceed $5,000 will receive a lump sum distribution of his/her vested Account Balance within a reasonable period following:

☐ (1) the date the Participant terminates employment.
☐ (2) the last day of the Plan Year during which the Participant terminates employment.
☐ (3) the first Valuation Date following the Participant's termination of employment.
☐ (4) the end of the calendar quarter following the date the Participant terminates employment.
☐ (5) Describe: ____________________________

[Note: Any special rules under subsection (5) must be definitely determinable.]

☐ (c) Alternate Cash-Out distribution threshold. Instead of a vested Account Balance Cash-Out threshold of $5,000, for purposes of applying the Cash-Out distribution provisions under this AA §9-3, the forms of distribution available under subsections (a) and (b) will be based on a vested Account Balance of ______.

☐ (d) Describe additional distribution options: ____________________________

[Note: Any additional distribution option described in (d) may not be subject to the discretion of the Employer or Plan Administrator.]

9-4 DISTRIBUTION UPON DISABILITY. Unless designated otherwise under this AA §9-4, a Participant who terminates employment on account of becoming Disabled may receive a distribution of his/her vested Account Balance in the same manner as a regular distribution upon termination.

(a) Termination of Disabled Employee.

☐ (1) Immediate distribution. Distribution will be made as soon as reasonable following the date the Participant terminates on account of becoming Disabled.

☐ (2) Following year. Distribution will be made as soon as reasonable following the last day of the Plan Year during which the Participant terminates on account of becoming Disabled.

☐ (3) Describe: ____________________________

[Note: Any distribution event described in subsection (3) will apply uniformly to all Participants under the Plan and may not be subject to the discretion of the Employer or Plan Administrator.]

(b) Definition of Disabled. A Participant is treated as Disabled if such Participant satisfies the conditions in Section 1.28 of the Plan.

To override this default definition, check below to select an alternative definition of Disabled to be used under the Plan.

☐ (1) The definition of Disabled is the same as defined in the Employer's Disability Insurance Plan.

☐ (2) The definition of Disabled is the same as defined under Section 223(d) of the Social Security Act for purposes of determining eligibility for Social Security benefits.

☐ (3) Alternative definition of Disabled: ____________________________

9-5 DETERMINATION OF BENEFICIARY:

(a) Default beneficiaries. Unless elected otherwise under this subsection (a), the default beneficiaries described under Section 7.07(c)(3) of the Plan are the Participant’s surviving Spouse, the Participant’s surviving children, and the Participant’s estate.

☐ If this subsection (a) is checked, the default beneficiaries under Section 7.07(c)(3) of the Plan are modified as follows: ____________________________

(b) One-year marriage rule. For purposes of determining whether an individual is considered the surviving Spouse of the Participant, the determination is based on the marital status as of the date of the Participant’s death, unless designated otherwise under this subsection (b).

☐ If this subsection (b) is checked, in order to be considered the surviving Spouse, the Participant and surviving Spouse must have been married for the entire one-year period ending on the date of the Participant’s death. If the Participant and surviving Spouse are not married for at least one year as of the date of the Participant’s death, the Spouse will not be treated as the surviving Spouse for purposes of applying the distribution provisions of the Plan. (See Section 9.03 of the Plan.)

(c) Divorce of Spouse. Unless elected otherwise under this subsection (c), if a Participant designates his/her Spouse as Beneficiary and subsequent to such Beneficiary designation, the Participant and Spouse are divorced, the designation of the Spouse as Beneficiary under the Plan is automatically rescinded as set forth under Section 7.07(c)(6) of the Plan.
If this subsection (c) is checked, a Beneficiary designation will not be rescinded upon divorce of the Participant and Spouse.

[Note: Section 7.07(c)(6) of the Plan and this subsection (c) will be subject to the provisions of a Beneficiary designation entered into by the Participant. Thus, if a Beneficiary designation specifically overrides the election under this subsection (c), the provisions of the Beneficiary designation will control. See Section 7.07(c)(6) of the Plan.]

SECTION 10
IN-SERVICE DISTRIBUTIONS AND REQUIRED MINIMUM DISTRIBUTIONS

10-1 AVAILABILITY OF IN-SERVICE DISTRIBUTIONS. A Participant may withdraw all or any portion of his/her vested Account Balance, to the extent designated, upon the occurrence of any of the event(s) selected under this AA §10-1. If more than one option is selected for a particular contribution source under this AA §10-1, a Participant may take an in-service distribution upon the occurrence of any of the selected events, unless designated otherwise under this AA §10-1.

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[Note: No in-service distribution of Salary Deferrals is permitted prior to age 59½, except for Hardship, Disability. If Normal Retirement Age or Early Retirement Age is earlier than age 59½, such age is deemed to be 59½, for purposes of determining eligibility to distribute Salary Deferrals (if subsection (f) or (g) is checked in the Deferral column). If this Plan has accepted a transfer of assets from a pension plan (e.g., a money purchase plan), no in-service distribution from amounts attributable to such transferred assets is permitted prior to age 62, except for Disability.]
### Rollover | After-Tax | Pick-Up
---|---|---
- | - | (e) A non-safe harbor hardship described in Section 7.10(e)(2) of the Plan.
- | - | (f) Attainment of Normal Retirement Age.
- | - | (g) Attainment of Early Retirement Age.
- | - | (h) Upon a Participant becoming Disabled (as defined in AA §9-4(b)).
- | - | (i) Describe: ________________

#### 10-3 SPECIAL DISTRIBUTION RULES

No special distribution rules apply, unless specifically provided under this AA §10-3.

- **(a)** In-service distributions will only be permitted if the Participant is 100% vested in the source from which the withdrawal is taken.
- **(b)** A Participant may not take more than ___ in-service distribution(s) in a Plan Year.
- **(c)** A Participant may not take an in-service distribution of less than $__.
- **(d)** A Participant may not take an in-service distribution of more than $__.
- **(e)** Unless elected otherwise under this subsection, the hardship distribution provisions of the Plan are not expanded to cover primary beneficiaries as set forth in Section 7.10(e)(5) of the Plan. If this subsection (e) is checked, the hardship provisions of the Plan will apply with respect to individuals named as primary beneficiaries under the Plan.
- **(f)** In determining whether a Participant has an immediate and heavy financial need for purposes of applying the non-safe harbor hardship provisions under Section 7.10(e)(2) of the Plan, the following modifications are made to the permissible events listed under Section 7.10(e)(1) of the Plan: 

  [Note: This subsection (f) may only be used to the extent a non-safe harbor hardship distribution is authorized under AA §10-1 or AA §10-2.]

- **(g)** Other distribution rules: ________________

#### 10-4 REQUIRED MINIMUM DISTRIBUTIONS

- **(a)** Required distributions after death. If a Participant dies before distributions begin and there is a Designated Beneficiary, the Participant or Beneficiary may elect on an individual basis whether the 5-year rule (as described in Section 8.06(a) of the Plan) or the life expectancy method described under Sections 8.02 of the Plan apply. See Section 8.06(b) of the Plan for rules regarding the timing of an election authorized under this AA §10-4.

  Alternatively, if selected under this subsection (a), any death distributions to a Designated Beneficiary will be made only under the 5-year rule.

- **(b)** Waiver of Required Minimum Distribution for 2009. For purposes of applying the Required Minimum Distribution rules for the 2009 Distribution Calendar Year, as described in Section 8.06(d) of the Plan, a Participant (including an Alternate Payee or beneficiary of a deceased Participant) who is eligible to receive a Required Minimum Distribution for the 2009 Distribution Calendar Year may elect whether or not to receive the 2009 Required Minimum Distribution (or any portion of such distribution). If a Participant does not specifically elect to leave the 2009 Required Minimum Distribution in the Plan, such distribution will be made for the 2009 Distribution Calendar Year as set forth in Section 8 of the Plan.

  **(1)** No Required Minimum Distribution for 2009. If this box is checked, 2009 Required Minimum Distributions will not be made to Participants who are otherwise required to receive a Required Minimum Distribution for the 2009 Distribution Calendar Year under Section 8 of the Plan, unless the Participant elects to receive such distribution.

  **(2)** Describe any special rules applicable to 2009 Required Minimum Distributions: ________________
SECTION 11
MISCELLANEOUS PROVISIONS

11-1 PLAN VALUATION. The Plan is valued annually, as of the last day of the Plan Year.

☑ (a) Additional valuation dates. In addition, the Plan will be valued on the following dates:

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(1) Daily. The Plan is valued at the end of each business day during which the New York Stock Exchange is open.
(2) Monthly. The Plan is valued at the end of each month of the Plan Year.
(3) Quarterly. The Plan is valued at the end of each Plan Year quarter.
(4) Describe: _______________________

[Note: The Employer may elect operationally to perform interim valuations, regardless of any selection in this subsection (a).]

☐ (b) Special rules. The following special rules apply in determining the amount of income or loss allocated to Participants' Accounts:

11-2 SPECIAL RULES FOR APPLYING THE CODE §415 LIMITATION. The provisions under Section 5.02 of the Plan apply for purposes of determining the Code §415 Limitation.

Complete this AA §11-2 to override the default provisions that apply in determining the Code §415 Limitation under Section 5.02 of the Plan.

☐ (a) Limitation Year. Instead of the Plan Year, the Limitation Year is the 12-month period ending ____________________________.

[Note: If the Plan has a short Plan Year for the first year of establishment, the Limitation Year is deemed to be the 12-month period ending on the last day of the short Plan Year.]

☐ (b) Imputed compensation. For purposes of applying the Code §415 Limitation, Total Compensation includes imputed compensation for a Nonhighly Compensated Participant who terminates employment on account of becoming Disabled. (See Section 5.02(c)(7)(ii) of the Plan.)

☐ (c) Special rules: ____________________________

[Note: Any special rules under this subsection (c) must be consistent with the requirements of Code §415.]

11-3 HEART ACT PROVISIONS -- BENEFIT ACCRUALS. The benefit accrual provisions under Section 15.04 of the Plan do not apply. To apply the benefit accrual provisions under Section 15.04, check the box below.

☐ Eligibility for Plan benefits. Check this box if the Plan will provide the benefits described in Section 15.04 of the Plan. If this box is checked, an individual who dies or becomes disabled in qualified military service will be treated as reemployed for purposes of determining entitlement to benefits under the Plan.

11-4 ELECTION NOT TO PARTICIPATE (see Section 2.08 of the Plan). All Participants share in any allocation under this Plan and no Employee may waive out of Plan participation.

To allow Employees to make a one-time irrevocable waiver, check below.

☐ (a) An Employee may make a one-time irrevocable election not to participate under the Plan.

☐ (b) An Employee may make a one-time irrevocable election not to make Employer Pick-Up Contributions under the Plan.
APPENDIX A
SPECIAL EFFECTIVE DATES

☐ A-1 Eligible Employees. The definition of Eligible Employee under AA §3 is effective as follows:

☐ A-2 Minimum age and service conditions. The minimum age and service conditions and Entry Date provisions specified in AA §4 are effective as follows:

☐ A-3 Compensation definitions. The compensation definitions under AA §5 are effective as follows:
Effective 1-1-2020, exclude deferred compensation if paid post-severance. Effective for the 2017 Plan Year, the definition of Plan Compensation for Matching and Employer Contributions excludes bonus, overtime, standby, call back, shift differentials, and other lump sum payments.

☐ A-4 Employer and Matching Contributions. The Employer and Matching Contribution provisions under the Plan are effective as follows:

☐ A-5 After-Tax Employee and Pick-Up Contributions. The provisions of the Plan addressing Employee After-Tax Contributions and Pick-Up Contribution provisions under the Plan are effective as follows:

☐ A-6 Salary Deferrals. The Salary Deferral provisions under AA §6A are effective as follows:

☐ A-7 Retirement ages. The retirement age provisions under AA §7 are effective as follows:

☐ A-8 Vesting and forfeiture rules. The rules regarding vesting and forfeitures under AA §8 are effective as follows:

☐ A-9 Distribution provisions. The distribution provisions under AA §9 are effective as follows:

☐ A-10 In-service distributions and Required Minimum Distributions. The provisions regarding in-service distribution and Required Minimum Distributions under AA §10 are effective as follows:

☐ A-11 Miscellaneous provisions. The provisions under AA §11 are effective as follows:

☐ A-12 Special effective date provisions for merged plans. If any qualified retirement plans have been merged into this Plan, the provisions of Section 14.04 of the Plan apply, as follows:

☐ A-13 Other special effective dates:
APPENDIX B
LOAN POLICY

Use this Appendix B to identify elections dealing with the administration of Participant loans. These elections may be changed without amending this Agreement by substituting an updated Appendix B with new elections. Any modifications to this Appendix B or any modifications to a separate loan policy describing the loan provisions selected under the Plan will not affect an Employer's reliance on the IRS Favorable Letter.

B-1 Are PARTICIPANT LOANS permitted? (See Section 13 of the Plan.)
☐ (a) Yes
☐ (b) No

B-2 LOAN PROCEDURES.
☐ (a) Loans will be provided under the default loan procedures set forth in Section 13 of the Plan, unless modified under this Appendix B.
☐ (b) Loans will be provided under a separate written loan policy. [If this subsection (b) is checked, do not complete the rest of this Appendix B.]

B-3 AVAILABILITY OF LOANS. Participant loans are available to all active Participants and Beneficiaries. Participant loans are not available to a former Employee or Beneficiary (including an Alternate Payee under a QDRO). To override this default provision, check (a) and/or (b) below:
☐ (a) A former Employee or Beneficiary (including an Alternate Payee) who has a vested Account Balance may request a loan from the Plan.
☐ (b) A “limited participant” as defined in Section 3.05 of the Plan may not request a loan from the Plan.
☐ (c) An officer or director of the Employer, as defined for purposes of the Sarbanes-Oxley Act, may not request a loan from the Plan.

B-4 LOAN LIMITS. The default loan policy under Section 13.03 of the Plan allows Participants to take a loan provided all outstanding loans do not exceed 50% of the Participant’s vested Account Balance. To override the default loan policy to allow loans up to $10,000, or even greater than 50% of the Participant’s vested Account Balance, check this AA §B-4.
☐ A Participant may take a loan equal to the greater of $10,000 or 50% of the Participant’s vested Account Balance. [If this AA §B-4 is checked, the Participant may be required to provide adequate security as required under Section 13.06 of the Plan.]

B-5 NUMBER OF LOANS. The default loan policy under Section 13.04 of the Plan restricts Participants to one loan outstanding at any time. To override the default loan policy and permit Participants to have more than one loan outstanding at any time, complete (a) or (b) below.
☐ (a) A Participant may have ___ loans outstanding at any time.
☐ (b) There are no restrictions on the number of loans a Participant may have outstanding at any time.

B-6 LOAN AMOUNT. The default loan policy under Section 13.04 of the Plan provides that a Participant may not receive a loan of less than $1,000. To modify the minimum loan amount or to add a maximum loan amount, complete this AA §B-6.
☐ (a) There is no minimum loan amount.
☐ (b) The minimum loan amount is $______
☐ (c) The maximum loan amount is $______

B-7 INTEREST RATE. The default loan policy under Section 13.05 of the Plan provides for an interest rate commensurate with the interest rates charged by local commercial banks for similar loans. To override the default loan policy and provide a specific interest rate to be charged on Participant loans, complete this AA §B-7.
☐ (a) The prime interest rate
☐ plus ___ percentage point(s).
☐ (b) Describe: ____________________________

[Note: Any interest rate described in this AA §B-7 must be reasonable and must apply uniformly to all Participants.]

B-8 PURPOSE OF LOAN. The default loan policy under Section 13.02 of the Plan provides that a Participant may receive a Participant loan for any purpose. To modify the default loan policy to restrict the availability of Participant loans to hardship events, check this AA §B-8.
(a) A Participant may only receive a Participant loan upon the demonstration of a hardship event, as described in Section 7.10(c)(1)(i) of the Plan.

(b) A Participant may only receive a Participant loan under the following circumstances: ____________________________

B-9 APPLICATION OF LOAN LIMITS. If Participant loans are not available from all contribution sources, the limitations under Code §72(p) and the adequate security requirements of the Department of Labor regulations will be applied by taking into account the Participant’s entire Account Balance. To override this provision, complete this AA §B-9.

- The loan limits and adequate security requirements will be applied by taking into account only those contribution Accounts which are available for Participant loans.

B-10 CURE PERIOD. The Plan provides that a Participant incurs a loan default if a Participant does not repay a missed payment by the end of the calendar quarter following the calendar quarter in which the missed payment was due. To override this default provision to apply a shorter cure period, complete this AA §B-10.

- The cure period for determining when a Participant loan is treated as in default will be ______ days (cannot exceed 90) following the end of the month in which the loan payment is missed.

B-11 PERIODIC REPAYMENT – PRINCIPAL RESIDENCE. If a Participant loan is for the purchase of a Participant’s primary residence, the loan repayment period for the purchase of a principal residence may not exceed ten (10) years.

(a) The Plan does not permit loan payments to exceed five (5) years, even for the purchase of a principal residence.

(b) The loan repayment period for the purchase of a principal residence may not exceed ______ years (may not exceed 30).

(c) Loans for the purchase of a Participant’s primary residence may be payable over any reasonable period commensurate with the period permitted by commercial lenders for similar loans.

B-12 TERMINATION OF EMPLOYMENT. Section 13.10(a) of the Plan provides that a Participant loan becomes due and payable in full upon the Participant’s termination of employment. To override this default provision, complete this AA §B-12.

- A Participant loan will not become due and payable in full upon the Participant’s termination of employment.

B-13 DIRECT ROLLOVER OF A LOAN NOTE. Section 13.10(b) of the Plan provides that upon termination of employment a Participant may request the Direct Rollover of a loan note. To override this default provision, complete this AA §B-13.

- A Participant may not request the Direct Rollover of the loan note upon termination of employment.

B-14 LOAN RENEGOTIATION. The default loan policy provides that a Participant may renegotiate a loan, provided the renegotiated loan separately satisfies the reasonable interest rate requirement, the adequate security requirement, the periodic repayment requirement and the loan limitations under the Plan. The Employer may restrict the availability of renegotiations to prescribed purposes provided the ability to renegotiate a Participant loan is available on a non-discriminatory basis. To override the default loan policy and restrict the ability of a Participant to renegotiate a loan, complete this AA §B-14.

(a) A Participant may not renegotiate the terms of a loan.

(b) The following special provisions apply with respect to renegotiated loans: ____________________________

B-15 SOURCE OF LOAN. Participant loans may be made from all available contribution sources, to the extent vested, unless designated otherwise under this AA §B-15.

- Participant loans will not be available from the following contribution sources: ____________________________

B-16 MODIFICATIONS TO DEFAULT LOAN PROVISIONS.

- The following special rules will apply with respect to Participant loans under the Plan: ____________________________

[Note: Any provision under this AA §B-16 must satisfy the requirements under Code §72(p) and the regulations thereunder and will control over any inconsistent provisions of the Plan dealing with the administration of Participant loans.]
APPENDIX C
ADMINISTRATIVE ELECTIONS

Use this Appendix C to identify certain elections dealing with the administration of the Plan. These elections may be changed without amending this Agreement by substituting an updated Appendix C with new elections. The provisions selected under this Appendix C do not create qualification issues and any changes to the provisions under this Appendix C will not affect the Employer's reliance on the IRS Favorable Letter.

C-1 DIRECTION OF INVESTMENTS. Are Participants permitted to direct investments? (See Section 10.07 of the Plan.)
   □ (a) No
   ☑ (b) Yes
   □ (c) Describe any special rules that apply for purposes of direction of investments: ____________________________

C-2 ROLLOVER CONTRIBUTIONS. Does the Plan accept Rollover Contributions? (See Section 3.05 of the Plan.)
   □ (a) No
   ☑ (b) Yes
       □ (1) If this subsection (1) is checked, an Employee may not make a Rollover Contribution to the Plan prior to becoming a Participant in the Plan.
       ☑ (2) Check this subsection (2) if the Plan will not accept Rollover Contributions from former Employees.
       ☑ (3) Describe any special rules for accepting Rollover Contributions: The Plan does not accept Rollover Contributions from eligible plans under Code §457(b) which are maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state

[Note: The Employer may designate in subsection (3) or in separate written procedures the extent to which it will accept rollovers from designated plan types. For example, the Employer may decide not to accept rollovers from certain designated plans (e.g., 403(b) plans, §457 plans or IRAs). Any special rollover procedures will apply uniformly to all Participants under the Plan.]

C-3 LIFE INSURANCE. Are life insurance investments permitted? (See Section 10.08 of the Plan.)
   ☑ (a) No
   □ (b) Yes

C-4 QDRO PROCEDURES. Do the default QDRO procedures under Section 11.05 of the Plan apply?
   □ (a) No
   ☑ (b) Yes
       □ The provisions of Section 11.05 are modified as follows: ____________________________
EMPLOYER SIGNATURE PAGE

PURPOSE OF EXECUTION. This Signature Page is being executed to effect:

☐ (a) The adoption of a new plan, effective [insert Effective Date of Plan]. [Note: Date can be no earlier than the first day of the Plan Year in which the Plan is adopted.]

☐ (b) The restatement of an existing plan, in order to comply with the requirements of PPA, pursuant to Rev. Proc. 2011-49.

1. Effective date of restatement: _______. [Note: Date can be no earlier than January 1, 2007. Section 14.01(d)(2) of Plan provides for retroactive effective dates for all PPA provisions. Thus, a current effective date may be used under this subsection (1) without jeopardizing reliance.]

2. Name of plan(s) being restated: __________________________

3. The original effective date of the plan(s) being restated: __________________________

☐ (c) An amendment or restatement of the Plan (other than to comply with PPA). If this Plan is being amended, a snap-on amendment may be used to designate the modifications to the Plan or the updated pages of the Adoption Agreement may be substituted for the original pages in the Adoption Agreement. All prior Employer Signature Pages should be retained as part of this Adoption Agreement.

1. Effective Date(s) of amendment/restatement: 12-31-2020

2. Name of plan being amended/restated: Kaweah Delta Health Care District Employees' Salary Deferral Plan

3. The original effective date of the plan being amended/restated: 7-1-1984

4. If Plan is being amended, identify the Adoption Agreement section(s) being amended: A-5; A-6, A-9; A-8, A-2, Appendix A-3; Hardship A-1A HD-2

VOLUME SUBMITTER SPONSOR INFORMATION. The Volume Submitter Sponsor (or authorized representative) will inform the Employer of any amendments made to the Plan and will notify the Employer if it discontinues or abandons the Plan. To receive such notification, the Employer agrees to notify the Volume Submitter Sponsor (or authorized representative) of any change in address. The Employer may direct inquiries regarding the Plan or the effect of the Favorable IRS Letter to the Volume Submitter Sponsor (or authorized representative) at the following location:

Name of Volume Submitter Sponsor (or authorized representative): Lincoln Financial Group

Address: 1300 South Clinton Street Ft. Wayne, IN 46802

Telephone number: 800-248-0838

IMPORTANT INFORMATION ABOUT THIS VOLUME SUBMITTER PLAN. A failure to properly complete the elections in this Adoption Agreement or to operate the Plan in accordance with applicable law may result in disqualification of the Plan. The Employer may rely on the Favorable IRS Letter issued by the National Office of the Internal Revenue Service to the Volume Submitter Sponsor as evidence that the Plan is qualified under Code §401(a), to the extent provided in Rev. Proc. 2011-49. The Employer may not rely on the Favorable IRS Letter in certain circumstances or with respect to certain qualification requirements, which are specified in the Favorable IRS Letter issued with respect to the Plan and in Rev. Proc. 2011-49. In order to obtain reliance in such circumstances or with respect to such qualification requirements, the Employer must apply to the office of Employee Plans Determinations of the Internal Revenue Service for a determination letter. See Section 1.50 of the Plan.

By executing this Adoption Agreement, the Employer intends to adopt the provisions as set forth in this Adoption Agreement and the related Plan document. By signing this Adoption Agreement, the individual below represents that he/she has the authority to execute this Plan document on behalf of the Employer. This Adoption Agreement may only be used in conjunction with Basic Plan Document #05. The Employer understands that the Volume Submitter Sponsor has no responsibility or liability regarding the suitability of the Plan for the Employer's needs or the options elected under this Adoption Agreement. It is recommended that the Employer consult with legal counsel before executing this Adoption Agreement.

Kaweah Delta Health Care District
(Name of Employer)

(Name of authorized representative)  (Title)

(Signature)  (Date)

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PPA Restatement – DC-BPD #05  Page ER - 1
TRUSTEE DECLARATION

This Trustee Declaration may be used to identify the Trustees under the Plan. A separate Trustee Declaration may be used to identify different Trustees with different Trustee investment powers.

Effective date of Trustee Declaration: 7-1-2017

The Trustee’s investment powers are:

☐ (a) Discretionary. The Trustee has discretion to invest Plan assets, unless specifically directed otherwise by the Plan Administrator, the Employer, an Investment Manager or other Named Fiduciary or, to the extent authorized under the Plan, a Plan Participant.

☐ (b) Nondiscretionary. The Trustee may only invest Plan assets as directed by the Plan Administrator, the Employer, an Investment Manager or other Named Fiduciary or, to the extent authorized under the Plan, a Plan Participant.

☐ (c) Fully funded. There is no Trustee under the Plan because the Plan is funded exclusively with custodial accounts, annuity contracts and/or insurance contracts. (See Section 12.15 of the Plan.)

☐ (d) Determined under a separate trust agreement. The Trustee’s investment powers are determined under a separate trust document which replaces (or is adopted in conjunction with) the trust provisions under the Plan.

Name of Trustee: Lincoln Financial Group Trust Company

Title of Trust Agreement: Trust Agreement

[Note: To qualify as a Volume Submitter Plan, any separate trust document used in conjunction with this Plan must be approved by the Internal Revenue Service. Any such approved trust agreement is incorporated as part of this Plan and must be attached hereto. The responsibilities, rights and powers of the Trustee are those specified in the separate trust agreement.]

Description of Trustee powers. This section can be used to describe any special trustee powers or any limitations on such powers. This section also may be used to impose any specific rules regarding the decision-making authority of individual trustees. In addition, this section can be used to limit the application of a trustee’s responsibilities, e.g., by limiting trustee authority to only specific assets or investments.

☐ Describe Trustee powers:

[The addition of special trustee powers under this section will not cause the Plan to lose Volume Submitter status provided such language merely modifies the administrative provisions applicable to the Trustee (such as provisions relating to investments and the duties of the Trustee). Any language added under this section may not conflict with any other provision of the Plan and may not result in a failure to qualify under Code §401(a).]
INTERIM AMENDMENT - HARDSHIP DISTRIBUTIONS
ELECTIVE PROVISIONS

These Elective Provisions provide for elections as allowed by the Final Regulations and the Hardship Distribution Interim Amendment, attached to the Basic Plan Document. In some cases, the Pre-Approved Plan Provider has Defaults as indicated by the items marked as Default under these Elective Provisions. If the adopting Employer approves of the Defaults of the Pre-Approved Plan Provider, the adopting Employer does not need to execute the Hardship Distribution Interim Amendment. If the adopting Employer wishes to override any of the Defaults of the Pre-Approved Plan Provider, the adopting Employer should make the appropriate election(s) in the Elective Provisions below and sign the Hardship Distribution Interim Amendment. If the Plan does not permit Hardship distributions, no elections should be made below.

HD-1 SOURCES FOR HARDSHIP DISTRIBUTIONS

(a) Source accounts (not including earnings). For Plan Years beginning after December 31, 2018 (or such later date specified under HD-1(a)(8) or HD-1(a)(9) below or the effective date of a new Plan), a Participant may take an in-service distribution upon the occurrence of a Hardship that satisfies the Hardship distribution rules under Section 8.10(e) of the Plan, as amended by this interim amendment, with respect to the following sources:

- (1) No change to current Plan sources available for Hardship distributions under AA §§10-1 and 10-2.
- (2) Qualified Nonelective Contribution (QNEC) Account (Not applicable to 401(a) Governmental Plans)
- (3) Qualified Matching Contribution (QMAC) Account (Not applicable to 401(a) Governmental Plans)
- (4) Safe Harbor Employer Contribution Account (Not applicable to 401(a) Governmental Plans)
- (5) Safe Harbor Matching Contribution Account (Not applicable to 401(a) Governmental Plans)
- (6) QACA Safe Harbor Employer Contribution Account (Not applicable to 401(a) Governmental Plans)
- (7) QACA Safe Harbor Matching Contribution Account (Not applicable to 401(a) Governmental Plans)
- (8) Effective date is January 1, 2020, whether Plan has a calendar or fiscal Plan Year.
- (9) Describe effective date (if later than the beginning of the Plan Year beginning after December 31, 2018) for which the election(s) above apply:

(b) Earnings on source accounts. For Plan Years beginning after December 31, 2018 (or such later date specified under HD-1(b)(11) or HD-1(b)(12) below or the effective date of a new Plan), amounts available for Hardship distributions include earnings on the following available sources:

- (1) Amounts available for Hardship include earnings on all available sources.
- (2) No change to current Plan rule i.e., earnings are not available on Salary Deferrals, except for those on grandfathered (pre-1989) earnings, if applicable.
- (3) Pre-Tax Salary Deferral Account
- (4) Roth Deferral Account
- (5) Qualified Nonelective Contribution (QNEC) Account (Not applicable to 401(a) Governmental Plans)
- (6) Qualified Matching Contribution (QMAC) Account (Not applicable to 401(a) Governmental Plans)
- (7) Safe Harbor Employer Contribution Account (Not applicable to 401(a) Governmental Plans)
- (8) Safe Harbor Matching Contribution Account (Not applicable to 401(a) Governmental Plans)
- (9) QACA Safe Harbor Employer Contribution Account (Not applicable to 401(a) Governmental Plans)
- (10) QACA Safe Harbor Matching Contribution Account (Not applicable to 401(a) Governmental Plans)
- (11) Effective date is January 1, 2020, whether Plan has a calendar or fiscal Plan Year.
- (12) Describe effective date (if later than the beginning of the Plan Year beginning after December 31, 2018) for which the election(s) above apply:

HD-2 NEED TO OBTAIN ALL AVAILABLE LOANS (Complete only if Employer maintains any qualified plan(s) that permits Participant loans.)

- (a) For Plan Years beginning after December 31, 2018 (or such later date specified in HD-2(d) or HD-2(e) below or the effective date of a new Plan), if a Participant requests a Hardship distribution from any of the Accounts specified in HD-2 above and AA §§10-1 and 10-2, the Participant is NO LONGER required to obtain all non-taxable loans available under the Plan and all other plans maintained by the Employer.
- (b) No change to current Plan provisions. Participants are required to obtain all non-taxable loans available under the Plan and all plans maintained by the Employer.
- (c) Describe any special requirements with respect to the need to first obtain all available loans:
- (d) Effective date is January 1, 2020, whether Plan has a calendar or fiscal Plan Year.
- (e) Describe other effective date (if later than the beginning of the Plan Year beginning after December 31, 2018) for which the election(s) above apply:

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HD-3 SUSPENSION OF ABILITY TO MAKE SALARY DEFERRALS AND AFTER-TAX EMPLOYEE CONTRIBUTIONS DURING 2019. (Applicable only to Plans that were using the safe harbor Hardship distribution suspension rule.)

[Note: Under the Final Regulations, adopting Employers may continue to apply the suspension of Salary Deferrals and After-Tax Employee Contributions rules for the 2019 Plan Year. However, in no event, may the Plan provide for a suspension of an Employee’s Salary Deferrals or After-Tax Employee Contributions as a condition of obtaining a Hardship distribution for Hardship distributions made on or after January 1, 2020.]

☐ (a) For Plan Years beginning after December 31, 2018 (or such later date specified in HD-3(d) below) and applicable to Hardship distributions made before January 1, 2020, if a Participant takes a Hardship distribution as permitted under the Plan, the Participant was NOT suspended from making Salary Deferrals (and After-Tax Employee Contributions, if applicable) for any period of time after the receipt of the Hardship distribution.

☐ (b) No change to current Plan provisions. For Hardship distributions made before January 1, 2020, the Participant continued to be suspended from making Salary Deferrals (and After-Tax Employee Contributions, if applicable) for a period of 6 months after the receipt of the Hardship distribution.

☐ Suspensions on Hardship distributions made after July 1, 2019 will cease effective January 1, 2020.

☐ (c) Describe any special requirements with respect to the suspension from making Salary Deferrals (and After-Tax Employee Contributions, if applicable):

☐ (d) Describe the effective date (if later than the beginning of the Plan Year beginning after December 31, 2018) for which the election(s) above apply:

HD-4 APPLICATION OF SUSPENSION REQUIREMENT FOR PRE-2019 PLAN YEAR HARDSHIP DISTRIBUTIONS.
(Applicable only to Plans that were using the Hardship distribution suspension rule as of the last day of the 2018 Plan Year.)

☐ (a) No change to current Plan provisions. A Participant who received a Hardship distribution prior to the beginning of the 2019 Plan Year continued to be suspended from making Salary Deferrals (and After-Tax Employee Contributions, if applicable) for a period of 6 months after the receipt of the Hardship distribution.

☐ (b) Effective on the first day of the Plan Year beginning after December 31, 2018 (or such later date specified in HD-4(d) below), a Participant who received a Hardship distribution prior to the beginning of the 2019 Plan Year was no longer suspended from making Salary Deferrals (and After-Tax Employee Contributions, if applicable).

☐ (c) Describe any special rules with respect to the suspension from making Salary Deferrals (and After-Tax Employee Contributions, if applicable) for Participants who have received pre-2019 Hardship distributions:

☐ (d) Describe the effective date (if later than the beginning of the Plan Year beginning after December 31, 2018) for which the election(s) above apply:

HD-5 OTHER APPLICABLE RULES. Describe any other rules, such as conditions for receiving a Hardship distribution, not otherwise reflected in the Plan or Hardship Distribution Interim Amendment:

HD-6 MEMORIALIZATION OF PRIOR OPERATION. The elections in this Hardship Distribution Interim Amendment should reflect current Plan operations. The Employer may memorialize prior plan operations relevant to the implementation of the Final Regulations by describing such operations below:

APPLICATION OF AMENDMENT

Pursuant to Revenue Procedure 2015-36 and Revenue Procedure 2017-41 (as applicable), these Hardship Distribution Interim Amendment Elective Provisions have been adopted by the Pre-Approved Plan Provider on behalf of all adopting Employers. This amendment supersedes any contrary provisions under the Plan. If the Employer wishes to override the Default elections of the Pre-Approved Plan Provider, the Employer (or the authorized representative of the Employer) must execute this Hardship Distribution Interim Amendment by signing below. This amendment applies to the signatory Employer and all Participating Employers under the Plan.

Kaweah Delta Health Care District
(Name of Employer)

(Name of Authorized Representative, if applicable) (Title)

(Signature) (Date)
Due to recent legislative and regulatory changes, we have amended the Plan’s rules relating to Hardship distributions. These changes may affect your ability to receive Hardship distributions under the Plan. This Summary of Material Modification ("SMM") describes the recent Plan amendment and how the amendment may affect you. This SMM overrides any inconsistent information included in the Plan’s Summary Plan Description (SPD) or other Plan forms.

**EARNINGS ON ACCOUNTS AVAILABLE FOR HARDSHIP DISTRIBUTIONS**

Effective January 1, 2021, your Hardship distribution will include earnings on the following Accounts:

- All Accounts eligible for Hardship distributions.

**NEED TO OBTAIN ALL AVAILABLE LOANS**

Effective January 1, 2020, if you request a Hardship distribution from any of the Accounts eligible for Hardship distributions, you are not required to first obtain all nontaxable loans available under the Plan and all other plans maintained by the Company.

**SUSPENSION OF ABILITY TO MAKE SALARY DEFERRALS**

If you take a Hardship distribution on or after January 1, 2020, you will not be suspended from making Salary Deferrals (or After-Tax Employee Contributions, if applicable) for any period of time after the receipt of the Hardship distribution.

**HARDSHIP DISTRIBUTION EVENTS**

To receive a distribution on account of Hardship, you must demonstrate one of the following Hardship events.

1. You need the distribution to pay unpaid medical expenses for yourself, your spouse or any dependent.

2. You need the distribution to pay for the purchase of your principal residence. You must use the Hardship distribution for the *purchase* of your principal residence. You may not receive a Hardship distribution solely to make mortgage payments.

3. You need the distribution to pay tuition and related educational fees (including room and board) for the post-secondary education of yourself, your spouse, your children, or other dependent. You may take a Hardship distribution to cover up to 12 months of tuition and related fees.

4. You need the distribution to prevent your eviction or to prevent foreclosure on your mortgage. The eviction or foreclosure must be related to your principal residence.

5. You need the distribution to pay funeral or burial expenses for your deceased parent, spouse, child or dependent.

6. You need the distribution to pay expenses to repair damage to your principal residence (provided the expenses would qualify for a casualty loss deduction on your tax return, without regard to 10% adjusted gross income limit).

7. You need the distribution to pay expenses and losses (including loss of income) incurred due to federally-declared disaster. Your principal residence or principal place of employment at the time of the disaster must be located in the federally-declared disaster area.

See the Plan Administrator for more information on whether you qualify for a Hardship distribution under any of these events.
FINANCIAL REPRESENTATION

To receive a Hardship distribution, you must represent, in writing, that you have insufficient cash or other liquid assets to satisfy your financial need.

ADDITIONAL INFORMATION

If you have any questions about the information described in this SMM or about the Plan in general, you may contact the Plan Administrator.
GOVERNMENTAL DEFINED CONTRIBUTION VOLUME SUBMITTER PLAN AND TRUST

BASIC PLAN DOCUMENT

[DC-BPD #05]
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SECTION 1
PLAN DEFINITIONS

This Section contains definitions for common terms that are used throughout the Plan. All capitalized terms under the Plan are defined in this Section or in the relevant section of the Plan document where such term is used.

1.01 **Account.** The separate Account maintained for each Participant under the Plan. A Participant may have any (or all) of the following separate Accounts, to the extent authorized under the Plan:

- Employer Contribution Account
- Matching Contribution Account
- After-Tax Employee Contribution Account
- Employer Pick-Up Contribution Account
- Rollover Contribution Account
- Transfer Account

In addition, if this Plan qualifies as a Grandfathered 401(k) Arrangement (as defined in Section 1.54), a Participant also may have any (or all) of the following separate Accounts:

- Pre-Tax Salary Deferral Account
- Roth Deferral Account
- Roth Rollover Contribution Account

The Plan Administrator may establish other Accounts, as it deems necessary, for the proper administration of the Plan.

1.02 **Account Balance.** Account Balance shall mean a Participant's balances in all of the Accounts maintained by the Plan on his or her behalf.

1.03 **Actuarial Factor.** A Participant’s Actuarial Factor is used for purposes of determining the Participant’s allocation under the age-based formula under AA §6-3(f) of the Profit Sharing Plan Adoption Agreement or under the age-based contribution formula under AA §6-2(d) of the Money Purchase Plan Adoption Agreement. See Section 3.02(a)(1)(i)(E) or 3.02(b)(4).

1.04 **Adoption Agreement ("Agreement").** The Adoption Agreement contains the elective provisions that an Employer may complete to supplement or modify the provisions under the Plan. Each adopting Employer must complete and execute the Adoption Agreement. If the Plan covers Employees of an Employer other than the Employer that executes the Employer Signature Page of the Adoption Agreement, such additional Employer(s) must execute a Participating Employer Adoption Page under the Adoption Agreement. (See Section 16 for rules applicable to adoption by Participating Employers.) An Employer may adopt more than one Adoption Agreement associated with this Plan document. Each executed Agreement is treated as a separate Plan. The Employer may adopt a Profit Sharing Plan Adoption Agreement or a Money Purchase Plan Adoption Agreement. The Employer also may elect under the Profit Sharing Plan Adoption Agreement to provide for a Grandfathered 401(k) Arrangement under the Plan. Any reference to the Profit Sharing Plan Adoption Agreement includes the Grandfathered 401(k) Plan Adoption Agreement, unless specifically provided otherwise.

1.05 **After-Tax Employee Contributions.** Employee Contributions that may be made to the Plan by a Participant that are included in the Participant’s gross income in the year such amounts are contributed to the Plan and are maintained under a separate After-Tax Employee Contribution Account to which earnings and losses are allocated. See Section 3.04. For this purpose, Roth Deferrals are not considered as After-Tax Employee Contributions.

1.06 **Alternate Payee.** A person designated to receive all or a portion of the Participant’s benefit pursuant to a QDRO. See Section 1.76.

1.07 **Anniversary Years.** An alternative period for measuring Eligibility Computation Periods (under Section 2.03(a)(3)) and Vesting Computation Periods (under Section 6.05). An Anniversary Year is any 12-month period which commences with the Employee’s Employment Commencement Date or which commences with the anniversary of the Employee’s Employment Commencement Date.

1.08 **Annual Additions.** The amounts taken into account under a Defined Contribution Plan for purposes of applying the limitation on allocations under Code §415. See Section 5.02(c)(1) for the definition of Annual Additions.

1.09 **Annuity Starting Date.** The date an Employee commences distribution from the Plan. If a Participant commences distribution with respect to a portion of his/her Account Balance, a separate Annuity Starting Date applies to any subsequent distribution. If
distribution is made in the form of an annuity, the Annuity Starting Date is the first day of the first period for which annuity payments are made.

1.10 **Beneficiary.** A person designated by the Participant (or by the terms of the Plan) to receive a benefit under the Plan upon the death of the Participant. See Section 7.07(c) for the applicable rules for determining a Participant’s Beneficiaries under the Plan.

1.11 **Break in Service.** The Computation Period (as defined in Section 2.03(a)(3) for purposes of eligibility and Section 6.05 for purposes of vesting) during which an Employee does not complete more than five hundred (500) Hours of Service with the Employer. However, if the Employer elects under AA §4-3(a) or AA §8-5(a) to require less than 1,000 Hours of Service to earn a Year of Service for eligibility or vesting purposes, a Break in Service will occur for any Computation Period during which the Employee does not complete more than one-half (1/2) of the Hours of Service required to earn a Year of Service for eligibility or vesting purposes, as applicable. However, if the Elapsed Time method applies under AA §4-3(c) (for purposes of eligibility) or AA §8-5(c) (for purposes of vesting), an Employee will incur a Break in Service if the Employee incurs at least a one year Period of Severance (as defined under Section 1.69). (See Section 2.07 for a discussion of the eligibility Break in Service rules and Section 6.08 for a discussion of the vesting Break in Service rules.)

1.12 **Cash-Out Distribution.** A total distribution made to a terminated Participant in accordance with Section 6.10(a).

1.13 **Catch-Up Contributions.** Salary Deferrals that may be made under a Grandfathered 401(k) Arrangement that are in excess of an otherwise applicable Plan limit and that are made by a Participant who is aged 50 or over by the end of the taxable year. See Section 3.02(c)(2)(iv).

1.14 **Catch-Up Contribution Limit.** The annual limit applicable to Catch-Up Contributions as set forth in Section 3.02(c)(2)(iv)(A).

1.15 **Code.** The Internal Revenue Code of 1986, as amended.

1.16 **Code §415 Limitation.** The limit on the amount of Annual Additions a Participant may receive under the Plan during a Limitation Year. See Section 5.02.

1.17 **Collectively Bargained Employee.** An Employee who is included in a unit of Employees covered by a collective bargaining agreement between the Employer and Employee representatives and whose retirement benefits are subject to good faith bargaining. Such Employees may be excluded from the Plan if designated under AA §3-1(b). See Section 2.02(b)(1) for additional requirements related to the exclusion of Collectively Bargained Employees.

1.18 **Compensation Limit.** The maximum amount of compensation that can be taken into account for any Plan Year for purposes of determining a Participant’s Plan Compensation. For Plan Years beginning on or after January 1, 1994, and before January 1, 2002, the Compensation Limit taken into account for determining benefits provided under the Plan for any Plan Year is $150,000, as adjusted for increases in cost-of-living in accordance with Code §401(a)(17)(B). For any Plan Years beginning on or after January 1, 2002, the Compensation Limit is $200,000, as adjusted for cost-of-living increased in accordance with Code §401(a)(17)(B). In determining the Compensation Limit for any applicable period (the "determination period"), the cost-of-living adjustment in effect for a calendar year applies to any determination period that begins with or within such calendar year.

If a determination period consists of fewer than 12 months, the Compensation Limit for such period is an amount equal to the otherwise applicable Compensation Limit multiplied by a fraction, the numerator of which is the number of months in the short determination period, and the denominator of which is 12. A determination period will not be considered to be less than 12 months merely because compensation is taken into account only for the period the Employee is a Participant. If Salary Deferrals, Matching Contributions, or After-Tax Employee Contributions are separately determined on the basis of specified periods within the determination period (e.g., on the basis of payroll periods), no proration of the Compensation Limit is required with respect to such contributions.

If compensation for any prior determination period is taken into account in determining a Participant’s allocations for the current Plan Year, the compensation for such prior determination period is subject to the applicable Compensation Limit in effect for that prior period. However, solely for purposes of determining a Participant’s allocations for Plan Years beginning on or after January 1, 2002, the Compensation Limit in effect for determination periods beginning before that date is $200,000.

In determining the amount of a Participant’s Salary Deferrals under a Grandfathered 401(k) Arrangement, a Participant may defer with respect to Plan Compensation that exceeds the Compensation Limit, provided the total deferrals made by the Participant satisfy the Elective Deferral Dollar Limit and any other limitations under the Plan.
1.19 **Computation Period.** The 12-consecutive month period used for measuring whether an Employee completes a Year of Service for eligibility or vesting purposes.

(a) **Eligibility Computation Period.** The 12-consecutive month period used for measuring Years of Service for eligibility purposes. See Section 2.03(a)(3).

(b) **Vesting Computation Period.** The 12-consecutive month period used for measuring Years of Service for vesting purposes. See Section 6.05.

1.20 **Custodian.** An organization that has custody of all or any portion of the Plan assets. See Section 12.13.

1.21 **Defined Benefit Plan.** A plan under which a Participant’s benefit is based solely on the Plan’s benefit formula without the establishment of separate Accounts for Participants.

1.22 **Defined Contribution Plan.** A plan that provides for individual Accounts for each Participant to which all contributions, forfeitures, income, expenses, gains and losses under the Plan are credited or deducted. A Participant’s benefit under a Defined Contribution Plan is based solely on the fair market value of his/her vested Account Balance.

1.23 **Designated Beneficiary.** A Beneficiary who is designated by the Participant (or by the terms of the Plan) and whose life expectancy is taken into account in determining minimum distributions under Code §401(a)(9) and Treas. Reg. §1.401(a)(9)-4. See Section 8.05(a).

1.24 **Differential Pay.** Certain payments made by the Employer to an individual while the individual is performing service in the Uniformed Services. See Section 1.89(e).

1.25 **Directed Account.** The Plan assets under a Trust which are held for the benefit of a specific Participant. See Section 10.03(d)(2).

1.26 **Directed Trustee.** A Trustee is a Directed Trustee to the extent that the Trustee’s investment powers are subject to the direction of another person. See Section 12.02(a).

1.27 **Direct Rollover.** A rollover, at the Participant’s direction, of all or a portion of the Participant’s vested Account Balance directly to an Eligible Retirement Plan. See Section 7.04.

1.28 **Disabled.** Unless provided otherwise under AA §9-4(b), an individual is considered Disabled for purposes of applying the provisions of this Plan if the individual is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. The permanence and degree of such impairment shall be supported by medical evidence. The Plan Administrator may establish reasonable procedures for determining whether a Participant is Disabled.

1.29 **Discretionary Trustee.** A Trustee is a Discretionary Trustee to the extent the Trustee has exclusive authority and discretion to invest, manage or control the Plan assets without direction from any other person. See Section 12.02(b).

1.30 **Distribution Calendar Year.** A calendar year for which a minimum distribution is required. See Section 8.05(b).

1.31 **Early Retirement Age.** The age and/or Years of Service set forth in AA §7-2. Early Retirement Age may be used to determine distribution rights and/or vesting rights. If a Participant separates from service before satisfying the age requirement for early retirement, but has satisfied the service requirement, the Participant will be entitled to elect an early retirement benefit upon satisfaction of such age requirement. The Plan is not required to have an Early Retirement Age.

1.32 **Effective Date.** The date this Plan, including any restatement or amendment of this Plan, is effective. The Effective Date of the Plan is designated on the Employer Signature Page under the Adoption Agreement. See Section 14.01(d)(2) for special rules concerning the retroactive effective date of provisions under the Plan designed to comply with the requirements of the Pension Protection Act of 2006 (PPA).

1.33 **Elapsed Time.** A special method for crediting service for eligibility or vesting. See Section 2.03(a)(6) for more information on the Elapsed Time method of crediting service for eligibility purposes and Section 6.04(b) for more information on the Elapsed Time method of crediting service for vesting purposes. Also see Section 3.07 for the ability to use the Elapsed Time method for applying allocation conditions under the Plan.

1.34 **Elective Deferral Dollar Limit.** The maximum amount of Elective Deferrals a Participant may make for any calendar year. See Section 5.03.
1.35 **Elective Deferrals.** A Participant’s Elective Deferrals is the sum of all Salary Deferrals (as defined in Section 1.83) and other contributions made pursuant to a Salary Deferral Election under a SARSEP described in Code §408(k)(6), a SIMPLE IRA plan described in Code §408(p), a plan described under Code §501(c)(18), and a custodial account or other arrangement described in Code §403(b). Elective Deferrals shall not include any amounts properly distributed as an Excess Amount under Code §415.

1.36 **Eligible Employee.** An Employee who is not excluded from participation under Section 2.02 of the Plan or AA §3-1.

1.37 **Eligible Retirement Plan.** A qualified retirement plan or IRA that may receive a rollover contribution. See Section 7.04(a)(2).

1.38 **Eligible Rollover Distribution.** An amount distributed from the Plan that is eligible for rollover to an Eligible Retirement Plan. See Section 7.04(a)(1).

1.39 **Employee.** An Employee is any individual employed by the Employer (including any Related Employers). An independent contractor is not an Employee. An Employee is not eligible to participate under the Plan if the individual is not an Eligible Employee under Section 2.02. A Leased Employee is also treated as an Employee of the recipient organization, as provided in Section 2.02(b)(3).

1.40 **Employer.** Except as otherwise provided, Employer means the Employer that adopts this Plan and any Related Employer. The Employer must be qualified to maintain a Governmental Plan under Code §414(d). (See Section 2.02(c) for rules regarding coverage of Employees of Related Employers. Also see Section 16 for rules that apply to Employers that execute a Participating Employer Adoption Page.)

1.41 **Employer Contributions.** Contributions the Employer makes pursuant to AA §6. See Section 3.02.

1.42 **Employer Pick-up Contributions.** Contributions made by the Employee and picked up by the Employer in accordance with Code §414(h)(2). See Section 3.03.

1.43 **Employment Commencement Date.** The date the Employee first performs an Hour of Service for the Employer.

1.44 **Entry Date.** The date on which an Employee becomes a Participant upon satisfying the Plan’s minimum age and service conditions. See Section 2.03(b).

1.45 **Equivalency Method.** An alternative method for crediting Hours of Service for purposes of eligibility and vesting. See Section 2.03(a)(5) for eligibility provisions and Section 6.04(a)(2) for vesting provisions.

1.46 **ERISA.** The Employee Retirement Income Security Act of 1974, as amended.

1.47 **Excess Amount.** Amounts which exceed the Code §415 Limitation. See Section 5.02(c)(4).

1.48 **Excess Compensation.** The amount of Plan Compensation that exceeds the Integration Level for purposes of applying the permitted disparity allocation formula. See Section 3.02(a)(1)(i)(B) (Profit Sharing Plan) and Section 3.02(b)(2) (Money Purchase Plan).

1.49 **Excess Deferrals.** Elective Deferrals that exceed the Elective Deferral Dollar Limit (as defined in Section 5.03). (See Section 5.03(b) for rules regarding the correction of Excess Deferrals.)

1.50 **Favorable IRS Letter.** An advisory letter issued by the IRS to a Volume Submitter Sponsor as to the qualified status of a Volume Submitter Plan.

1.51 **FICA Replacement Plan.** This Plan may qualify as a FICA Replacement Plan under Code §3121(b)(7)(F) if the requirements under Section 4.03 are satisfied.

1.52 **General Trust Account.** The Plan assets under a Trust which are held for the benefit of all Plan Participants as a pooled investment. See Section 10.03(d)(1).

1.53 **Governmental Plan.** A plan established and maintained for its Employees by any State or political subdivision of a State, any State agency or instrumentality or an Indian Tribal Government (provided the requirements under Section 4.02 of the Plan are satisfied), as provided under Code §414(d).

1.54 **Grandfathered 401(k) Arrangement.** An arrangement under Code §401(k) maintained by a governmental employer that was in existence on May 6, 1986. If a governmental entity adopted a 401(k) plan before May 6, 1986, then all 401(k) plans adopted...
by the governmental entity are treated as adopted before such date, including a 401(k) plan that is actually adopted after such date. A Grandfathered 401(k) Arrangement also may be adopted by an Indian Tribal Government, as defined in Section 1.57.

The Employer may elect to provide a Grandfathered 401(k) Arrangement under AA §2-3 of the Profit Sharing Plan Adoption Agreement. Any such election under AA §2-3 will be null and void if the Employer does not satisfy the requirements for maintaining a Grandfathered 401(k) Arrangement. If the Employer elects a Grandfathered 401(k) Arrangement under AA §2-3, the Employer may authorize Employees to make Salary Deferrals under the Plan in addition to Matching Contributions, Employer Contributions and After-Tax Employee Contributions, to the extent provided under AA §6 - §6B of the Adoption Agreement.

1.55 **Hardship.** A heavy and immediate financial need which meets the requirements of Section 7.10(e).

1.56 **Hour of Service.** Each Employee of the Employer will receive credit for each Hour of Service he/she works for purposes of applying the eligibility and vesting rules under the Plan. An Employee will not receive credit for the same Hour of Service under more than one category listed below.

(a) **Performance of duties.** Hours of Service include each hour for which an Employee is paid, or entitled to payment, for the performance of duties for the Employer. These hours will be credited to the Employee for the computation period in which the duties are performed. In the case of Hours of Service to be credited to an Employee in connection with a period of no more than 31 days which extends beyond one computation period, all such Hours of Service may be credited to the first computation period or the second computation period. Hours of Service under this subsection (a) must be credited consistently for all Employees within the same job classifications.

(b) **Nonperformance of duties.** Hours of Service include each hour for which an Employee is paid, or entitled to payment, by the Employer on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence. No more than 501 hours of service will be credited under this paragraph for any single continuous period (whether or not such period occurs in a single Computation Period). Hours under this paragraph will be calculated and credited pursuant to §2530.200b-2 of the Department of Labor Regulations which is incorporated herein by this reference.

(c) **Back pay award.** Hours of Service include each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer. The same Hours of Service will not be credited both under subsection (a) or subsection (b), as the case may be, and under this subsection (c). These hours will be credited to the Employee for the Computation Period(s) to which the award or agreement pertains rather than the Computation Period(s) in which the award, agreement or payment is made.

(d) **Related Employers/Leased Employees.** Hours of Service will be credited for employment with any Related Employer. Hours of Service also include hours credited as a Leased Employee or as an employee under Code §414(o).

(e) **Maternity/paternity leave.** Solely for purposes of determining whether a Break in Service has occurred in a Computation Period, an individual who is absent from work for maternity or paternity reasons will receive credit for the Hours of Service which would otherwise have been credited to such individual but for such absence, or in any case in which such hours cannot be determined, 8 Hours of Service per day of such absence. For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence:

1. by reason of the pregnancy of the individual,
2. by reason of a birth of a child of the individual,
3. by reason of the placement of a child with the individual in connection with the adoption of such child by such individual, or
4. for purposes of caring for such child for a period beginning immediately following such birth or placement.

The Hours of Service credited under this paragraph will be credited in the Computation Period in which the absence begins if the crediting is necessary to prevent a Break in Service in that period, or in all other cases, in the following Computation Period.

1.57 **Indian Tribal Government.** The governing body of any tribe, band, community, village, or group of Indians, or (if applicable) Alaska Natives, which is determined by the Secretary of Treasury, after consultation with the Secretary of Interior, to exercise governmental functions, as defined under Code §7701(a)(40) and regulations thereunder. See Section 4.02 of the Plan for special rules applicable to Indian Tribal Governments.
1.58 **Insurer**, An insurance company that issues a life insurance policy on behalf of a Participant under the Plan in accordance with the requirements under Section 10.08.

1.59 **Integration Level**, The amount used for purposes of applying the permitted disparity allocation formula. The Integration Level is the Taxable Wage Base, unless the Employer designates a different amount under the Adoption Agreement. See Section 3.02(a)(1)(i)(B) (Profit Sharing Plan) and Section 3.02(b)(2) (Money Purchase Plan).

1.60 **Leased Employee**, An individual who performs services for the Employer pursuant to an agreement between the Employer and a leasing organization, and who satisfies the definition of a Leased Employee under Code §414(n). See Section 2.02(b)(3) for rules regarding the treatment of a Leased Employee as an Employee of the Employer.

1.61 **Limitation Year**, The measuring period for determining whether the Plan satisfies the Code §415 Limitation under Section 5.02. See Section 5.02(c)(5).

1.62 **Matching Contributions**, Matching Contributions are contributions made by the Employer on behalf of a Participant on account of other contributions made by the Participant under this Plan or another plan maintained by the Employer. See Section 3.02(c)(3).

1.63 **Maximum Disparity Rate**, The maximum amount that may be allocated with respect to Excess Compensation under the permitted disparity allocation formula. See Section 3.02(a)(1)(i)(B) (Profit Sharing Plan) and Section 3.02(b)(2) (Money Purchase Plan).

1.64 **Normal Retirement Age**, The age selected under AA §7-1. For purposes of applying the Normal Retirement Age provisions under AA §7-1, an Employee’s participation commencement date is the first day of the first Plan Year in which the Employee commenced participation in the Plan.

1.65 **Participant**, Except as provided under AA §3-1, a Participant is an Employee (or former Employee) who has satisfied the conditions for participating under the Plan, as described in Section 2.03 and AA §4-1. A Participant also includes any Employee (or former Employee) who has an Account Balance under the Plan, including an Account Balance derived from a rollover or transfer from another qualified plan or IRA. A Participant is entitled to share in an allocation of contributions or forfeitures under the Plan for a given year only if the Participant is an Eligible Employee as defined in Section 2.02, and satisfies the allocation conditions set forth in Section 3.07.

An Employee is treated as a Participant with respect to Salary Deferrals and After-Tax Employee Contributions once the Employee has satisfied the eligibility conditions under AA §4-1 for making such contributions, even if the Employee chooses not to actually make such contributions to the Plan. An Employee is treated as a Participant with respect to Matching Contributions once the Employee has satisfied the eligibility conditions under AA §4-1 for receiving such contributions, even if the Employee does not receive a Matching Contribution because of the Employee’s failure to make contributions eligible for the Matching Contribution.

1.66 **Participating Employer**, An Employer that adopts this Plan by executing the Participating Employer Adoption Page under the Adoption Agreement. See Section 16 for the rules applicable to contributions and deductions for contributions made by a Participating Employer.

1.67 **Participating Employer Adoption Page**, The signature page in the Adoption Agreement for a Related Employer to adopt the Plan as a Participating Employer.

1.68 **Part-Time Employee**, Unless designated otherwise under AA 3-1(k), a Part-Time Employee is an Employee who is normally scheduled to work 20 or fewer hours per week. Notwithstanding the foregoing, if the Employer is a post-secondary educational institution, an Employee who is a teacher shall not be considered a Part-Time Employee if he/ she normally has classroom hours of one-half or more of the number of classroom hours designated by the Employer as constituting full-time employment, provided that such designation is reasonable under all of the facts and circumstances.

1.69 **Period of Severance**, A continuous period of time during which the Employee is not employed by the Employer and which is used to determine an Employee’s Participation under the Elapsed Time method. See Section 2.03(a)(6) for rules regarding eligibility and Section 6.04(b) for rules regarding vesting.

1.70 **Plan**, The Plan is the retirement plan established or continued by the Employer for the benefit of its Employees under this Plan document. The Plan consists of the basic plan document and the elections made under the Adoption Agreement. The basic plan document is the portion of the Plan that contains the non-elective provisions. The Employer may supplement or modify the basic plan document through its elections in the Adoption Agreement or by separate governing documents that are expressly...
authorized by the Plan. If the Employer adopts more than one Adoption Agreement under this Plan, then each executed Adoption Agreement represents a separate Plan.

1.71 **Plan Administrator.** The Plan Administrator is the person designated to be responsible for the administration and operation of the Plan. Unless otherwise designated by the Employer, the Plan Administrator is the Employer. If another Employer has executed a Participating Employer Adoption Page, the Employer referred to in this Section is the Employer that executes the Employer Signature Page of the Adoption Agreement. A Plan Administrator also includes a Qualified Termination Administrator (QTA) that assumes the responsibilities of Plan Administrator.

1.72 **Plan Compensation.** Plan Compensation is Total Compensation, as modified under AA §5-3, which is actually paid to an Employee during the determination period (as defined in subsection (a) below). In determining Plan Compensation, the Employer may elect under AA §5-3(b) to exclude all Elective Deferrals (as defined in Section 1.35), pre-tax contributions to a cafeteria plan or a Code §457 plan, and qualified transportation fringes under Code§132(f)(4). In addition, the Employer may elect under AA §5-3 to exclude other designated elements of compensation.

Plan Compensation generally includes amounts an Employee earns with a Participating Employer and amounts earned with a Related Employer (even if the Related Employer has not executed a Participating Employer Adoption Page under the Adoption Agreement). However, the Employer may elect under AA §5-3(h) to exclude all amounts earned with a Related Employer that has not executed a Participating Employer Adoption Page.

In no case may Plan Compensation for any Participant exceed the Compensation Limit (as defined in Section 1.18).

(a) **Determination period.** Unless designated otherwise under AA §5-4(a), Plan Compensation is determined based on the Plan Year. Alternatively, the Employer may elect under AA §5-4(a) to determine Plan Compensation on the basis of the calendar year ending in the Plan Year or any other 12-month period ending in the Plan Year. If the determination period is the calendar year or other 12-month period ending in the Plan Year, for any Employee whose date of hire is less than 12 months before the end of the designated 12-month period, Plan Compensation will be determined over the Plan Year.

(b) **Partial period of participation.** If an Employee is a Participant for only part of a Plan Year, Plan Compensation may be determined over the entire Plan Year or over the period during which such Employee is a Participant. In determining whether an Employee is a Participant for purposes of applying this subsection (b), the Employee’s status will be determined solely with respect to the contribution type for which the definition of Plan Compensation is being determined. Plan Compensation does not include any amounts earned for any period while an individual is not an Eligible Employee (as defined in Section 2.02).

1.73 **Plan Year.** The 12-consecutive month period designated under AA §2-4 on which the records of the Plan are maintained. The Plan Year can be a 52-53 week period by designating the appropriate ending date in AA §2-4(b). If the Plan Year is amended to create a Short Plan Year or if a new Plan has an initial Short Plan Year, the Employer may document such Short Plan Year under AA §2-4(c).

1.74 **Predecessor Employer.** An employer that previously employed the Employees of the Employer. See Sections 2.06 (eligibility), 3.07(b) (allocation conditions) and 6.07 (vesting) for the rules regarding the crediting of service with a Predecessor Employer.

1.75 **Pre-Tax Deferrals.** Pre-tax Deferrals are a Participant's Salary Deferrals that are not includible in the Participant's gross income at the time deferred.

1.76 **Qualified Domestic Relations Order (QDRO).** A domestic relations order that provides for the payment of all or a portion of the Participant's benefits to an Alternate Payee and satisfies the requirements under Code §414(p). See Section 11.05.

1.77 **Reemployment Commencement Date.** The first date upon which an Employee is credited with an Hour of Service following a Break in Service (or Period of Severance, if the Plan is using the Elapsed Time method of crediting service).

1.78 **Related Employer.** A Related Employer includes all members of a controlled group of corporations (as defined in Code §414(b)), all commonly controlled trades or businesses (as defined in Code §414(c)) or affiliated service groups (as defined in Code §414(m)) of which the Employer is a part, and any other entity required to be aggregated with the Employer pursuant to regulations under Code §414(o). For purposes of applying the provisions under this Plan, the Employer and any Related Employers are treated as a single Employer, unless specifically stated otherwise. See Section 16.06 for operating rules that apply when the Employer is a member of a Related Employer group. Also see Section 16 for rules regarding participation of Employees of Related Employers.

1.79 **Required Beginning Date.** The date by which minimum distributions must commence under the Plan. See Section 8.05(e).
1.80 **Rollover Contribution.** A contribution made by an Employee to the Plan attributable to an Eligible Rollover Distribution (as defined in Section 7.04(a)(1) from another qualified plan or IRA. See Section 3.05 for rules regarding the acceptance of Rollover Contributions under this Plan.

1.81 **Roth Deferrals.** Roth Deferrals are Salary Deferrals that are includible in the Participant's gross income at the time deferred and have been irrevocably designated as Roth Deferrals in the Participant’s Salary Deferral Election. A Participant's Roth Deferrals will be maintained in a separate Account containing only the Participant's Roth Deferrals and gains and losses attributable to those Roth Deferrals. See Section 3.02(c)(2)(v).

1.82 **Salary Deferral Election.** An agreement between a Participant and the Employer, whereby the Participant elects to have a specific percentage or dollar amount withheld from his/her Plan Compensation and the Employer agrees to contribute such amount into the Plan. A Salary Deferral Election may only be made if the Plan qualifies as a Grandfathered 401(k) Arrangement as designated under AA §2-3 of the Profit Sharing Plan Adoption Agreement. See Section 3.02(c)(2)(i).

1.83 **Salary Deferrals.** Amounts contributed under a Grandfathered 401(k) Arrangement at the election of the Participant, in lieu of cash compensation, which are made pursuant to a Salary Deferral Election or other deferral mechanism. Salary Deferrals include Roth Deferrals and Pre-Tax Deferrals. Salary Deferrals shall not include any amounts properly distributed as an Excess Amount under Code §415 pursuant to Section 5.02(c)(4). An Employee’s Salary Deferrals are treated as employer contributions for all purposes under this Plan, except as otherwise provided under the Code or Treasury regulations. See Section 3.02(c)(2).

1.84 **Seasonal Employee.** An Employee who normally works on a full-time basis less than five months during any year.

1.85 **Short Plan Year.** Any Plan Year that is less than 12 months long, either because of the amendment of the Plan Year, or because the Effective Date of a new Plan is less than 12 months prior to the end of the first Plan Year.

1.86 **Spouse.** Subject to any additional guidance by the IRS or other agency or court, a Spouse is any individual who is lawfully married to the Participant under a state or foreign jurisdiction, without regard to the location of the Employer or the state where the Participant and Spouse are domiciled. However, a former Spouse of the Participant will be treated as the Spouse or surviving Spouse and any current Spouse will not be treated as the Spouse or surviving Spouse to the extent provided under a valid QDRO.

1.87 **Taxable Wage Base.** The maximum amount of wages taken into account for Social Security purposes. The Taxable Wage Base is used to determine the Integration Level for purposes of applying the permitted disparity allocation formula. See Section 3.02(a)(1)(i)(B) (Profit Sharing Plan) and Section 3.02(b)(2) (Money Purchase Plan).

1.88 **Temporary Employee.** Any Employee performing services under a contractual arrangement with the Employer of two years or less duration. Possible contract extensions may be considered in determining the duration of a contractual arrangement, but only if, under the facts and circumstances, there is a significant likelihood that the Employee’s contract will be extended. Future contract extensions are considered significantly likely to occur for purposes of this rule if:

- (a) on average 80 percent of similarly situated Employees have had bona fide offers to renew their contracts in the immediately preceding two academic or calendar years; or
- (b) the Employee with respect to whom the determination is being made has a history of contract extensions with respect to his or her current position.

An Employee is not considered a Temporary Employee solely because he or she is included in a unit of Employees covered by a collective bargaining agreement of two years or less duration.

1.89 **Total Compensation.** A Participant’s compensation for services with the Employer, as defined in this Section 1.89. Total Compensation may be defined in AA §5-1 to be either W-2 Wages, Wages under Code §3401(a), or Code §415 Compensation. Each definition of Total Compensation includes Elective Deferrals (as defined in Section 1.35), elective contributions to a cafeteria plan under Code §125 or to an eligible deferred compensation plan under Code §457, Employer Pick-Up Contributions under Code §414(h)(2), and elective contributions that are not includible in the Employee’s gross income as a qualified transportation fringe under Code §132(f)(4).

(a) **Total Compensation definitions.** The Employer may elect under AA §5-1 to define Total Compensation as any of the following definitions:

- (1) **W-2 Wages,** Wages within the meaning of Code §3401(a) and all other payments of compensation to an Employee by the Employer (in the course of the Employer's trade or business) for which the Employer is
required to furnish the Employee a written statement under Code §6041(d), 6051(a)(3), and 6052, determined without regard to any rules under Code §3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed.

(2) **Wages under Code §3401(a).** Wages within the meaning of Code §3401(a) for the purposes of income tax withholding at the source but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed.

(3) **Code §415 Compensation.** Wages, salaries, fees for professional services and other amounts received for personal services actually rendered in the course of employment with the Employer (without regard to whether or not such amounts are paid in cash) to the extent that the amounts are includible in gross income, including amounts that are includible in the gross income of an Employee under the rules of Code §409A or §457(f)(1)(A) or because the amounts are constructively received by the Employee. Such amounts include, but are not limited to, commissions, compensation for services on the basis of a percentage of profits, tips, bonuses, fringe benefits, and reimbursements or other expense allowances under a nonaccountable plan (as described in Treas. Reg. §1.62-2(c)), and excluding the following:

(i) Employer contributions (other than elective contributions described in Code §402(c)(3), §408(k)(6), §408(p)(2)(A)(i), or §457(b)) to a plan of deferred compensation (including a SEP described in Code §408(k) or a SIMPLE IRA described in Code §408(p), and whether or not qualified) to the extent such contributions are not includible in the Employee’s gross income for the taxable year in which contributed, and any distributions (whether or not includible in gross income when distributed) from a plan of deferred compensation (whether or not qualified);

(ii) Amounts realized from the exercise of a non-qualified stock option, or when restricted stock (or property) held by the Employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture.

(iii) Amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option.

(iv) Other amounts which received special tax benefits, or contributions made by the Employer (other than Elective Deferrals) towards the purchase of an annuity contract described in Code §403(b) (whether or not the contributions are actually excludable from the gross income of the Employee).

(b) **Post-severance compensation.** Effective for the first Limitation Year beginning on or after July 1, 2007, Total Compensation includes compensation that is paid after an Employee severs employment with the Employer, provided the compensation is paid by the later of 2½ months after severance from employment with the Employer maintaining the Plan or the end of the Limitation Year that includes such date of severance from employment. For this purpose, compensation paid after severance of employment may only be included in Total Compensation to the extent such amounts would have been included as compensation if they were paid prior to the Employee’s severance from employment.

For purposes of applying this subsection (b), unless designated otherwise under AA §5-2(a), the following amounts that are paid after a Participant’s severance of employment are included in Total Compensation:

(1) **Regular pay.** Compensation for services during the Employee’s regular working hours, or compensation for services outside the Employee’s regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments;

(2) **Unused leave payments.** Payment for unused accrued bona fide sick, vacation, or other leave, but only if the Employee would have been able to use the leave if employment had continued; and

(3) **Deferred compensation.** Payments received by an Employee pursuant to a nonqualified unfunded deferred compensation plan, but only if the payment would have been paid to the Employee at the same time if the Employee had continued in employment and only to the extent that the payment is includible in the Employee’s gross income.

Other post-severance payments (such as severance pay, parachute payments within the meaning of Code §280G(b)(2), or post-severance payments under a nonqualified unfunded deferred compensation plan that would not have been paid if the Employee had continued in employment) are not included as Total Compensation, even if such amounts are paid within the time period described in this subsection (b).
In determining the amount of a Participant’s Employer Contributions, Matching Contributions or Salary Deferrals, Plan Compensation may not include any amounts that do not satisfy the requirements of this subsection (b) or subsection (c). If Total Compensation is defined to include post-severance compensation, the Employer may elect to exclude all such compensation paid after termination of employment from the definition of Plan Compensation under AA §5-3(j) or may elect to exclude any of the specific types of post-severance compensation defined in subsections (1), (2) and/or (3) above, by designating such compensation types under AA §5-3(i). The exclusion of post-severance compensation from the definition of Plan Compensation that is otherwise includible in Total Compensation may cause the Plan to fail the nondiscriminatory compensation rules under Treas. Reg. §1.414(s)-1.

(c) **Continuation payments for disabled Participants.** Unless designated otherwise under AA §5-2(b), Total Compensation does not include compensation paid to a Participant who is permanently and totally disabled (as defined in Code §22(e)(3)). If elected under AA §5-2(b), the Plan may take into account compensation the Participant would have received for the year if the Participant was paid at the rate of compensation paid immediately before becoming permanently and totally disabled (if such compensation is greater than the Participant’s compensation determined without regard to this subsection (c)), provided contributions made with respect to amounts treated as compensation under this subsection (c) are nonforfeitable when made. If so elected under AA §5-2(b), payment to disabled Participants will be included as Total Compensation, notwithstanding the rules under subsection (b).

(d) **Deemed §125 compensation.** A reference to elective contributions under a Code §125 cafeteria plan includes any amounts that are not available to a participant in cash in lieu of group health coverage because the Participant is unable to certify that he or she has other health coverage. Such deemed §125 compensation will be treated as an amount under Code §125 only if the Employer does not request or collect information regarding the Participant’s other health coverage as part of the enrollment process for the health plan. If the Employer elects under AA §5-3(j) to exclude deemed §125 compensation from the definition of Plan Compensation, such exclusion also will apply for purposes of determining Total Compensation under this Section 1.89.

(e) **Differential Pay.** Effective for years beginning on or after January 1, 2009, in the case of an individual who receives Differential Pay from the Employer:

1. such individual will be treated as an Employee of the Employer making the payment, and
2. the Differential Pay shall be treated as wages and will be included in calculating an Employee’s Total Compensation under the Plan.

If all Employees performing service in the Uniformed Services are entitled to receive Differential Pay on reasonably equivalent terms and are eligible to make contributions based on the payments on reasonably equivalent terms, the Plan shall not be treated as failing to meet the requirements of any provision described in Code §414(u)(1)(C) by reason of any contribution or benefit based on Differential Pay. However, for purposes of applying this subparagraph, the provisions of Code §§410(b)(3), (4), and (5) shall apply. The Employer may elect to exclude Differential Pay from the definition of Plan Compensation under AA §5-3(k).

For purposes of this subsection (e), Differential Pay means any payment which is made by an Employer to an individual while the individual is performing service in the Uniformed Services while on active duty for a period of more than 30 days, and represents all or a portion of the wages the individual would have received from the Employer if the individual were performing services for the Employer. In applying the provisions of this subsection (e), Uniformed Services are services as described in Code §3401(h)(2)(A).

1.90 **Trust.** The Trust is the separate funding vehicle under the Plan.

1.91 **Trustee.** The Trustee is the person or persons (or any successor to such person or persons) identified in the Adoption Agreement or under a separate Trust document. The Trustee may be a Discretionary Trustee or a Directed Trustee. See Section 12 for the rights and duties of a Trustee under this Plan.

1.92 **Valuation Date.** The date or dates upon which Plan assets are valued. Plan assets will be valued as of the last day of each Plan Year. In addition, the Employer may elect under AA §11-1 to establish additional Valuation Dates. Notwithstanding any election under AA §11-1, Plan assets may be valued on a more frequent basis within the complete discretion of the Employer. See Section 10.02.

1.93 **Year of Service.** A Year of Service is a 12-consecutive month Computation Period during which an Employee completes 1,000 Hours of Service. For purposes of applying the eligibility rules under Section 2.03 of the Plan, an Employee will earn a Year of Service if he/she completes 1,000 Hours of Service with the Employer during an Eligibility Computation Period (as defined in Section 2.03(a)(3)). For purposes of applying the vesting rules under Section 6, an Employee will earn a Year of Service if he/she completes 1,000 Hours of Service with the Employer during a Vesting Computation Period (as defined in
Section 6.05). The Employer may elect under AA §4-3(a) (for eligibility purposes) and AA §8-5(a) (for vesting purposes) to require the completion of any lesser number of Hours of Service to earn a Year of Service. Alternatively, the Employer may elect to apply the Elapsed Time method (for eligibility and/or vesting purposes) in calculating an Employee’s Years of Service under the Plan.
SECTION 2
ELIGIBILITY AND PARTICIPATION

2.01 Eligibility. In order to participate in the Plan, an Employee must be an Eligible Employee (as defined in Section 2.02) and must satisfy the Plan’s minimum age and service conditions (as defined in Section 2.03). Once an Employee satisfies the Plan’s minimum age and service conditions, such Employee shall become a Participant on the appropriate Entry Date (as selected in AA §4-2). An Employee who meets the minimum age and service requirements set forth herein, but who is not an Eligible Employee, will be eligible to participate in the Plan only upon becoming an Eligible Employee. For purposes of determining eligibility to make Salary Deferrals, an Employee will be deemed to commence participation on a timely basis if the Employee is permitted to commence making Salary Deferrals as soon as administratively feasible after satisfying the eligibility conditions under the Plan.

2.02 Eligible Employees. Unless specifically excluded under AA §3-1 or under this Section 2.02, all Employees of the Employer are Eligible Employees. AA §3-1 lists various classes of Employees that may be excluded from Plan participation. If an Employee is not an Eligible Employee (e.g., such Employee is a member of a class of Employees excluded under AA §3-1), that individual may not participate under the Plan, unless he/she subsequently becomes an Eligible Employee.

(a) Only Employees may participate in the Plan. To participate in the Plan, an individual must be an Employee. If an individual is not an Employee (e.g., the individual performs services with the Employer as an independent contractor) such individual may not participate under the Plan. If an individual who is classified as a non-Employee is later determined by the Employer or by a court or other government agency to be an Employee of the Employer, the reclassification of such individual as an Employee will not create retroactive rights to participate in the Plan. Thus, for example, if the IRS or DOL should find that an independent contractor is really an Employee, such individual will be eligible to participate in the Plan as of the date the IRS or DOL issues a final determination declaring such individual to be an Employee (provided the individual has satisfied all conditions for participating in the Plan (as described in this Section 2)). For periods prior to the date of such final determination, the reclassified Employee will not have any rights to accrued benefits under the Plan, except as agreed to by the Employer or mandated by a court or government agency, or as set forth in an amendment adopted by the Employer.

(b) Excluded Employees. The Employer may elect under AA §3-1 to exclude designated classes of Employees. Since a governmental plan is exempt from minimum coverage testing, the Employer may elect to exclude any class of Employees without subjecting the Plan to minimum coverage or nondiscrimination testing.

(1) Collectively Bargained Employees. The Employer may elect under AA §3-1(b) to exclude Collectively Bargained Employees. For this purpose, a Collectively Bargained Employee is an Employee who is included in a unit of Employees covered by a collective bargaining agreement between the Employer and Employee representatives and whose retirement benefits are subject to good faith bargaining.

(2) Nonresident aliens. The Employer may elect under AA §3-1(c) to exclude Employees who are nonresident aliens. For this purpose, a nonresident alien is neither a citizen of the United States nor a resident of the United States for U.S. tax purposes (as defined in Code §7701(b)), and who does not have any earned income (as defined in Code §911) for the Employer that constitutes U.S. source income (within the meaning of Code §861). If a nonresident alien Employee has U.S. source income, he/she is treated as satisfying this definition if all of his/her U.S. source income from the Employer is exempt from U.S. income tax under an applicable income tax treaty.

(3) Leased Employees. The Employer may elect under AA §3-1(d) to exclude Leased Employees. For this purpose, a Leased Employee is any person (other than an Employee of the Employer) who pursuant to an agreement between the recipient Employer and a leasing organization performs services for the recipient Employer on a substantially full time basis for a period of at least one year, and such services are performed under the primary direction or control of the recipient Employer. (See Code §414(n) for rules applicable to the determination of Leased Employees.)

(c) Employees of Related Employers. If the Employer is a member of a Related Employer group, Employees of each member of the Related Employer group may participate under this Plan, provided the Related Employer executes a Participating Employer Adoption Page under the Adoption Agreement. If a Related Employer does not execute a Participating Employer Adoption Page, any Employees of such Related Employer are not eligible to participate in the Plan. See Section 16.06 for operating rules that apply when the Employer is a member of a Related Employer group. Also see Section 16 for rules regarding participation of Employees of Related Employers.

(d) Ineligible Employee becomes Eligible Employee. If an Employee changes status from an ineligible Employee to an Eligible Employee, such Employee will become a Participant immediately on the date he/she changes status to an Eligible Employee, provided the Employee has satisfied the Plan’s minimum age and service conditions and has passed
the Entry Date (as defined in AA §4-2) that would otherwise have applied had the Employee been an Eligible Employee. If the Employee’s original Entry Date (determined as if the Employee was always an Eligible Employee) has not passed as of the date the Employee becomes an Eligible Employee, the Employee will not become a Participant until such Entry Date. This requirement is deemed satisfied with respect to Salary Deferrals if the Employee is permitted to commence making Salary Deferrals under the Plan as soon as administratively feasible after the Employee becomes an Eligible Employee. If an ineligible Employee has not satisfied the Plan’s minimum age and service conditions at the time such Employee becomes an Eligible Employee, such Employee will become a Participant on the appropriate Entry Date following satisfaction of the Plan’s minimum age and service requirements.

(e) **Eligible Employee becomes ineligible Employee.** If an Employee ceases to qualify as an Eligible Employee (i.e., the Employee changes status from an eligible class to an ineligible class of Employees), such Employee will immediately cease to participate in the Plan. If such Employee should subsequently become an Eligible Employee, he/she will be able to participate in the Plan in accordance with subsection (d) above.

(f) **Improper exclusion of eligible Participant.** If the Plan improperly excludes a Participant who has satisfied the requirements under this Section 2 for participating under the Plan, the Employer may take reasonable action to correct such violation, provided such corrective action is consistent with the requirements of the Employee Plans Compliance Resolution System (EPCRS) program. For example, the violation may be corrected by making an additional contribution to the Plan on behalf of the omitted Participant or by allocating any available forfeitures under the Plan to such Participant to restore any missed contributions under the Plan. (See Rev. Proc. 2013-12 or subsequent IRS guidance for a description of the EPCRS program.)

2.03 **Minimum Age and Service Conditions.** AA §4-1 contains specific elections as to the minimum age and service conditions which an Employee must satisfy prior to becoming eligible to participate under the Plan. A Governmental Plan is exempt from both the ERISA and pre-ERISA eligibility requirements. Therefore, the Plan may provide any minimum age and service requirements under AA §4-1 without the need to comply with the requirements of Code §410(a).

The Employer may elect to apply different minimum age and service requirements for different groups of Employees or for different contribution formulas under AA §4-1(c). In addition, the Employer may select different age and service conditions under AA §4-1 for Salary Deferrals, Matching Contributions, and/or Employer Contributions if the Plan qualifies as a Grandfathered 401(k) Arrangement.

(a) **Application of age and service conditions.** The Employer may elect under AA §4-1 to impose minimum age and service conditions that an Employee must satisfy in order to participate under the Plan.

1) **Year of Service.** In applying the minimum service requirements under AA §4-1, unless designated otherwise under AA §4-3, an Employee will earn a Year of Service if the Employee completes at least 1,000 Hours of Service with the Employer during an Eligibility Computation Period (as defined in subsection (3) below). The Employer may modify the definition of Year of Service under AA §4-3(a) to require a different number of Hours of Service to earn a Year of Service. An Employee will receive credit for a Year of Service, as of the end of the Eligibility Computation Period during which the Employee completes the required Hours of Service needed to earn a Year of Service. Unless otherwise provided under AA §4-3, an Employee need not be employed for the entire Eligibility Computation Period to receive credit for a Year of Service, provided the Employee completes the required Hours of Service during such period.

2) **Months of service.** The Employer may elect under AA§4-1(a) to require a specific number of Hours of Service during a designated number of months of employment. If an Employee is required under AA §4-1(a) to complete a certain number of Hours of Service during a designated period, an Employee generally will satisfy the eligibility conditions as of the end of the designated period, regardless of whether the Employee is employed during the entire period. Alternatively, the Employer may elect under AA §4-1(a)(3)(ii) to require an Employee to be employed continuously throughout the designated period provided the Employee is eligible to participate in the Plan upon completing a Year of Service as defined in subsection (1) above.

If an Employee does not complete the required Hours of Service during the designated period or does not work continuously during the designated period, if required under AA §4-1(a)(3)(ii), the Employee will satisfy eligibility upon completion of a Year of Service as defined in subsection (1) above. For purposes of applying the Year of Service requirement, an Employee need not be employed during the entire measuring period as long as the Employee completes the required Hours of Service, as specified under subsection (1) above. For example, an Employee who is not employed throughout the designated period, if required under AA §4-1(a)(5)(ii), would still satisfy the eligibility conditions as of the end of the Eligibility Computation Period if the Employee completes a Year of Service, regardless of whether the Employee is employed during the entire period.
(3) **Eligibility Computation Periods.** Unless provided otherwise under AA §4-3, in determining whether an Employee has earned a Year of Service for eligibility purposes, an Employee’s initial Eligibility Computation Period is the 12-month period beginning on the Employee’s Employment Commencement Date. Subsequent Eligibility Computation Periods will either be based on Plan Years or Anniversary Years (as set forth in AA §4-3).

   (i) **Plan Years.** If the Employer elects under AA §4-3 to base subsequent Eligibility Computation Periods on Plan Years, the Plan will begin measuring Years of Service on the basis of Plan Years beginning with the first Plan Year commencing after the Employee’s Employment Commencement Date. Thus, for the first Plan Year following the Employee’s Employment Commencement Date, the initial Eligibility Computation Period and the first Plan Year Eligibility Computation Period may overlap.

   (ii) **Anniversary Years.** If the Employer elects under AA §4-3(b) to base subsequent Eligibility Computation Periods on Anniversary Years, the Plan will measure Years of Service after the initial Eligibility Computation Period on the basis of 12-month periods commencing with the anniversaries of the Employee’s Employment Commencement Date.

   (iii) **Rehired Employee.** If an Employee is rehired following a Break in Service, the Employee’s initial Eligibility Computation Period following the Employee’s return to employment will be measured from the Employee’s Reemployment Commencement Date. Subsequent Eligibility Computation Periods will be measured based on the Plan Year or anniversaries of the Reemployment Commencement Date, as designated under subsection (i) or (ii) above. For this purpose, an Employee's Reemployment Commencement Date is the first day the Employee is entitled to be credited with an Hour of Service after the first Eligibility Computation Period in which the Employee incurs a Break in Service.

(4) **Hours of Service.** In calculating an Employee’s Hours of Service for purposes of applying the eligibility rules under this Section 2.03, the Employer will count the actual Hours of Service an Employee works during the year. (See Section 1.56 for the definition of Hours of Service). The Employer may elect under AA §4-3 to use an alternative method for crediting service, such as the Equivalency Method or Elapsed Time method (instead of counting the actual Hours of Service an Employee works). (See subsections (5) and (6) below for a description of the Equivalency Method and Elapsed Time method of crediting service.)

(5) **Equivalency Method.** Instead of counting actual Hours of Service in applying the minimum service conditions under this Section 2.03, the Employer may elect under AA §4-3(d) to determine Hours of Service based on the Equivalency Method. Under the Equivalency Method, an Employee receives credit for a specified number of Hours of Service based on the period worked with the Employer.

   (i) **Monthly.** Under the monthly Equivalency Method, an Employee is credited with 190 Hours of Service for each calendar month during which the Employee completes at least one Hour of Service with the Employer.

   (ii) **Daily.** Under the daily Equivalency Method, an Employee is credited with 10 Hours of Service for each day during which the Employee completes at least one Hour of Service with the Employer.

   (iii) **Weekly.** Under the weekly Equivalency Method, an Employee is credited with 45 Hours of Service for each week during which the Employee completes at least one Hour of Service with the Employer.

   (iv) **Semi-monthly.** Under the semi-monthly Equivalency Method, an Employee is credited with 95 Hours of Service for each semi-monthly period during which the Employee completes at least one Hour of Service with the Employer.

(6) **Elapsed Time method.** Instead of counting actual Hours of Service in applying the minimum service requirements under this Section 2.03, the Employer may elect under AA §4-3(c) to apply the Elapsed Time method for calculating an Employee’s service with the Employer. Under the Elapsed Time method, an Employee receives credit for the aggregate period of time worked for the Employer commencing with the Employee's first day of employment (or reemployment, if applicable) and ending on the date the Employee terminates employment with the Employer. If an Employee’s aggregate period of service includes fractional years, such fractional years are expressed in terms of days.

In calculating an Employee’s aggregate period of service, the Employer may credit an Employee with service for any Period of Severance that lasts less than 12 consecutive months. For this purpose, a Period of Severance is any continuous period of time during which the Employee is not employed by the Employer. A Period of Severance begins on the date the Employee retires, quits or is discharged, or if earlier, the 12-month anniversary...
of the date on which the Employee is first absent from service for a reason other than retirement, quit or discharge. In the case of an Employee who is absent from work for maternity or paternity reasons, the 12-consecutive month period beginning on the first anniversary of the first date of such absence shall not constitute a Period of Severance. For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence

(i) by reason of the pregnancy of the Employee,

(ii) by reason of the birth of a child of the Employee,

(iii) by reason of the placement of a child with the Employee in connection with the adoption of such child by the Employee, or

(iv) for purposes of caring for a child of the Employee for a period beginning immediately following the birth or placement of such child.

(7) Amendment of age and service requirements. If the Plan’s minimum age and service conditions are amended, the amendment may consider an Employee who is a Participant immediately prior to the effective date of the amendment as satisfying the amended requirements or may require all Employees to satisfy the amended minimum age and service conditions. If an Employee has not satisfied the minimum age and service conditions as of the effective date of the amendment, the Employee must satisfy the eligibility requirements as amended. This provision may be modified under the special Effective Date provisions under Appendix A of the Adoption Agreement or under a separate amendment implementing the updated minimum age and service provisions.

(b) Entry Dates. Once an Eligible Employee satisfies the minimum age and service conditions (as set forth in AA §4-1), the Employee will be eligible to participate under the Plan as of his/her Entry Date (as set forth in AA §4-2). If the Employer adopts a Grandfathered 401(k) Arrangement as designated under AA §2-3 of the Profit Sharing Plan Adoption Agreement, the Employer may elect different Entry Dates with respect to Salary Deferrals, Matching Contributions, and Employer Contributions.

2.04 Participation on Effective Date of Plan. Unless designated otherwise under AA §4-4, an Eligible Employee who has satisfied the minimum age and service conditions and reached his/her Entry Date as of the Effective Date of the Plan will be eligible to participate in the Plan as of such Effective Date. If an Employee has satisfied the minimum age and service conditions as of the Effective Date of the Plan but has not yet reached his/her Entry Date, the Employee will be eligible to participate on the appropriate Entry Date. The Employer may modify this rule under AA §4-4 by electing to treat all Employees employed on the Effective Date of the Plan as Participants (regardless of whether they have satisfied the Plan’s minimum age and service conditions) or by designating a specific date as of which all Eligible Employees will be deemed to be a Participant, (regardless of whether the Employee has otherwise satisfied the minimum age and service conditions).

2.05 Rehired Employees. If a terminated Employee is subsequently rehired, such Employee will be eligible to participate in the Plan on his/her reemployment date, if the Employee is an Eligible Employee and the Employee had satisfied the Plan’s minimum age and service conditions prior to his/her termination of employment. If a rehired Employee had not satisfied the Plan’s minimum age and service conditions prior to termination of employment, such Employee is eligible to participate in the Plan on the appropriate Entry Date following satisfaction of the eligibility requirements under this Section 2.

2.06 Service with Predecessor Employers. To the extent provided under AA §4-5, if the Employer maintains the plan of a Predecessor Employer, any service with such Predecessor Employer is treated as service with the Employer for purposes of applying the provisions of this Plan.

2.07 Break in Service Rules. Generally, an Employee will be credited with all service earned for the Employer, including service earned prior to the effective date of the Plan and service earned while the Employee is an ineligible Employee. However, the Employer may elect under AA §4-6 to disregard an Employee’s service with the Employer under the Break in Service rules. For this purpose, an Employee incurs a Break in Service for any Eligibility Computation Period (as defined in Section 2.03(a)(3)) during which the Employee does not complete more than five hundred (500) Hours of Service with the Employer. However, if the Employer elects to require less than 1,000 Hours of Service to earn a Year of Service for eligibility purposes, a Break in Service will occur for any Eligibility Computation Period during which the Employee does not complete more than one-half (1/2) of the Hours of Service required to earn an eligibility Year of Service.

2.08 Waiver of Participation. An Employee may not waive participation under the Plan unless specifically permitted under AA §11-4. For this purpose, the mere failure to make Salary Deferrals or After-Tax Employee Contributions is not a waiver of participation. The Employer may elect under AA §11-4 to permit Employees to make a one-time irrevocable election to not participate under the Plan or may permit Employees to make a one-time irrevocable election to waive any Employer Pick-Up Contributions under the Plan.
SECTION 3
PLAN CONTRIBUTIONS

This Section 3 describes the type of contributions that may be made to the Plan. The type of contributions that may be made to the Plan and the method for allocating such contributions may vary depending on the type of Plan involved. (See Section 5 for a discussion of the limits that apply to any contributions made under the Plan.)

3.01 Types of Contributions. An Employer may designate under the Adoption Agreement the amount and type of contributions that may be made under the Plan. The Plan may provide for Employer Contributions (as authorized under AA §6) and, if so elected under AA §6-6, After-Tax Employee Contributions. In addition, the Profit Sharing Plan may provide for Matching Contributions with respect to any After-Tax Employee Contributions under the Plan or Elective Deferrals made under another plan maintained by the Employer. If the Plan qualifies as a Grandfathered 401(k) Arrangement (as designated under AA §2-3 of the Profit Sharing Plan Adoption Agreement, the Plan may provide for Salary Deferrals, Employer Contributions, Matching Contributions, and After-Tax Employee Contributions.

To share in a contribution under the Plan, an Employee must satisfy all of the conditions for being a Participant (as described in Section 2) and must satisfy any allocation conditions (as described in Section 3.07) applicable to the particular type of contribution. The Employer may designate under AA §2-5 that the Plan is a frozen Plan. As a frozen Plan, the Employer will not make any Employer Contributions or Matching Contributions with respect to Plan Compensation earned after the date identified in AA §2-5 and no Participant will be permitted to make Salary Deferrals or Employee After-Tax Employee Contributions to the Plan for any period following the effective date of the freeze as identified in AA §2-5.

3.02 Employer Contribution Formulas. If permitted under AA §6, the Employer may make an Employer Contribution to the Plan, in accordance with the contribution formula selected under AA §6-2. Subsection (a) below describes the Employer Contributions that may be selected under the Profit Sharing Plan Adoption Agreement, subsection (b) below describes the Employer Contributions that may be made under the Money Purchase Plan Adoption Agreement and subsection (c) below describes the Employer Contributions that may be made under a Grandfathered 401(k) Arrangement. Since a governmental plan is exempt from the nondiscrimination requirements, the contribution formulas described in this Section 3.02 need not satisfy the nondiscrimination tests under Code §401(a)(4) or the regulations thereunder.

(a) Contribution formulas (Profit Sharing Plan). The Employer may elect under AA §6-2 of the Profit Sharing Plan Adoption Agreement to make any of the following Employer Contributions. If the Employer elects more than one Employer Contribution formula, each formula is applied separately. The Employer’s aggregate Employer Contribution for a Plan Year will be the sum of the Employer Contributions under all such formulas. Any reference to the Adoption Agreement under this subsection (a) is a reference to the Profit Sharing Plan Adoption Agreement.

(1) Employer Contributions. An Employer may designate under AA §6 of the Profit Sharing Adoption Agreement the amount of Employer Contributions that may be made under the Plan. Any Employer Contributions selected under AA §6 will be made in accordance with the contribution formula selected under AA §6-2. Any Employer Contribution must be allocated in accordance with a definite allocation formula as set forth in AA §6-3. To receive an allocation of Employer Contributions, a Participant must satisfy any allocations conditions designated under the Plan, as described in Section 3.07 below.

In determining the amount of Employer Contributions to be allocated to Participants under the Plan, the Plan will take into account Plan Compensation (as defined in Section 1.72) for the Plan Year. The Employer may designate under AA §6-4(a) alternative periods for determining the allocation of Employer Contributions. If alternative periods are designated under AA §6-4(a), a Participant’s allocation of Employer Contributions will be determined separately for each designated period based on Plan Compensation earned during such period. If an alternative period is designated under AA §6-4(a), the Employer need not actually make the Employer Contribution during the designated period, provided the total Employer Contribution for the Plan Year is allocated based on the proper Plan Compensation. (If the permitted disparity allocation method applies under AA §6-2(b), the allocation will be based on the Plan Year.)

If the Employer maintains any other qualified plan(s) which cover any Participants under this Plan, the Employer may elect under AA §6-4(c) to reduce such Participants’ allocation under this Plan to take into account the benefits provided under the Employer’s other qualified plan(s). The Employer describe how the offset will be applied under AA §6-4(c)(2).

(i) Discretionary Employer Contribution. If a discretionary contribution is selected under AA §6-2(a), the Employer may decide on an annual basis how much (if any) it wishes to contribute to the Plan as an Employer Contribution. If the Employer elects to make a discretionary contribution, such amount may be allocated under the pro rata, permitted disparity, Employee group, age-based or uniform points allocation method (as selected in AA §6-3).
(A) **Pro rata allocation formula.** Under the pro rata allocation formula, a pro rata share of the Employer Contribution is allocated to each Participant’s Employer Contribution Account. A Participant’s pro rata share may be determined based on the ratio such Participant's Plan Compensation bears to the total Plan Compensation of all Participants or as a uniform dollar amount, as designated in AA§6-3(a).

(B) **Permitted disparity allocation formula.** Under the permitted disparity allocation formula, the Employer Contribution is allocated to Participants’ Employer Contribution Accounts using a two-step method. The Employer may not elect the permitted disparity allocation formula under the Plan if the Employer maintains another qualified plan, covering any of the same Employees, which uses permitted disparity in determining the allocation of contributions or the accrual of benefits under such plan.

(I) **Two-step method.** Under the two-step method, the discretionary Employer Contribution is allocated under the following method:

(a) **Step one.** The Employer Contribution is allocated to each Participant’s Employer Contribution Account in the ratio that the sum of each Participant’s Plan Compensation plus Excess Compensation (as defined in subsection (II) below) bears to the sum of the total Plan Compensation plus Excess Compensation of all Participants, but not in excess of the Maximum Disparity Rate (as defined in subsection (IV) below).

(b) **Step two.** Any Employer Contribution remaining after the allocation in subsection (a) above one will be allocated in the ratio that each Participant’s Plan Compensation bears to the total Plan Compensation of all Participants.

(II) **Excess Compensation.** The amount of Plan Compensation that exceeds the Integration Level.

(III) **Integration Level.** The Taxable Wage Base, unless specified otherwise under AA §6-3(c)(1).

(IV) **Maximum Disparity Rate.** The Maximum Disparity Rate is the maximum amount that may be allocated with respect to Excess Compensation. Unless provided otherwise under AA §6-3(c)(2), the maximum amount that may be allocated as a percentage of Plan Compensation and Excess Compensation under step one of the two-step allocation method under subsection (I) above, may not exceed the following percentage:

<table>
<thead>
<tr>
<th>Integration Level (as a percentage of the Taxable Wage Base)</th>
<th>Maximum Disparity Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>5.7%</td>
</tr>
<tr>
<td>More than 80% but less than 100%</td>
<td>5.4%</td>
</tr>
<tr>
<td>More than 20% and not more than 80%</td>
<td>4.3%</td>
</tr>
<tr>
<td>20% or less</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

The Employer may elect to apply a greater Maximum Disparity Rate under AA §6-3(c)(2).

(V) **Taxable Wage Base.** The maximum amount of wages that are considered for Social Security purposes as in effect at the beginning of the Plan Year.

(C) **Uniform points allocation.** Under the uniform points allocation, the Employer will allocate the discretionary Employer Contribution on the basis of each Participant’s total points for the Plan Year, as determined under AA §6-3(d). A Participant’s allocation of the Employer Contribution is determined by multiplying the Employer Contribution by a fraction, the numerator of which is the Participant’s total points for the Plan Year and the denominator of which is the sum of the points for all Participants for the Plan Year.
A Participant will receive points for each year(s) of age and/or each Year(s) of Service designated under AA §6-3(d). In addition, a Participant also may receive points based on his/her Plan Compensation. Each Participant will receive the same number of points for each designated year of age and/or service and the same number of points for each designated level of Plan Compensation.

(D) **Employee group allocation.** Under the Employee group allocation method, the Employer may make a different discretionary contribution to each Participant’s Employer Contribution Account based on the Employee allocation groups designated under AA §6-3(e). The Employer Contribution made for an allocation group will be allocated as a uniform percentage of Plan Compensation or as a uniform dollar amount. If the Employer Contribution is allocated as a percentage of Plan Compensation, the amount that will be allocated to each Participant within an allocation group is determined by multiplying the Employer Contribution made for that allocation group by the following fraction:

\[
\frac{\text{Participant's Plan Compensation}}{\text{Plan Compensation of all Participants in the allocation group}}
\]

Alternatively, the Employer may set forth in the description of the Employee groups under AA §6-3(e)(2) a fixed contribution amount for a designated Employee group. If a fixed contribution is provided for a specific Employee group, the amount designated as the fixed contribution will be allocated to each Participant within the designated Employee group.

The Employer must designate how much of the Employer Contribution is made for each of the Employee allocation groups and whether such amounts are allocated on the basis of Plan Compensation or as a uniform dollar amount. The portion of the Employer Contribution designated for a specific allocation group will be allocated only to Participants within that allocation group. If a Participant is in more than one allocation group during the Plan Year, the Participant will receive an Employer Contribution based on the Participant’s status on the last day of the Plan Year. In the event a Participant is in two or more allocation groups on the last day of the Plan Year, the Participant will receive an Employer Contribution based on the first allocation group listed under AA §6-3(e)(2) in which the Participant is a part. The Employer can provide for a different treatment of Employees in multiple groups under AA §6-3(e)(3)(i).

(E) **Age-based allocation formula.** Under the age-based allocation formula, the Employer will allocate the discretionary Employer Contribution on the basis of each Participant’s adjusted Plan Compensation. For this purpose, a Participant’s adjusted Plan Compensation is determined by multiplying the Participant’s Plan Compensation by an Actuarial Factor. A Participant’s Actuarial Factor is determined based on standard actuarial assumptions using a testing age that is the later of Normal Retirement Age or the Employee’s current age. Unless designated otherwise under AA §6-3(f), a Participant’s Actuarial Factor is determined based on an 8.5% interest rate and the UP-1984 mortality table. (See Appendix A of the Plan for the Actuarial Factors associated with an 8.5% interest rate and the UP-1984 mortality table and a testing age of 65. If an interest rate other than 8.5% or a mortality table other than the UP-1984 mortality table is selected under AA §6-3(f), or if a testing age other than age 65 is used, the Plan must determine the appropriate Actuarial Factors based on the designated interest rate, mortality table and testing age.)

(ii) **Fixed Employer Contribution.** The Employer may elect under AA §6-2(b) to make a fixed contribution to the Plan. The Employer may elect under AA §6-2(b)(1) or (2) to make a fixed contribution as a designated percentage of Plan Compensation or as a uniform dollar amount. If a fixed contribution is selected under AA §6-2(b)(1) or (2), the Employer Contribution will be allocated under the fixed contribution formula under AA §6-3(b) in accordance with the selections made in AA §6-2(b).

(iii) **Service-based Employer Contribution.** If elected in AA §6-2(c), the Employer may make a contribution based on an Employee’s service with the Employer during the Plan Year (or other period designated under AA §6-4(a)). The Employer may elect to make the service-based contribution as a discretionary contribution or as a fixed contribution. Any such contribution will be allocated on the basis of Participants’ Hours of Service, weeks of employment or other measuring period selected under AA §6-2(c). The Employer Contribution will be allocated under the service-based allocation formula under AA §6-3(g).
(iv) **Frozen Plan.** The Employer may designate under AA §2-5 that the Plan is a frozen Plan. As a frozen Plan, the Employer will not make any Employer Contributions with respect to Plan Compensation earned after the date identified in AA §2-5. If the Plan holds any unallocated forfeitures at the time the Plan is frozen, such forfeitures may be allocated to all eligible Participants in accordance with Section 6.11 in the year the Plan is frozen, regardless of any contrary selections under AA §8-7.

(2) **Matching Contributions.** The Employer may elect under AA §6A of the Profit Sharing Plan Adoption Agreement to authorize Matching Contributions under the Plan. The Employer may elect to provide Matching Contributions with respect to After-Tax Employee Contributions or Employer Pick-Up Contributions authorized under AA §6-6 or with respect to Elective Deferrals under another plan, 457(b) plan or 403(b) plan maintained by the Employer. If the Employer elects to make a Matching Contribution based on the Employee’s Elective Deferrals or Roth Deferrals under another plan, 457(b) plan or 403(b) plan, the Employer shall make a Matching Contribution on behalf of any Eligible Participant who makes Elective Deferrals or Roth Deferrals to the plan designated under AA §6A-3(b). Any such Matching Contribution made to the Plan will be allocated under the formula elected in AA §6A-2. Any such Matching Contributions will be in addition to any Matching Contributions made with respect to After-Tax Employee Contributions or Employer Pick-Up Contributions under the Plan.

If the Employer elects more than one Matching Contribution formula under AA §6A-2, each formula is applied separately. A Participant’s aggregate Matching Contributions will be the sum of the Matching Contributions under all such formulas. Any Matching Contribution made under the Plan will be allocated to Participants’ Matching Contribution Account. To receive an allocation of Matching Contributions, a Participant must satisfy any allocations conditions designated under the Plan, as described in Section 3.07 below.

(i) **Period for determining Matching Contributions.** AA §6A-5 sets forth the period for which the Matching Contribution formula(s) applies. For this purpose, the period designated in AA §6A-5 applies for purposes of determining the amount of Elective Deferrals (and After-Tax Employee Contributions or Employer Pick-Up Contributions, if applicable) taken into account in applying the Matching Contribution formula(s) and in applying any limits on the amount of Elective Deferrals, After-Tax Employee Contributions or Employer Pick-Up Contributions that may be taken into account under the Matching Contribution formula(s). (See subsection (ii) for rules applicable to true-up contributions where the Employer contributes Matching Contributions to the Plan on a different period than selected under AA §6A-5.)

(ii) **True-up contributions.** If the Employer makes Matching Contributions more frequently than annually, the Employer may have to make true-up contributions for Participants. Such true-up contributions will be required if the Employer actually contributes Matching Contributions to the Plan on a more frequent basis than is used for purposes of determining the amount of Salary Deferrals taken into account under AA §6A-5. If a true-up contribution is required under this subsection (ii), the Employer may make such additional contribution as required to satisfy the contribution requirements under the Plan.

(b) **Employer Contribution formulas (Money Purchase Plan).** The Employer may elect under AA §6 of the Money Purchase Plan Adoption Agreement to make any of the following Employer Contributions. Each Participant will receive an allocation of Employer Contributions equal to the amount determined under the contribution formula elected under AA §6-2. Any reference to the Adoption Agreement under this subsection (b) is a reference to the Money Purchase Plan Adoption Agreement. To receive an allocation of Employer Contributions, a Participant must satisfy any allocations conditions designated under the Plan, as described in Section 3.07 below.

In determining the amount of Employer Contributions to be allocated to Participants under the Plan, the Plan will take into account Plan Compensation (as defined in Section 1.72) for the Plan Year. The Employer may designate under AA §6-4 alternative periods for determining the allocation of Employer Contributions. If alternative periods are designated under AA §6-4, a Participant’s allocation of Employer Contributions will be determined separately for each designated period based on Plan Compensation earned during such period. If an alternative period is designated under AA §6-4, the Employer need not actually make the Employer Contribution during the designated period, provided the total Employer Contribution for the Plan Year is allocated based on the proper Plan Compensation. (If the permitted disparity allocation method applies under AA §6-2(b), the allocation will be based on the Plan Year.)

If the Employer maintains any other qualified plan(s) which cover any Participants under this Plan, the Employer may elect under AA §6-3(b) to reduce such Participants’ allocation under this Plan to take into account the benefits provided under the Employer’s other qualified plan(s). The Employer may describe under AA §6-3(b)(2) how the offset will be applied.
(1) **Uniform Employer Contribution.** If elected under AA §6-2(a), the Employer will make a contribution to each Participant under the Plan as a uniform percentage of Plan Compensation or as a uniform dollar amount, as designated in AA §6-2(a).

(2) **Permitted disparity contribution formula.** If elected under AA §6-2(b), the Employer will make a permitted disparity contribution to each Participant using either the individual or group method. The Employer may not elect the permitted disparity contribution formula under the Plan if the Employer maintains another qualified plan, covering any of the same Employees, which uses permitted disparity in determining the allocation of contributions or the accrual of benefits under such plan.

(i) **Individual method.** Under the individual method, each Participant will receive an allocation of the Employer Contribution equal to the amount determined under the contribution formula under AA §6-2(b)(1). A Participant may not receive an allocation with respect to Excess Compensation that exceeds the Maximum Disparity Rate.

(A) **Excess Compensation.** The amount of Plan Compensation that exceeds the Integration Level.

(B) **Integration Level.** The Taxable Wage Base, unless specified otherwise under AA §6-2(b)(3).

(C) **Maximum Disparity Rate.** The Maximum Disparity Rate is the maximum amount that may be allocated with respect to Excess Compensation under the permitted disparity formula. Unless provided otherwise under AA §6-2(b)(3), the maximum amount that may be allocated as a percentage of Plan Compensation and Excess Compensation is the following percentage:

<table>
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</table>

The Employer may elect to apply a greater Maximum Disparity Rate under AA §6-2(b)(3)(ii).

(D) **Taxable Wage Base.** The maximum amount of wages that are considered for Social Security purposes as in effect at the beginning of the Plan Year.

(ii) **Group method.** Under the group method, the Employer contributes a fixed percentage of total Plan Compensation of all Participants. The Employer Contribution is then allocated under the two-step method (as described in subsection (a)(1)(i)(B)(1) above). In determining Excess Compensation, the Integration Level is the Taxable Wage Base, unless designated otherwise under AA §6-2(b)(3).

(3) **Employee group contribution formula.** Under the Employee group contribution formula, the Employer may make a different contribution to each Participant’s Employer Contribution Account based on the designated Employee groups identified under AA §6-2(c).

The Employer Contribution made for a designated Employee group will be allocated to each eligible Participant in such group as a uniform percentage of Plan Compensation or as a uniform dollar amount, as designated in AA §6-2(c)(2). The Employer also may elect to allocate an amount to each eligible Participant in a designated Employee group the maximum amount permissible under Code §415. See Section 5.02.

The Employee groups designated in AA §6-2(c) must be clearly defined in a manner that will not violate the definite determinable requirement of Treas. Reg. §1.401-1(b)(1)(ii). The portion of the Employer Contribution designated for a specific Employee group will be allocated only to Participants within that group. If a Participant is in more than one Employee group during the Plan Year, the Participant will receive an Employer Contribution based on the Participant’s status on the last day of the Plan Year. In the event a Participant is in two or more Employee groups on the last day of the Plan Year, the Participant will receive an Employer Contribution based on the first Employee group listed under AA §6-2(c) in which the Participant is a part. The Employer can provide for a different treatment of Employees in multiple groups as part of the group description in AA §6-2(c)(1).
(4) **Age-based contribution formula.** Under the age-based contribution formula, the Employer will contribute a specific percentage of each Participant’s adjusted Plan Compensation. For this purpose, a Participant’s adjusted Plan Compensation is determined by multiplying the Participant’s Plan Compensation by an Actuarial Factor. A Participant’s Actuarial Factor must be determined based on standard actuarial assumptions using a testing age that is the later of Normal Retirement Age or the Employee’s current age. Unless designated otherwise under AA §6-2(d), a Participant’s Actuarial Factor is determined based on an 8.5% interest rate and the UP-1984 mortality table. (See Appendix A of the Plan for the Actuarial Factors associated with an 8.5% interest rate and the UP-1984 mortality table and a testing age of 65. If an interest rate other than 8.5% or a mortality table other than the UP-1984 mortality table is selected under AA §6-2(d), or if a testing age other than age 65 is used, the Plan must determine the appropriate Actuarial Factors based on the designated interest rate, mortality table and testing age.)

(5) **Service-based Employer Contribution.** If elected in AA §6-2(e), the Employer will make a contribution based on an Employee’s service with the Employer during the Plan Year (or other period designated under AA §6-4.) The Employer Contribution will be allocated on the basis of Participants’ Hours of Service, weeks of employment or other measuring period selected under AA §6-2(e).

(6) **Frozen Plan.** The Employer may designate under AA §2-5 that the Plan is a frozen Plan. As a frozen Plan, the Employer will not make any Employer Contributions with respect to Plan Compensation earned after the date identified in AA §2-5. If the Plan holds any unallocated forfeitures at the time of the termination, such forfeitures may be allocated to all eligible Participants in accordance with Section 6.11 in the year of the termination, regardless of any contrary selections under AA §8-5.

(c) **Contribution formulas (Grandfathered 401(k) Plan).** If the Employer is eligible to maintain a Grandfathered 401(k) Arrangement (as defined under Section 2-3(b)), the Employer may elect under the Adoption Agreement to make Employer Contributions, Matching Contributions and/or Salary Deferrals. Any reference to the Adoption Agreement under this subsection (c) is a reference to the Grandfathered 401(k) Plan Adoption Agreement.

(1) **Employer Contributions.** An Employer may designate under AA §6 of the Grandfathered 401(k) Plan Adoption Agreement the amount of Employer Contributions that may be made under the Plan. The same rules apply with respect to Employer Contributions under the Grandfathered 401(k) Arrangement as apply under the Profit Sharing Plan, as set forth under subsection (a), above. If the Employer elects more than one Employer Contribution formula, each formula is applied separately. The Employer’s aggregate Employer Contribution for a Plan Year will be the sum of the Employer Contributions under all such formulas.

(2) **Salary Deferrals.** The Employer may elect under AA §6A of the Grandfathered 401(k) Plan Adoption Agreement to authorize Participants to make Salary Deferrals under the Plan. A Participant’s total Salary Deferrals may not exceed the lesser of any limitation designated under AA §6A-2, the Elective Deferral Dollar Limit described under Section 5.03, or the amount permitted under the Code §415 Limitation described under Section 5.02. The Employer may elect under AA §6A-2(b) of the Grandfathered 401(k) Plan Adoption Agreement to apply a different limit on Salary Deferrals to the extent such Salary Deferrals are withheld from a Participant’s bonus payments.

(i) **Salary Deferral Election.** In order to make Salary Deferrals under the Plan, a Participant must enter into a Salary Deferral Election which authorizes the Employer to withhold a specific dollar amount or a specific percentage from the Participant’s Plan Compensation. The Salary Reduction Agreement may permit a Participant to specify a different percentage or dollar amount be withheld from specified components of Plan Compensation, such as base pay, bonuses, commissions, etc. In addition, the Salary Deferral Election may provide that the Employee’s deferral election will increase by a designated amount unless the Employee affirmatively elects otherwise. The Employer will deposit any amounts withheld from a Participant’s Plan Compensation as Salary Deferrals into the Participant’s Salary Deferral Account under the Plan. A Salary Deferral Election may only relate to Plan Compensation that is not currently available at the time the Salary Deferral Election is completed. In determining the amount to be withheld from a Participant’s Plan Compensation, a Salary Deferral election may be rounded to the next highest or lowest whole dollar amount.

The Employer may designate under AA §6A-8 of the Grandfathered 401(k) Plan Adoption Agreement to apply a special effective date as of which Participants may begin making Salary Deferrals under the Plan. Regardless of any special effective date designated under AA §6A-8, a Salary Deferral Election may not be effective prior to the later of:

(A) the date the Employee becomes a Participant;
(B) the date the Participant executes the Salary Deferral Election; or

(C) the date the Plan is first adopted or effective.

In addition, Salary Deferrals made pursuant to a Salary Deferral Election may not be made earlier than the date the Participant performs the services to which such Salary Deferrals relate or the date the compensation subject to such Salary Deferral Election would be currently available to the Participant absent the deferral election (if earlier). Regardless of when a Participant elects to commence making Salary Deferrals, the Employer may delay commencement for a reasonable period of time in order to implement the Salary Deferral election.

A Salary Deferral Election is valid even though it is executed by an Employee before he/she actually has qualified as a Participant, so long as the Salary Deferral Election is not effective before the date the Employee is a Participant.

(ii) Change in deferral election. An Employee must be permitted to enter into a new Salary Deferral Election or to modify or terminate an existing Salary Deferral Election at least once a year. The Employer may designate additional dates on the Salary Deferral Election form (or other written procedures) as to when a Participant may modify or terminate a Salary Deferral Election. Alternatively, the Employer may designate under AA §6A-6 of the Grandfathered 401(k) Plan Adoption Agreement specific dates for a Participant to modify or terminate an existing Salary Deferral Election. Any election to modify or terminate a Salary Deferral Election will take effect within a reasonable period following such election and will apply only on a prospective basis. Regardless of any specific dates designated under AA §6A-6, the Employer may allow an Employee to increase his/her deferral election up to the Elective Deferral Dollar Limit at any time during the last two months of the Plan Year.

(iii) Automatic Contribution Arrangement. The Employer may elect under AA §6A-7 of the Grandfathered 401(k) Plan Adoption Agreement to provide for an automatic deferral election under the Plan. If the Employer elects to apply an automatic deferral election, the Employer will automatically withhold the amount designated under AA §6A-7 from Participants’ Plan Compensation, unless the Participant completes a Salary Deferral Election electing a different deferral amount (including a zero deferral amount). Unless provided otherwise under AA §6A-7, an Employee who is automatically enrolled under a prior plan document will continue to be automatically enrolled under the current Plan document.

(A) Automatic increase. The Plan may provide under AA §6A-7 of the Grandfathered 401(k) Plan Adoption Agreement that the automatic deferral amount will automatically increase by a designated percentage each Plan Year. Unless designated otherwise under AA §6A-7(a)(4), in applying any automatic deferral increase under AA §6A-7, the initial deferral amount will apply for the period that begins when the employee first participates in the automatic contribution arrangement and ends on the last day of the following Plan Year. The automatic increase will apply for each Plan Year beginning with the Plan Year immediately following the initial deferral period and for each subsequent Plan Year.

(B) Annual notice requirement. Each eligible Employee must receive a written notice describing the Participant’s rights and obligations under the Plan which is sufficiently accurate and comprehensive to apprise the Employee of such rights and obligations, and is written in a manner calculated to be understood by the average Plan Participant. The annual notice only needs to be provided to those Employees who are covered under the Automatic Contribution Arrangement. If it is impractical to provide the annual notice to a newly eligible Participant before the date such individual becomes eligible to participate under the Plan, the notice will be treated as timely if it is provided as soon as practicable after such date and the Employee is permitted to defer from Plan Compensation earned beginning on the date of participation.

(C) Timing of annual notice. The annual notice must be provided within a reasonable period before the beginning of each Plan Year (or, in the year an Employee becomes an eligible Employee, within a reasonable period before the Employee becomes an eligible Employee). In addition, a notice satisfies the timing requirements only if it is provided sufficiently early so that the Employee has a reasonable period of time after receipt of the notice and before the first Salary Deferral made under the arrangement to make an alternative deferral election. The annual notice will be deemed timely if it is provided to each eligible Employee at least 30 days (and no more than 90 days) before the beginning of each Plan Year. In the case of an Employee who does not
receive the notice within such period because the Employee becomes an eligible Employee after the 90th day before the beginning of the Plan Year, the timing requirement is deemed to be satisfied if the notice is provided no more than 90 days before the Employee becomes an eligible Employee (and no later than the date the Employee becomes an eligible Employee).

(D) **Timing of automatic deferral.** Generally, the automatic deferral will commence as of the date the Employee is otherwise eligible to make Salary Deferrals under the Plan, if the Employee had completed a Salary Deferral Election. However, the automatic deferral will be treated as timely if the automatic deferral commences no later than the earlier of the pay date for the second payroll period or the pay date that occurs at least 30 days following the later of:

(I) the date on which the Employee first becomes an Eligible Employee (or becomes an Eligible Employee following a rehire); or

(II) the date on which such Employee is provided notice of the automatic deferral,

but in no event later than the time period prescribed in Code §410(a) or any other regulations thereunder.

(E) **Permissible Withdrawals.** If so elected under AA §6A-7(b) of the Grandfathered 401(k) Plan Adoption Agreement, effective for Plan Years beginning on or after January 1, 2008, any Employee who has Salary Deferrals contributed to the Plan pursuant to an automatic deferral election may elect to withdraw such contributions (and earnings attributable thereto) in accordance with the requirements of this subsection (E). A permissible withdrawal under this subsection (E) may be made without regard to any elections under AA §10 and will not cause the Plan to fail the prohibition on in-service distribution applicable to Salary Deferrals under Section 7.10(c).

(I) **Amount of distribution.** A distribution satisfies the requirement of this subsection (E) if the distribution is equal to the amount of Salary Deferrals made pursuant to the automatic deferral election through the effective date of the withdrawal election (as described in subsection (III)) adjusted for allocable gains and losses as of the date of the distribution.

The distribution amount determined under this subsection (I) may be reduced by any generally applicable fees. However, the Plan may not charge a greater fee for a permissible distribution under this subsection (E) than applies with respect to other Plan distributions.

(II) **Timing of permissive withdrawal election.** An election to withdraw Salary Deferrals under this subsection (E) must be made no later than 90 days after the date of the first default Salary Deferral. The date of the first default Salary Deferral is the date that the Plan Compensation from which such Salary Deferrals are withheld would otherwise have been included in gross income. The Employer may designate an alternative period for making permissible withdrawals under AA §6A-7(b)(3).

(III) **Effective date of permissible withdrawal.** The effective date of a permissible withdrawal election cannot be later than the pay date for the second payroll period that begins after the election is made or, if earlier, the first pay date that occurs at least 30 days after the election is made. If an Employee does not make automatic deferrals to the Plan for an entire Plan Year (e.g., due to termination of employment), the Plan may allow such Employee to take a permissible withdrawal, but only with respect to default contributions made after the Employee’s return to employment.

(IV) **Consequences of permissible withdrawal.** Any amount distributed under this subsection (E) is includible in the Employee’s gross income for the taxable year in which the distribution is made. However, the portion of any distribution consisting of Roth Deferrals is not included in an Employee’s gross income a second time. In addition, a permissible withdrawal under this subsection (E) is not subject to any penalty tax under Code §72(t). Unless the Employee affirmatively elects otherwise, any withdrawal request will be treated as an affirmative election to stop having Salary Deferrals made on the Employee’s behalf as of the date specified in subsection (III) above.

(iv) **Catch-Up Contributions.** If permitted under AA §6A-4 of the Grandfathered 401(k) Plan Adoption Agreement, a Participant who is aged 50 or over by the end of his/her taxable year beginning in the calendar year may make Catch-Up Contributions, provided such Catch-Up Contributions are in excess
of an otherwise applicable limit under the Plan. For this purpose, an otherwise applicable Plan limit is a limit in the Plan that applies to Salary Deferrals without regard to Catch-up Contributions, such as a Plan-imposed Salary Deferral limit under AA §6A-2, the Code §415 Limitation (described in Section 5.02), or the Elective Deferral Dollar Limit (described in Section 5.03).

(A) **Catch-Up Contribution Limit.** Catch-up Contributions for a Participant for a taxable year may not exceed the Catch-Up Contribution Limit. The Catch-Up Contribution Limit for taxable years beginning in 2010 through 2014 is $5,500. For taxable years beginning after 2014, the Catch-Up Contribution Limit will be adjusted for cost-of-living increases under Code §414(v)(2)(C). The Employer may operationally limit Catch-Up Contributions so that a Participant’s total Catch-Up Contributions, when added to other Salary Deferrals, may not exceed 75 percent of the Participant’s Plan Compensation for the taxable year.

(B) **Special treatment of Catch-Up Contributions.** Catch-up Contributions are not subject to the Elective Deferral Dollar Limit or the Code §415 Limitation.

(v) **Roth Deferrals.** For Plan Years beginning on or after January 1, 2006, if permitted under AA §6A-5 of the Grandfathered 401(k) Plan Adoption Agreement, a Participant may designate all or a portion of his/her Salary Deferrals as Roth Deferrals. For this purpose, a Roth Deferral is a Salary Deferral that satisfies the following conditions.

(A) **Irrevocable election.** The Participant makes an irrevocable election (at the time the Participant enters into his/her Salary Deferral Election) designating all or a portion of his/her Salary Deferrals as Roth Deferrals. The irrevocable election applies with respect to Salary Deferrals that are made pursuant to such election. A Participant may modify or change a Salary Deferral Election to increase or decrease the amount of Salary Deferrals designated as Roth Deferrals, provided such change or modification applies only with respect to Salary Deferrals made after such change or modification. (See subsection (ii) above for rules regarding the timing of permissible changes or modifications to a Participant’s Salary Deferral Election.)

(B) **Subject to immediate taxation.** To the extent a Participant designates all or a portion of his/her Salary Deferrals as Roth Deferrals, such amounts will be includible in the Participant’s income at the time the Participant would have received the contribution amounts in cash if the Employee had not made the Salary Deferral election.

(C) **Separate account.** Any amounts designated as Roth Deferrals will be maintained by the Plan in a separate Roth Deferral Account. The Plan will credit and debit all contributions and withdrawals of Roth Deferrals to such separate Account. The Plan will separately allocate gains, losses, and other credits and charges to the Roth Deferral Account on a reasonable basis that is consistent with such allocations for other Accounts under the Plan. However, in no event may the Plan allocate forfeitures under the Plan to the Roth Deferral Account. The Plan will separately track Participants’ accumulated Roth Deferrals and the earnings on such amounts.

(D) **Satisfaction of Salary Deferral requirements.** Roth Deferrals are subject to the same requirements as apply to Salary Deferrals. Thus Roth Deferrals are subject to the following requirements:

(I) Roth Deferrals are always 100% vested, as provided in Section 6.01.

(II) Roth Deferrals are subject to the Elective Deferral Dollar Limit, as described in Section 5.03. For this purpose, all Salary Deferrals (both Pre-Tax Salary Deferrals and Roth Deferrals) are aggregated in applying the Elective Deferral Dollar Limit.

(III) Roth Deferrals are subject to the same distribution restrictions as apply to Salary Deferrals under Section 7.10(c). See Section 7.11(b) for special distribution provisions applicable to Roth Deferrals.

(IV) Roth Deferrals are subject to the required minimum distribution requirements under Code §401(a)(9), as set forth in Section 8.
(E) **Rollover of Roth Deferrals.**

(I) **Rollovers from this Plan.** For purposes of the rollover rules under Section 7.04, a Direct Rollover of a distribution from a Participant’s Roth Deferral Account will only be made to another Roth Deferral Account under a qualified plan described in Code §401(a) or an annuity contract or custodial account described in Code §403(b) or to a Roth IRA described in §408A, and only to the extent the rollover is permitted under the rules of Code §402(c).

(II) **Rollovers to this Plan.** Subject to the provisions under Section 3.05, a Participant may make a Rollover Contribution to his/her Roth Deferral Account only if the rollover is a Direct Rollover from another Roth Deferral Account under a qualified retirement plan (as described in Section 3.05) and only to the extent the rollover is permitted under the rules of Code §402(c). A rollover of Roth Deferrals may not be made to this Plan from a Roth IRA. Any rollover of Roth Deferrals to this Plan will be held in a separate Roth Rollover Account.

(III) **Minimum rollover amount.** The Plan will not provide for a Direct Rollover for distributions from a Participant's Roth Deferral Account if it is reasonably expected (at the time of the distribution) that the total amount the Participant will receive as a distribution during the calendar year will total less than $200. In addition, any distribution from a Participant's Roth Deferral Account is not taken into account in determining whether distributions from a Participant's other Accounts are reasonably expected to total less than $200 during a year.

(IV) **Separate treatment of Roth Deferrals.** The provisions under Section 7.04 that allow a Participant to elect a Direct Rollover of only a portion of an Eligible Rollover Distribution but only if the amount rolled over is at least $500 is applied by treating any amount distributed from the Participant’s Roth Deferral Account as a separate distribution from any amount distributed from the Participant's other Accounts in the Plan, even if the amounts are distributed at the same time.

(3) **Matching Contributions.** The Employer may elect under AA §6B of the Grandfathered 401(k) Plan Adoption Agreement to authorize Matching Contributions under the Plan. If the Employer elects more than one Matching Contribution formula under AA §6B-2, each formula is applied separately. A Participant’s aggregate Matching Contributions will be the sum of the Matching Contributions under all such formulas. Any Matching Contribution made under the Plan will be allocated to Participants’ Matching Contribution Account. To receive an allocation of Matching Contributions, a Participant must satisfy any allocations conditions designated under the Plan, as described in Section 3.07 below.

(i) **Contributions eligible for Matching Contributions.** The Matching Contribution formula(s) apply to Salary Deferrals, Catch-Up Contributions, After-Tax Employee Contributions and/or Employer Pick-Up Contributions made under the Plan, to the extent authorized under the Adoption Agreement. In addition, the Employer may elect under AA §6B-3(g) to match Elective Deferrals under another qualified plan, 403(b) plan or 457(b) plan maintained by the Employer. If the Employer elects to make a Matching Contribution based on the Employee’s Elective Deferrals or Roth Deferrals under another qualified plan, the Employer shall make a Matching Contribution on behalf of any eligible Participant who makes Elective Deferrals or Roth Deferrals to the plan designated under AA §6B-3(g). Any such Matching Contribution made to the Plan will be allocated in accordance with any special provisions added under AA §6B-3(b). Any such Matching Contributions will be in addition to any Matching Contributions made with respect to Salary Deferrals, After-Tax Employee Contributions, Catch-Up Contributions and/or Employer Pick-Up Contributions under this Plan.

(ii) **Period for determining Matching Contributions.** AA §6B-5 sets forth the period for which the Matching Contribution formula(s) applies. For this purpose, the period designated in AA §6B-5 applies for purposes of determining the amount of Salary Deferrals, Catch-Up Contributions, After-Tax Employee Contributions, and/or Employer Pick-Up Contributions taken into account in applying the Matching Contribution formula(s) and in applying any limits on the amount of Salary Deferrals that may be taken into account under the Matching Contribution formula(s). (See subsection (iii) for rules applicable to true-up contributions where the Employer contributes Matching Contributions to the Plan on a different period than selected under AA §6B-5.)

If the Employer elects a discretionary Matching Contribution under the Plan, the Employer may elect to make a different Matching Contribution for each period for which Matching Contributions are determined under the Plan. Thus, for example, if the discretionary Matching Contribution is based on the...
Plan Year quarter, the Employer may elect to make a different level of Matching Contribution for each Plan Year quarter. The Matching Contribution for the full Plan Year must be taken into account in applying the ACP Test with respect to such Plan Year.

(iii) **True-up contributions.** If the Employer makes Matching Contributions more frequently than annually, the Employer may have to make true-up contributions for Participants. True-up contributions will be required if the Employer actually contributes Matching Contributions to the Plan on a more frequent basis than the period that is used to determine the amount of the Matching Contributions under AA §6B-5. For example, if Matching Contributions apply with respect to Salary Deferrals made for the Plan Year, but the Employer contributes the Matching Contributions on a quarterly basis, the Employer may have to make a true-up contribution to any Participant based on Salary Deferrals for the Plan Year. If a true-up contribution is required under this subsection (iii), the Employer may make such additional contribution as required to satisfy the contribution requirements under the Plan. If true-up contributions will not be made for any Participant under the Plan, payroll period should be selected under AA §6B-5(a).

If Matching Contributions are determined on a period other than the Plan Year, the Employer may make an additional discretionary Matching Contribution equal to the true-up contribution that would otherwise be required if Matching Contributions were determined on a Plan Year basis. If an additional discretionary Matching Contribution is made under this subsection (iii), such contribution must be provided to all eligible Participants who would otherwise be entitled to a true-up contribution based on Plan Compensation for the Plan Year.

### 3.03 Employer Pick-Up Contributions

**Employer Pick-Up Contributions.** The Employer may elect under AA §6-6(c) to make Employer Pick-Up Contributions. A Employer Pick-Up Contribution is a contribution made by an Employee that is “picked up” by the Employer in accordance with Code §414(h)(2). If the Employer elects to provide Employer Pick-Up Contributions under AA §6-6(c), a Participant who meets the eligibility requirements of AA §4-1 shall be deemed to have authorized the Employer to deduct the amount designated under AA §6-6(c) from the Participant’s Plan Compensation prior to payment. Contributions picked-up under this Section 3.03 will be withheld from the Employee’s compensation and deposited into the Participant's Employer Pick-up Contribution Account. Contributions that are picked up under this Section 3.03 will be treated as Employer Contributions under the Plan and such contributions and earnings thereon will be 100% vested at all times.

To constitute an Employer Pick-Up Contribution under this Section 3.03, the Employer must:

(a) specify that the contributions, although designated as Employee contributions, are being paid by the Employer in lieu of contributions by the Employee,

(b) take the action necessary to effectuate the pick-up, which must be completed before the period to which such contributions relate,

(c) exclude from the Employee's gross income the contributions picked up by the Employer until such time as they are distributed to the Employee, and

(d) prohibit an Employee from opting out of the Employer Pick-up Contribution and prohibit the receipt of the contributed amounts directly instead of having them paid by the Employer to the Plan.

To satisfy the requirements of this Section 3.03, the Employer Pick-Up Contributions must be effectuated by a person duly authorized to take such action with respect to the Employer and must be evidenced by a contemporaneous written document, such as minutes from a meeting, a resolution, an ordinance or this Plan document. Any Participating Employee may not enter into a cash or deferred election (within the meaning of Treas. Reg. § 1.401(k)-1(a)(3)) with respect to the designated Employee contributions, at any time from or after the date of the implementation of the Employer Pick-Up Contribution. For example, a Participant may not opt out of the Employer Pick-Up Contribution or receive the contributed amounts directly instead of having them paid by the Employer into the Plan.

### 3.04 After-Tax Employee Contributions

**After-Tax Employee Contributions.** The Employer may elect under AA §6-6 to allow Participants to make After-Tax Employee Contributions under the Plan. If permitted under AA §6-6, a Participant’s compensation will be reduced by the amount the Participant elects to contribute as an After-Tax Employee Contribution. The After-Tax Employee Contributions may be Voluntary After-Tax Employee Contributions as designated under AA §6-6(a) or may be Mandatory After-Tax Employee Contributions as designated under AA §6-6(b). Any After-Tax Employee Contributions made under the Plan will be held in Participants’ After-Tax Employee Contribution Account, which is always 100% vested.

A Participant may increase, decrease, discontinue or resume his/her After-Tax Employee Contributions as designated under AA §6-6. An Employee must be permitted to modify or terminate an existing After-Tax Employee Contribution election at least once a year. The Employer may designate additional dates on the After-Tax Employee Contribution election form (or other...
written procedures) as to when a Participant may commence, modify or terminate After-Tax Employee Contributions. Alternatively, the Employer may designate under AA §6-6(a)(2) specific dates as of which a Participant may commence, modify or terminate Voluntary After-Tax Employee Contributions. Any election to modify or terminate an After-Tax Employee Contribution election will take effect within a reasonable period following such election and will apply only on a prospective basis.

A Participant may withdraw amounts from his/her After-Tax Employee Contribution Account at any time, in accordance with the distribution rules under Section 7.10(a), except as otherwise provided under AA §10. No forfeitures will occur solely as a result of an Employee’s withdrawal of After-Tax Employee Contributions. The Employer may collect Participants' After-Tax Employee Contributions using payroll reduction or other collection procedures. The Employer may designate in AA §6-6(a)(3) or AA §6-6(b)(2), as applicable, or in separate administrative procedures any special rules regarding the acceptance of After-Tax Employee Contributions. Any separate procedures will apply uniformly to all Participants under the Plan.

3.05 **Rollover Contributions.** An Employee (or former Employee) may make a Rollover Contribution to this Plan from a qualified retirement plan or from an IRA, if the acceptance of rollovers is permitted under AA §C-2 or if the Plan Administrator adopts administrative procedures regarding the acceptance of Rollover Contributions. Subject to the provisions under Section 3.02(c)(2) and (v)(E) relating to rollovers of Roth Deferrals, any Rollover Contribution an Employee (or former Employee) makes to this Plan will be held in the Employee’s Rollover Contribution Account, which is always 100% vested. A Participant may withdraw amounts from his/her Rollover Contribution Account at any time, in accordance with the distribution rules under Section 7, except as prohibited under AA §10. Any amounts received as a Rollover Contribution under this Section 3.05 will not be treated as an Annual Addition for purposes of applying the Code §415 Limitation described in Section 5.02.

For purposes of this Section 3.05, a qualified retirement plan is a tax-qualified retirement plan described in Code §401(a) or Code §403(a), an annuity contract described in §403(b) of the Code, or an eligible plan under §457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state. To qualify as a Rollover Contribution under this Section, the Rollover Contribution must be transferred directly from the qualified retirement plan or IRA in a Direct Rollover or must be transferred to the Plan by the Employee within sixty (60) days following receipt of the amounts from the qualified plan or IRA.

If Rollover Contributions are permitted, an Employee (or former Employee) may make a Rollover Contribution to the Plan even if the Employee is not a Participant with respect to any or all other contributions under the Plan, unless otherwise prohibited under AA §C-2 or separate administrative procedures adopted by the Plan Administrator. An Employee who makes a Rollover Contribution to this Plan prior to becoming a Participant shall be treated as a Participant only with respect to such Rollover Contribution Account, but shall not be treated as a Participant with respect to other contribution sources under the Plan until he/she otherwise satisfies the eligibility conditions under the Plan. To the extent Participant loans are authorized under the Plan, a “limited Participant” under this paragraph may request a Participant loan from the Rollover Contribution Account, unless provided otherwise under AA §B-3 or separate administrative procedures adopted by the Plan Administrator.

The Plan Administrator may refuse to accept a Rollover Contribution if the Plan Administrator reasonably believes the Rollover Contribution:

(a) is not being made from a proper plan or IRA;

(b) is not being made within sixty (60) days from receipt of the amounts from a qualified retirement plan or IRA;

(c) could jeopardize the tax-exempt status of the Plan; or

(d) could create adverse tax consequences for the Plan or the Employer.

Prior to accepting a Rollover Contribution, the Plan Administrator may require the Employee to provide satisfactory evidence establishing that the Rollover Contribution meets the requirements of this Section.

The Plan Administrator may apply different conditions for accepting Rollover Contributions from qualified retirement plans and IRAs. For example, the Plan Administrator may decide in its discretion whether to accept a Direct Rollover of a loan note from another qualified plan. Any conditions on Rollover Contributions must be applied uniformly to all Employees under the Plan.

3.06 **Deductible Employee Contributions.** The Plan Administrator will not accept deductible employee contributions that are made for a taxable year beginning after December 31, 1986. Contributions made prior to that date will be maintained in a separate Account which will be nonforfeitable at all times. The Account will share in the gains and losses under the Plan in the same manner as described in Section 10.03(d). No part of the deductible voluntary contribution Account will be used to purchase life insurance. The Participant may withdraw any part of the deductible voluntary contribution Account by making a written application to the Plan Administrator.
3.07 **Allocation Conditions.** In order to receive an allocation of Employer Contributions and/or Matching Contributions, a Participant must satisfy any allocation conditions designated under the Adoption Agreement with respect to such contributions. If the Employer elects to apply a minimum service requirement for Employer Contributions and/or Matching Contributions, the Employer may elect to base such minimum service requirement on the basis of Hours of Service or on the basis of consecutive days of employment under the Elapsed Time method.

(a) **Special rule for year of termination.** A last day employment condition automatically applies for any Plan Year in which the Plan is terminated, regardless of whether the Employer has elected to apply a last day employment condition under the Adoption Agreement. If there are unallocated forfeitures at the time of Plan termination, such forfeitures will be allocated to Participants under the Plan’s procedures for allocating forfeitures.

(b) **Service with Predecessor Employers.** To the extent provided by the Employer under AA §4-5, if the Employer maintains the plan of a Predecessor Employer, any service with such Predecessor Employer is treated as service with the Employer for purposes of applying the allocation conditions under this Section 3.07.

3.08 **Contribution of Property.** Subject to the consent of the Trustee, the Employer may make its contribution to the Plan in the form of property.
SECTION 4
SPECIAL RULES AFFECTING GOVERNMENTAL PLANS AND INDIAN TRIBAL GOVERNMENT PLANS

4.01 Governmental Plan. Provided the Plan is properly adopted by an entity that meets the requirements for establishing and maintaining a Governmental Plan under Code §414(d), this Plan is a qualified plan under Code §401(a).

(a) Governmental Plan exemptions. As a Governmental Plan, this Plan is exempt from Title I of ERISA and certain qualification rules under Code §401(a), including:

(1) The minimum age and service rules under Code §410(a) and the minimum coverage rules under Code §410(b).

(2) The minimum vesting requirements of Code §411, including minimum vesting schedules, consent requirements for plan distributions, and the anti-cutback rule under Code §411(d)(6).

(3) The nondiscrimination requirements under Code §§401(a)(4), 401(k) and 401(m).

(4) The top-heavy rules under Code §416.

(5) The joint and survivor annuity rules under Code §401(a)(11) and 417.

(6) The requirements for protecting benefits pursuant to a plan merger or a transfer of plan assets and liabilities, as prescribed by Code §401(a)(12).

(7) The anti-assignment rule under Code §401(a)(13). However, the Code provisions relating to the taxability of benefits distributed pursuant to a Qualified Domestic Relations Order (QDRO) are applicable to benefits payable to an alternate payee under the QDRO. See Code §414(p)(11).

(8) The commencement of benefit requirements under Code §401(a)(14).

(9) The protections under Code §401(a)(19).

(b) Adoption Agreement elections. An Employer’s election of provisions similar to requirements applicable to plans covered under Title I of ERISA or to otherwise inapplicable qualification requirements under Code §401(a) will not affect the Plan’s status as a Governmental Plan under Section 1.53. Provided the Employer is qualified to maintain a Governmental Plan, the Plan remains exempt from ERISA and certain Code requirements as a Governmental Plan.

4.02 Plan of Indian Tribal Government Treated as Governmental Plan. A Plan established and maintained by:

(a) an Indian Tribal Government, as defined in Code §7701(a)(40),

(b) a subdivision of an Indian Tribal Government, determined in accordance with Code §7871(d), or

(c) an agency or instrumentality of either subsection (a) or (b)

is treated as a Governmental Plan, provided the conditions in this Section 4.02 are satisfied.

To qualify as a Governmental Plan, the Plan must cover only Employees substantially all of whose services are in the performance of essential government functions, but not in the performance of commercial activities (whether or not essential government functions). The interpretation of these conditions, including the meaning of essential government function and commercial activities, is determined under applicable regulations. Provided the requirements of this Sections 4.02 are satisfied, the Plan may include a cash or deferred arrangement as provided under Code §401(k).

4.03 FICA Replacement Plan. An Employee who satisfies the requirements as a Qualified Participant under subsection (b) will be exempt from FICA tax as provided under Code §3121(b)(7)(F) if the requirements under this Section 4.03 are satisfied. The Plan may be identified as a FICA Replacement Plan under AA §2-3(c).

(a) Minimum benefit requirement. The Plan must provide a minimum retirement benefit as set forth under this subsection (a). For this purpose, the Plan satisfies the minimum retirement benefit requirement with respect to an Employee if allocations to the Employee's Account (without regard to any earnings allocated to the Employee’s Account) are at least 7.5% of the Employee’s Plan Compensation for service with the Employer. Matching Contributions by the Employer may be taken into account for this purpose.
(1) **Definition of Plan Compensation.** The definition of Plan Compensation used in determining whether the minimum retirement benefit requirement under this subsection (a) is satisfied must be at least equal to the Employee's base pay, provided such designation is reasonable under all the facts and circumstances. Thus, the Employer may elect under AA §5-3 to exclude items such as overtime pay, bonuses, or fringe benefits. In addition, the Employer may elect under AA §5-3(l) to exclude any compensation in excess of the contribution base described in Code §3121(x) as of the beginning of the Plan Year.

(2) **Reasonable rate of earnings.** An Employee's Account must be credited with a reasonable rate of earnings. This requirement is satisfied if Employees' Accounts are held in a separate trust that is subject to general fiduciary standards and are credited with actual earnings under the Plan.

(3) **Employee Contributions.** Contributions from both the Employer and Employee may be used to make up the 7.5% allocation requirement under subsection (a). If the Plan only provides for Employee Contributions, the Plan will satisfy the minimum retirement benefit requirement under subsection (a) if the total Employee Contributions are at least 7.5% of Plan Compensation.

(b) **Qualified Participant.** An Employee is a Qualified Participant under the Plan with respect to the services performed on a given day if, on that day, the Employee has satisfied all conditions (other than vesting) for receiving an allocation under the Plan that meets the minimum retirement benefit requirement under subsection (a). An Employee will be a Qualified Participant on any day with respect to compensation earned during a period ending on that day and beginning on or after the beginning of the Plan Year, regardless of whether the allocations were made or accrued before the effective date of Code §3121(b)(7)(F).

(1) **Part-Time, Seasonal and Temporary Employees.** A Part-Time, Seasonal, or Temporary Employee is not a Qualified Participant on a given day unless any benefit relied upon to meet the minimum benefit requirement under subsection (a) is 100% vested. A Part-Time, Seasonal or Temporary Employee's benefit is considered 100% vested on a given day if on that day the Employee is unconditionally entitled to a single-sum distribution on account of death or separation from service of an amount that is at least equal to 7.5% of Plan Compensation for all periods of service taken into account in determining whether the Employee's benefit meets the minimum retirement benefit requirement under subsection (a).

(2) **Alternative lookback rule.** The Employer may elect to apply the alternative lookback rule described in Treas. Reg. §31.3121(b)(7)-2(d)(3) in determining whether an Employee is a Qualified Participant. Under the alternative lookback rule, an Employee may be treated as a Qualified Participant throughout a calendar year if the Employee is a Qualified Participant at the end of the Plan Year ending in the previous calendar year. For this purpose, if the alternative lookback rule is used, an Employee may be treated as a Qualified Participant on any given day during the first Plan Year of participation if it is reasonable on such day to believe that the Employee will be a Qualified Participant on the last day of such Plan Year.

(c) **Special rule for short period.** An Employee may not be treated as a Qualified Participant if Plan Compensation for less than a full plan year or other 12-month period is regularly taken into account in determining allocations to the Employee's Account for the Plan Year unless, under all of the facts and circumstances, such arrangement is not a device to avoid the imposition of FICA taxes. For example, an arrangement under which Plan Compensation taken into account under AA §5-3 is limited to the contribution base described in section 3121(x)(1) is not considered a device to avoid FICA taxes by reason of such limitation.
SECTION 5
LIMITS ON CONTRIBUTIONS

5.01 Limits on Employer Contributions. Any contributions the Employer makes under the Plan are subject to the limitations set forth in this Section 5.

(a) Limitation on total Employer Contributions. All Employer Contributions the Employer makes under the Plan are subject to the Code §415 Limitation, as described in Section 5.02 below. For purposes of applying the Code §415 Limitation, Employer Contributions include any Employer Contributions, Matching Contributions, or Salary Deferrals made under the Plan. See the definition of Annual Additions under Section 5.02(c)(1) below.

(b) Limitation on Salary Deferrals. If the Employer adopts the Grandfathered 401(k) Arrangement, any Salary Deferrals made under the Plan are subject to the Elective Deferral Dollar Limit, as described in Section 5.03 below.

5.02 Code §415 Limitation.

(a) No other plan participation. If the Participant does not participate in, and has never participated in another qualified retirement plan, a welfare benefit fund (as defined under Code §419(e)), an individual medical account (as defined under Code §415(l)(2)), or a SEP (as defined under Code §408(k)) maintained by the Employer which provides an Annual Addition as defined in subsection (c)(1), then the amount of Annual Additions which may be credited to the Participant’s Account for any Limitation Year will not exceed the lesser of the Maximum Permissible Amount or any other limitation contained in this Plan.

If an Employer Contribution that would otherwise be contributed or allocated to a Participant's Account will cause that Participant’s Annual Additions for the Limitation Year to exceed the Maximum Permissible Amount, the amount to be contributed or allocated to such Participant will be reduced so that the Annual Additions allocated to such Participant’s Account for the Limitation Year will equal the Maximum Permissible Amount. However, if a contribution or allocation is made to a Participant’s Account in an amount that exceeds the Maximum Permissible Amount, such excess Annual Additions may be corrected pursuant to the correction procedures outlined under the IRS’ Employee Plans Compliance Resolution System (EPCRS) as set forth in Rev. Proc. 2013-12.

(b) Participation in another plan. This subsection (b) applies if, in addition to this Plan, the Participant receives an Annual Addition during any Limitation Year from another Defined Contribution Plan, a welfare benefit fund (as defined under Code §419(e)), an individual medical account (as defined under Code §415(l)(2)), or a SEP (as defined under Code §408(k)) maintained by the Employer.

(1) This Plan’s Code §415 Limitation. The Annual Additions that may be credited to a Participant’s Account under this Plan for any Limitation Year will not exceed the Maximum Permissible Amount (defined in subsection (c)(6) below) reduced by the Annual Additions credited to a Participant’s Account under any other Defined Contribution Plan, welfare benefit fund, individual medical account, or SEP maintained by the Employer for the same Limitation Year.

(2) Annual Additions reduction. If the Annual Additions with respect to the Participant under any other Defined Contribution Plan, welfare benefit fund, individual medical account, or SEP maintained by the Employer are less than the Maximum Permissible Amount and the Annual Additions that would otherwise be contributed or allocated to the Participant’s Account under this Plan would exceed the Code §415 Limitation for the Limitation Year, the amount contributed or allocated will be reduced so that the Annual Additions under all such Plans and funds for the Limitation Year will equal the Maximum Permissible Amount. However, if a contribution or allocation is made to a Participant’s Account in an amount that exceeds the Maximum Permissible Amount, such excess Annual Additions may be corrected pursuant to the correction procedures outlined under the IRS’ Employee Plans Compliance Resolution System (EPCRS) as set forth in Rev. Proc. 2013-12.

(3) No Annual Additions permitted. If the Annual Additions with respect to the Participant under such other Defined Contribution Plan(s), welfare benefit fund(s), individual medical account(s), or SEP(s) in the aggregate are equal to or greater than the Maximum Permissible Amount, no amount will be contributed or allocated to the Participant’s Account under this Plan for the Limitation Year. However, if a contribution or allocation is made to a Participant’s Account in an amount that exceeds the Maximum Permissible Amount, such excess Annual Additions may be corrected pursuant to the correction procedures outlined under the IRS’ Employee Plans Compliance Resolution System (EPCRS) as set forth in Rev. Proc. 2013-12.
(c) **Definitions.**

(1) **Annual Additions.** The amounts credited to a Participant’s Account for the Limitation Year that are taken into account in applying the Code §415 Limitation, including:

(i) Employer Contributions, including Matching Contributions and Salary Deferrals;

(ii) After-Tax Employee Contributions;

(iii) Forfeitures;

(iv) Amounts allocated to an individual medical account (as defined in Code §415(l)(2)), which is part of a pension or annuity plan maintained by the Employer;

(v) Amounts derived from contributions paid or accrued which are attributable to post-retirement medical benefits allocated to the separate account of a key employee (as defined in Code §419A(d)(3)) under a welfare benefit fund (as defined in Code §419(e)) maintained by the Employer; and

(vi) Allocations under a SEP (as defined in Code §408(k)).

An Annual Addition is credited to a Participant’s Account for a particular Limitation Year if such amount is allocated to the Participant’s Account as of any date within that Limitation Year. An Annual Addition will not be deemed credited to a Participant’s Account for a particular Limitation Year unless such amount is actually contributed to the Plan no later than 30 days after the time prescribed by law for filing the Employer’s income tax return (including extensions) for the taxable year with or within which the Limitation Year ends. In the case of After-Tax Employee Contributions, such amount shall not be deemed credited to a Participant’s Account for a particular Limitation Year unless the contributions are actually contributed to the Plan no later than 30 days after the close of that Limitation Year.

(2) **Defined Contribution Dollar Limitation.** $40,000, as adjusted under Code §415(d).

(3) **Employer.** For purposes of this Section 5.02, Employer shall mean the Employer that adopts this Plan, and all members of a controlled group of corporations (as defined in §414(b) of the Code as modified by §415(h)), all commonly controlled trades or businesses (as defined in §414(c) of the Code as modified by §415(h)) or affiliated service groups (as defined in §414(m)) of which the adopting Employer is a part, and any other entity required to be aggregated with the Employer pursuant to regulations under §414(o) of the Code.

(4) **Excess Amount.** The excess of the Participant’s Annual Additions for the Limitation Year over the Maximum Permissible Amount.

(5) **Limitation Year.** The Plan Year, unless the Employer elects another 12-consecutive month period under AA §11-2(a). If the Limitation Year is amended to a different 12-consecutive month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made. If the Plan has an initial Plan Year that is less than 12 months, the Limitation Year for such first Plan Year is the 12-month period ending on the last day of that Plan Year, unless otherwise specified in AA §11-2(a).

If an Employer has multiple Limitation Years (e.g., due to the maintenance of multiple Defined Contribution Plans by a group of Related Employers), and a Participant is credited with Annual Additions in only one Defined Contribution Plan, the Code §415 Limitation is applied only with respect to that Plan. If a Participant is credited with Annual Additions in more than one Defined Contribution Plan, each such Plan satisfies the Code §415 Limitation based on Annual Additions for the Limitation Year with respect to such plan, plus any amounts credited to the Participant’s Account under all other plans required to be aggregated pursuant to Code §415(f).

(6) **Maximum Permissible Amount.** For Limitation Years beginning on or after January 1, 2002, the maximum Annual Additions that may be contributed or allocated to a Participant’s Account under the Plan for any Limitation Year shall not exceed the lesser of:

(i) the Defined Contribution Dollar Limitation, or

(ii) 100 percent of the Participant’s Total Compensation for the Limitation Year.

The Total Compensation limitation referred to in (ii) shall not apply to any contribution for medical benefits (within the meaning of Code §401(h) or §419A(f)(2)) which is otherwise treated as an Annual Addition.
If a short Limitation Year is created because of an amendment changing the Limitation Year to a different 12-consecutive month period, the Maximum Permissible Amount will not exceed the Defined Contribution Dollar Limitation multiplied by the following fraction:

\[
\text{Number of months in the short Limitation Year} \div 12
\]

If a short Limitation Year is created because the Plan has an initial Plan Year that is less than 12 months, no proration of the Defined Contribution Dollar Limitation is required, unless provided otherwise under AA §11-2(d). (See subsection (5) above for the rule allowing the use of a full 12-month Limitation Year for the first year of the Plan, thereby avoiding the need to prorate the Defined Contribution Dollar Limitation.)

(7) **Total Compensation.** The amount of compensation as defined under Section 1.89, subject to the Employer’s election under AA §5-2.

(i) **Self-Employed Individuals.** For a Self-Employed Individual, Total Compensation is such individual’s Earned Income.

(ii) **Total Compensation actually paid or made available.** For purposes of applying the limitations of this Section 5.02, Total Compensation for a Limitation Year is the Total Compensation actually paid or made available to an Employee during such Limitation Year. However, if elected in AA §5-4(c), the Employer may include in Total Compensation for a Limitation Year amounts earned but not paid in the Limitation Year because of the timing of pay periods and pay days, but only if:

(A) the amounts are paid during the first few weeks of the next Limitation Year,

(B) such amounts are included on a uniform and consistent basis with respect to all similarly-situated employees, and

(C) no amounts are included in Total Compensation in more than one Limitation Year.

(iii) **Disabled Participants.** Total Compensation does not include any imputed compensation for the period a Participant is Disabled. However, the Employer may elect under AA §11-2(b) to include under the definition of Total Compensation, the amount a terminated Participant who is permanently and totally Disabled (as defined in Section 1.28) would have received for the Limitation Year if the Participant had been paid at the rate of Total Compensation paid immediately before becoming permanently and totally Disabled. If the Employer elects under AA §11-2(b) to include imputed compensation for a Disabled Participant, a Disabled Participant will receive an allocation of any Employer Contribution the Employer makes to the Plan based on the Employee’s imputed compensation for the Plan Year. Any Employer Contributions made to a Disabled Participant under this subsection (iii) are fully vested when made and will be made only to Non-Highly Compensated Employees. Any modifications made to the definition of Disabled (under AA §9-4(b)) will not apply to this section.

(d) Restorative payments. Restorative payments are not considered Annual Additions for any Limitation Year. For this purpose, restorative payments are payments made to restore losses to the Plan resulting from actions (or a failure to act) by a fiduciary for which there is a reasonable risk of liability under applicable federal or state law, where Participants who are similarly situated are treated similarly with respect to the payments.

(e) Corrective provisions. The Plan is amended to eliminate any specific correction methods for correcting excess annual additions. If the Plan is eligible for self-correction under Rev. Proc. 2013-12 (or successive guidance), the Employer may use reasonable correction methods (including the correction methods described in § 1.415-6(b)(6) of the 1981 IRS regulations) to the extent permitted under the IRS correction program.

(f) Change of Limitation Year. Where there is a change of Limitation Year, a “short” Limitation Year exists for the period beginning with the first day of the Limitation Year and ending on the day before the change in Limitation Year is effective. For this purpose, if the Plan is terminated effective as of a date other than the last day of the Limitation Year, the Plan is treated as if it were amended to change its Limitation Year.

5.03 Elective Deferral Dollar Limit. The Elective Deferral Dollar Limit under this section 5.03 applies with respect to Salary Deferrals under the Grandfathered 401(k) Arrangement. Under this Elective Deferral Dollar Limit, an Employee may not make Elective Deferrals under this Plan (and any other plan, contract or arrangement maintained by the Employer) during any calendar year in an amount that exceeds the Elective Deferral Dollar Limit in effect for the Participant’s
taxable year beginning in such calendar year. Additional restrictions apply if a Participant participates in a plan maintained by an unrelated employer. (See subsection (b)(6) below.)

The Elective Deferral Dollar Limit is $17,500 for taxable years beginning in 2013 and 2014. For taxable years beginning after 2014, the Elective Deferral Dollar Limit will be adjusted for cost-of-living increases under Code §402(g)(4). Any such adjustments will be in multiples of $500.

If a Participant is aged 50 or over by the end of the taxable year, the Elective Deferral Dollar Limit is increased by the Catch-Up Contribution Limit (as defined in Section 3.02(c)(2)(iv)(A)). If the Plan does not provide for Catch-Up Contributions, the Elective Deferral Dollar Limit is not increased by the Catch-Up Contribution Limit.

(a) **Excess Deferrals.** Excess Deferrals are Elective Deferrals made during the Participant’s taxable year that exceed the Elective Deferral Dollar Limit (as described above) for such year; counting only Elective Deferrals made under this Plan and any other plan, contract or arrangement maintained by the Employer. (See subsection (b)(6) below for provisions that apply when a Participant makes Elective Deferrals to a plan of an unrelated Employer.)

(b) **Correction of Excess Deferrals.** If a Participant makes Excess Deferrals (i.e., Elective Deferrals in excess of the Elective Deferral Dollar Limit) under this Plan and any other plan maintained by the Employer, such Excess Deferrals (plus allocable income or loss) shall be distributed to the Participant. A distribution of Excess Deferrals may be made at any time (subject to the correction provisions under the IRS voluntary correction program as described in Rev. Proc. 2013-12 or subsequent guidance). If the corrective distribution of Excess Deferrals is made by April 15 of the calendar year following the year the Excess Deferrals are made to the Plan, such amounts will be taxable in the year of deferral but not in the year of distribution. If a corrective distribution of Excess Deferrals is made after April 15 of the following calendar year, such amounts will be taxable in both the year of deferral and the year of distribution. See subsection (3) below.

(1) **Amount of corrective distribution.** The amount to be distributed from this Plan as a correction of Excess Deferrals equals the amount of Elective Deferrals the Participant contributes during the taxable year to this Plan and any other plan maintained by the Employer in excess of the Elective Deferral Dollar Limit, reduced by any corrective distribution of Excess Deferrals the Participant receives during the calendar year from this Plan or other plan(s) maintained by the Employer. If a Participant has both a Pre Tax-Deferral Account and a Roth Deferral Account, the Participant may designate the extent to which the corrective distribution of Excess Deferrals is taken from the Pre-Tax Deferral Account or from the Roth Deferral Account under AA §6A-5. If a Participant does not designate the Account(s) from which the distribution will be made, the corrective distribution will be made first from the Participant’s Pre-Tax Deferral Account.

(2) **Allocable gain or loss.** A corrective distribution of Excess Deferrals must include any allocable gain or loss for the taxable year in which the Excess Deferrals are contributed to the Plan. The gain or loss allocable to Excess Deferrals may be determined in any reasonable manner, provided the manner used to determine allocable gain or loss is applied consistently for all Participants and in a manner that is reasonably reflective of the method used by the Plan for allocating income to Participants’ Accounts. A corrective distribution of Excess Deferrals will not include any income or loss allocable to the period between the end of the taxable year and the date of distribution.

(3) **Taxation of corrective distribution.** If a corrective distribution of Excess Deferrals is made by April 15 of the following calendar year, amounts attributable to the Excess Deferrals will be includible in the Participant’s gross income in the taxable year in which such amounts are deferred under the Plan and amounts attributable to income or loss on the Excess Deferrals will be includible in gross income in the year of distribution. However, a corrective distribution of Excess Deferrals will not be included in gross income to the extent such distribution is comprised of Roth Deferrals. A Roth Deferral is treated as an Excess Deferral only to the extent that the total amount of Roth Deferrals for an individual exceeds the applicable limit for the taxable year or the Roth Deferrals are identified as Excess Deferrals and the individual receives a distribution of the Excess Deferrals and allocable income under this paragraph.

If a corrective distribution of Excess Deferrals is made after April 15, the amount of the corrective distribution attributable to Excess Deferrals will be includible in the Participant’s gross income in both the taxable year in which such amounts are deferred under the Plan and the taxable year in which such amounts are distributed. (See Section 7.11(b)(2) for a discussion of the ordering rules for determining the Accounts from which the corrective distribution is made where a Participant has both a Pre-Tax Deferral Account and a Roth Deferral Account.)

If a corrective distribution of Excess Deferrals made after April 15 of the following calendar year apply to Excess Deferrals that are Roth Deferrals, such amounts are includible in gross income (without adjustment for
any return of investment in the contract under Code §72(e)(8)). In addition, such distribution cannot be a “qualified distribution” as described in Code §402A(d)(2) and is not an Eligible Rollover Distribution (within the meaning of Code §402(c)(4)). For this purpose, if a Roth Deferral account includes any Excess Deferrals, any distributions from the Roth Deferral account are treated as attributable to those Excess Deferrals until the total amount distributed from the Roth Deferral account equals the total of such Excess Deferrals and attributable income.

(4) **Coordination with other provisions.** A corrective distribution of Excess Deferrals made by April 15 of the following calendar year may be made without consent of the Participant or the Participant’s Spouse, and without regard to any distribution restrictions applicable under Section 7. A corrective distribution of Excess Deferrals made by the appropriate April 15 also is not treated as a distribution for purposes of applying the required minimum distribution rules under Section 8.

(5) **Suspension of Salary Deferrals.** If a Participant’s Salary Deferrals under this Plan, in combination with any Elective Deferrals the Participant makes during the calendar year under any other plan maintained by the Employer, equal or exceed the Elective Deferral Dollar Limit, the Employer may suspend the Participant’s Salary Deferrals under this Plan for the remainder of the calendar year without the Participant’s consent.

(6) **Correction of Excess Deferrals under plans not maintained by the Employer.** The correction provisions under this subsection (b) apply only if a Participant makes Excess Deferrals under this Plan (or under this Plan and other plans maintained by the Employer). However, if a Participant has Excess Deferrals for a calendar year on account of making Elective Deferrals to a plan of an unrelated employer, the Participant may assign to this Plan any portion of his/her Elective Deferrals made under all plans during the calendar year to the extent such Elective Deferrals exceed the Elective Deferral Dollar Limit. The Participant must notify the Plan Administrator in writing on or before March 1 of the following calendar year of the amount of the Excess Deferrals to be assigned to this Plan. If any Roth Deferrals were made to a plan, the notification must also identify the extent to which, if any, the Excess Deferrals are comprised of Roth Deferrals.

Upon receipt of a timely notification, the Excess Deferrals assigned to this Plan will be distributed (along with any allocable income or loss) to the Participant in accordance with the corrective distribution provisions under this subsection (b). A Participant is deemed to notify the Plan Administrator of Excess Deferrals (including any portion of Excess Deferrals that are comprised of Roth Deferrals) to the extent such Excess Deferrals arise only under this Plan and any other plan maintained by the Employer.
SECTION 6  
PARTICIPANT VESTING AND FORFEITURES


6.02 Vesting Schedules. A Participant’s vested interest in his/her Employer Contribution Account and/or Matching Contribution Account is determined by multiplying the Participant’s vesting percentage (determined under the applicable vesting schedule selected in AA §8) by the total amount under the applicable Account.

(a) Full and immediate vesting schedule. Under the full and immediate vesting schedule, the Participant is always 100% vested in his/her Account Balance.

(b) 6-year graded vesting schedule. Under the 6-year graded vesting schedule, an Employee vests in his/her Employer Contribution Account and/or Matching Contribution Account in the following manner:

- After 2 Years of Service – 20% vesting
- After 3 Years of Service – 40% vesting
- After 4 Years of Service – 60% vesting
- After 5 Years of Service – 80% vesting
- After 6 Years of Service – 100% vesting

(c) 3-year cliff vesting schedule. Under the 3-year cliff vesting schedule, an Employee is 100% vested after 3 Years of Service. Prior to the third Year of Service, the vesting percentage is zero.

(d) Modified vesting schedule. Under the modified vesting schedule, the Employer may designate the vesting percentage that applies for each Year of Service.

6.03 Special vesting rules.

(a) Normal Retirement Age. Unless designated otherwise under AA §8-2(b), regardless of the Plan’s vesting schedule, an Employee’s right to his/her Account Balance is fully vested upon the date he/she attains Normal Retirement Age (as defined in AA §7-1), provided the Employee is still employed at such time.

(b) 100% vesting upon death, disability, or Early Retirement Age. The Employer may elect under AA §8-4 to allow a Participant’s vesting percentage to automatically increase to 100% if the Participant dies, becomes Disabled, and/or attains Early Retirement Age while employed by the Employer.

(c) Vesting upon merger, consolidation or transfer. No accelerated vesting will be required solely because a Defined Contribution Plan is merged with another Defined Contribution Plan, or because assets are transferred from a Defined Contribution Plan to another Defined Contribution Plan.

(d) Vesting schedules applicable to prior contributions. If the Plan holds Employer Contributions and/or Matching Contributions that are subject to vesting, but the Plan no longer provides for such contributions, the Plan will continue to apply the vesting schedule applicable to those contributions as determined under the prior Plan document. See Section 6.11(c) for the rules applicable to forfeitures of such prior contributions. The Employer may document any prior vesting schedule in AA §A-7.

6.04 Year of Service. An Employee’s position on the vesting schedule is dependent on the Employee’s Years of Service with the Employer. Generally, an Employee will earn a vesting Year of Service for each Vesting Computation Period (as defined in Section 6.05) during which the Employee completes at least 1,000 Hours of Service (or the Hours of Service designated under AA §8-5(a)). Alternatively, the Employer may elect to calculate Years of Service using the Elapsed Time method (as defined in subsection (b) below).

(a) Hours of Service. Unless the Employer elects to use the Elapsed Time method under AA §8-5(c), vesting Years of Service will be determined based on an Employee’s Hours of Service earned during the Vesting Computation Period.

(1) Actual Hours of Service. In determining an Employee’s vesting Years of Service, the Employer will credit an Employee with the actual Hours of Service earned during the Vesting Computation Period, unless the Employer elects under AA §8-5(d) to determine Hours of Service using the Equivalency Method.
(2) **Equivalency Method.** Instead of counting actual Hours of Service in applying the Plan’s vesting schedules, the Employer may elect under AA §8-5(d) to determine Hours of Service based on the Equivalency Method. Under the Equivalency Method, an Employee receives credit for a specified number of Hours of Service based on the period worked with the Employer.

   (i) **Monthly.** Under the monthly Equivalency Method, an Employee is credited with 190 Hours of Service for each calendar month during which the Employee completes at least one Hour of Service with the Employer.

   (ii) **Daily.** Under the daily Equivalency Method, an Employee is credited with 10 Hours of Service for each day during which the Employee completes at least one Hour of Service with the Employer.

   (iii) **Weekly.** Under the weekly Equivalency Method, an Employee is credited with 45 Hours of Service for each week during which the Employee completes at least one Hour of Service with the Employer.

   (iv) **Semi-monthly.** Under the semi-monthly Equivalency Method, an Employee is credited with 95 Hours of Service for each semi-monthly period during which the Employee completes at least one Hour of Service with the Employer.

(3) **Employee need not be employed for entire Vesting Computation Period.** Unless provided otherwise under AA §8-5(e), if an Employee completes the required Hours of Service during a Vesting Computation Period, the Employee will receive credit for a Year of Service as of the end of such Vesting Computation Period, even if the Employee is not employed for the entire Vesting Computation Period.

(b) **Elapsed Time method.** Instead of using Hours of Service in applying the Plan’s vesting schedules, the Employer may elect under AA §8-5(c) to apply the Elapsed Time method for calculating an Employee’s vesting service with the Employer. Under the Elapsed Time method, an Employee receives credit for the aggregate period of time worked for the Employer commencing with the Employee's first day of employment (or reemployment, if applicable) and ending on the date the Employee terminates employment with the Employer. If an Employee’s aggregate period of service includes fractional years, such fractional years are expressed in terms of days.

   In calculating an Employee’s aggregate period of service, the Employer may credit an Employee with service for any Period of Severance that lasts less than 12 consecutive months. For this purpose, a Period of Severance is any continuous period of time during which the Employee is not employed by the Employer. A Period of Severance begins on the date the Employee retires, quits or is discharged, or if earlier, the 12-month anniversary of the date on which the Employee is first absent from service for a reason other than retirement, quit or discharge. In the case of an Employee who is absent from work for maternity or paternity reasons, the 12-consecutive month period beginning on the first anniversary of the first date of such absence shall not constitute a Period of Severance. For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence:

   (1) by reason of the pregnancy of the Employee,

   (2) by reason of the birth of a child of the Employee,

   (3) by reason of the placement of a child with the Employee in connection with the adoption of such child by the Employee, or

   (4) for purposes of caring for a child of the Employee for a period beginning immediately following the birth or placement of such child.

   For purposes of applying the Elapsed Time method, unless otherwise provided, service will be credited for employment with any Related Employer.

6.05 **Vesting Computation Period.** Generally, the Vesting Computation Period is the Plan Year. Alternatively, the Employer may elect under AA §8-5(b) to use the 12-month period commencing on the Employee’s date of hire (or reemployment date, if applicable) and each subsequent 12-month period commencing on the anniversary of such date or the Employer may elect to use any other 12-consecutive month period as the Vesting Computation Period.

6.06 **Excluded service.** Generally, all service with the Employer counts for purposes of applying the Plan’s vesting schedules. However, the Employer may elect under AA §8-3 to exclude certain service with the Employer in calculating an Employee’s vesting Years of Service.
(a) **Service before the Effective Date of the Plan.** The Employer may elect under AA §8-3(b) to exclude service earned during any period prior to the date the Employer established the Plan or a Predecessor Plan. For this purpose, a Predecessor Plan is a qualified plan maintained by the Employer that is terminated within the 5-year period immediately preceding or following the establishment of this Plan. A Participant’s service under a Predecessor Plan must be counted for purposes of determining the Participant’s vested percentage under this Plan.

(b) **Service before a specified age.** The Employer may elect under AA §8-3(c) to exclude service before an Employee attains a specified age. An Employee will be credited with a Year of Service for the Vesting Computation Period during which the Employee attains the required age, provided the Employee satisfies all other conditions required for a Year of Service.

6.07 **Service with Predecessor Employers.** To the extent provided, if the Employer maintains the plan of a Predecessor Employer, any service with such Predecessor Employer is treated as service with the Employer for purposes of applying the provisions of this Plan.

6.08 **Break in Service Rules.** In addition to any service excluded under Section 6.06, the Employer may elect under AA §8-6 to disregard an Employee’s vesting service with the Employer earned prior to a Break in Service. For this purpose, an Employee incurs a Break in Service for any Vesting Computation Period (as defined in Section 6.05) during which the Employee does not complete more than five hundred (500) Hours of Service with the Employer. However, if the Employer elects to require less than 1,000 Hours of Service to earn a vesting Year of Service, a Break in Service will occur for any Vesting Computation Period during which the Employee does not complete more than one-half (1/2) of the Hours of Service required to earn a vesting Year of Service.

6.09 **Special Vesting Rule - In-Service Distribution When Account Balance is Less than 100% Vested.** If amounts are distributed from a Participant’s Employer Contribution Account or Matching Contribution Account at a time when the Participant’s vested percentage in such amounts is less than 100% and the Participant may increase the vested percentage in the Account Balance:

(a) A separate Account will be established for the Participant’s interest in the Plan as of the time of the distribution, and

(b) At any relevant time the Participant’s vested portion of the separate Account will be equal to an amount (“X”) determined by the formula:

\[ X = P (AB + D) - D \]

Where:

- P is the vested percentage at the relevant time; and
- AB is the Account Balance at the relevant time; and
- D is the amount of the distribution.

6.10 **Forfeiture of Benefits.** A Participant will forfeit the nonvested portion of his/her Employer Contribution and/or Matching Contribution Account upon the occurrence of any of the events described below or at any such time as the Plan Administrator determines. The Plan Administrator has the responsibility to determine the amount of a Participant’s forfeiture. Until an amount is forfeited pursuant to this Section 6.10, a Participant’s entire Account must remain in the Plan and continue to share in gains and losses of the Trust. A Participant will not forfeit any of his/her nonvested Account until the occurrence of one of the following events.

(a) **Cash-Out Distribution.** Following termination of employment, a Participant may receive a total distribution of his/her vested benefit under the Plan (a Cash-Out Distribution) in accordance with the distribution provisions under Section 7. If a Participant receives a Cash-Out Distribution upon termination of employment, the Participant’s nonvested benefit under the Plan will be forfeited in accordance with subsection (1) below. If at the time of termination, a Participant is totally nonvested in his/her entire Account Balance, the Participant will be deemed to receive a total Cash-Out Distribution of his/her entire vested Account Balance (i.e., a deemed Cash-Out Distribution of zero dollars) as of the date of termination, subject to the forfeiture provisions under subsection (1) below.

A Cash-Out Distribution does not occur until such time as the Participant receives a distribution of his/her entire vested Account Balance, including amounts attributable to Salary Deferrals. If a Participant receives a distribution of less than the entire vested portion of his/her Account Balance (including any additional amounts to be allocated under subsection (1)(ii) below), the Participant will not be treated as receiving a Cash-Out Distribution until such time as the Participant receives a distribution of the remainder of the vested portion of his/her Account Balance.
(1) **Timing of forfeiture.** Unless elected otherwise under AA §8-8(b), if a Participant receives a Cash-Out Distribution of his/her vested Account Balance (as defined in subsection (a) above), the Participant will immediately forfeit the nonvested portion of such Account Balance, as of the date of the distribution or deemed distribution (as determined under subsection (i) or (ii) below, whichever applies). (See Section 6.11 below for a discussion of the treatment of forfeitures under the Plan.)

(i) **No further allocations.** For purposes of applying the Cash-Out Distribution rules, a terminated Participant who receives a total distribution of his/her vested Account Balance will be treated as receiving the Cash-Out Distribution as of the date the Participant receives such distribution (or in the case of a deemed Cash-Out Distribution (as described in subsection (a) above) as of the date the Participant terminates employment), provided the Participant is not entitled to any further allocations under the Plan for the Plan Year in which the Participant terminates employment. The Participant will forfeit his/her nonvested benefit as of the date the Participant receives the Cash-Out Distribution, in accordance with the provisions under Section 6.11.

(ii) **Additional allocations.** For purposes of applying the Cash-Out Distribution rules, if upon termination of employment, a Participant is entitled to an additional allocation for the Plan Year in which the Participant terminates, such Participant will not be deemed to receive a Cash-Out Distribution until such time as the Participant receives a distribution of his/her entire vested Account Balance, including any amounts that are still to be allocated under the Plan. Thus, a terminated Participant who is entitled to an additional allocation (e.g., an additional Employer Contribution) for the Plan Year of termination will not be deemed to have a total Cash-Out Distribution until the Participant receives a distribution of such additional amounts. In the case of a deemed Cash-Out Distribution (as described in subsection (a) above), if the Participant is entitled to an additional allocation under the Plan for the Plan Year in which the Participant terminates employment, the deemed Cash-Out Distribution is deemed to occur on the first day of the Plan Year following the Plan Year in which the termination occurs, provided the Participant is still totally nonvested in his/her Account Balance.

(iii) **Modification of Cash-Out Distribution rules.** The Employer may elect under AA §8-8(a) to modify the Cash-Out Distribution provision under subsection (ii) above to provide that the Cash-Out Distribution and related forfeiture occur immediately upon distribution (or deemed distribution) of the terminated Participant’s vested Account Balance, without regard to whether the Participant is entitled to an additional allocation under the Plan.

(b) **Five-Year Forfeiture Break in Service.** If a Participant has five (5) consecutive one-year Breaks in Service (a Five-Year Forfeiture Break in Service), all Years of Service after such Breaks in Service will be disregarded for the purpose of vesting in the portion of the Participant’s Employer Contribution Account and/or Matching Contribution Account that accrued before such Breaks in Service. A Participant who incurs a Five-Year Forfeiture Break in Service will forfeit the nonvested portion of his/her Employer Contribution and/or Matching Contribution Account as of the end of the Vesting Computation Period in which the Participant incurs the fifth consecutive Break in Service. Except as provided under Section 6.08, a Participant who is rehired after incurring a Five-Year Forfeiture Break in Service will be credited with both pre-break and post-break service for purposes of determining his/her vested percentage in amounts that accrue under the Plan after the Five Year Forfeiture Break in Service.

(c) **Missing Participant or Beneficiary.** If a Participant or Beneficiary cannot be located within a reasonable period following a reasonable diligent search, the missing Participant’s or Beneficiary’s Account may be forfeited, as provided in subsection (2) below. An Employer will be deemed to have performed a reasonable diligent search if it performs the actions described in subsection (1) below. In determining whether a reasonable period has elapsed following a reasonable diligent search, the Employer or Plan Administrator may follow any applicable guidance provided under statute, regulation, or other IRS or DOL guidance of general applicability. However, the Employer or Plan Administrator will be deemed to have waited a reasonable period following a reasonable diligent search if the Employer or Plan Administrator waits at least 6 months following the completion of the actions described in subsection (1) below.

(1) **Reasonable diligent search.** The Employer or Plan Administrator will be deemed to have performed a reasonable diligent search if it performs the following actions:

(i) Send a certified letter to the Participant’s or Beneficiary’s last known address.

(ii) Check related plan records of the Employer (e.g., health plan records) to determine if a more current address exists for the Participant or Beneficiary.
(iii) If the Participant cannot be located, the Employer or Plan Administrator may attempt to identify and contact any individual that the Participant has designated as a Beneficiary under the Plan for updated information concerning the location of the missing Participant.

(iv) Utilize the Social Security Administration (SSA) letter-forwarding service for locating lost participants. Additional information regarding the SSA letter forwarding program can be located at www.ssa.gov.)

(v) In addition to the search methods discussed above, the Employer or Plan Administrator may use other search methods, including the use of Internet search tools, commercial locator services, and credit reporting agencies to locate the missing Participant.

(2) **Forfeiture of Account of missing Participant or Beneficiary.** If a Participant or Beneficiary is deemed to be missing (as described in this subsection (c)), the Plan Administrator may forfeit the distributable amount attributable to such missing Participant or Beneficiary, as permitted under applicable laws and regulations. If, after an amount is forfeited under this subsection (2), the missing Participant or Beneficiary is located, the Plan will restore the forfeited amount (unadjusted for gains or losses) to such Participant or Beneficiary within a reasonable time. However, if a missing Participant or Beneficiary has not been located by the time the Plan terminates, the forfeiture of such Participant’s or Beneficiary’s distributable amount will be irrevocable.

(3) **Expenses attributable to search for missing Participant.** Reasonable expenses attendant to locating a missing Participant may be charged to such Participant’s Account, provided that the amount of such expenses is reasonable. The Plan Administrator may take into account the size of a Participant’s Account in relation to the cost of the search when deciding how extensive a search is required before declaring such Participant as missing under subsection (c).

(d) **Excess Deferrals.** If a Participant receives a distribution of Excess Deferrals, the portion of his/her Matching Contribution Account (whether vested or not) which is attributable to such distributed amounts will be forfeited. A forfeiture of Matching Contributions under this subsection (d) occurs in the Plan Year in which the Participant receives the distribution of Excess Deferrals.

6.11 **Allocation of Forfeitures.** The Employer may elect in AA §8-7 how it wishes to allocate forfeitures under the Plan. Forfeitures may be used in the Plan Year in which the forfeitures occur or in the Plan Year following the Plan Year in which the forfeitures occur. In applying the forfeiture provisions under the Plan, if there are any unused forfeitures as of the end of the Plan Year designated in AA §8-7(d) or (e), as applicable, any remaining forfeiture will be used (as designated in AA §8-7) in the immediately following Plan Year. The Employer may elect under AA §8-7 to allocate forfeitures in any manner permitted under this Section 6.11.

(a) **Reallocation as additional contributions under Profit Sharing Plan Adoption Agreement.** The Employer may elect in AA §8-7 to reallocate forfeitures as additional contributions under the Plan. If the Employer elects under the Profit Sharing Plan Adoption Agreement to reallocate forfeitures as additional contributions, the Employer may allocate such amounts as additional Employer Contributions and/or additional Matching Contributions. If the forfeitures allocated under this subsection (a) relate to discretionary contributions, such amounts may be allocated in the same manner as selected under AA §6-3 with respect to the contribution type being allocated. If the forfeitures relate to fixed contributions, such amounts may be allocated in addition to such fixed contributions in the ratio that the Plan Compensation of each Participant bears to the Plan Compensation of all Participants. In allocating forfeitures under this subsection (a), the Employer may take into account any limits under AA §6B-4 in determining the amount of forfeitures to be allocated as additional Matching Contributions. In applying the provisions of this subsection (a), no allocation of forfeitures will be made to any Participant with respect to forfeitures that arise out of his/her own Account. A Participant may share in any additional forfeitures to the extent the Participant is eligible to receive an allocation of such forfeitures under AA §8-6.

(b) **Reallocation as additional Employer Contributions under Money Purchase Plan Adoption Agreement.** The Employer may elect in AA §8-7 to reallocate forfeitures as additional Employer Contributions under the Plan. If the Employer elects under the Money Purchase Plan Adoption Agreement to reallocate forfeitures as additional Employer Contributions, such amounts will be allocated in the ratio that the Plan Compensation of each Participant bears to the Plan Compensation of all Participants. In applying the provisions of this subsection (b), no allocation of forfeitures will be made to any Participant with respect to forfeitures that arise out of his/her own Account.

(c) **Reduction of contributions.** The Employer may elect in AA §8-7 to use forfeitures to reduce Employer Contributions and/or Matching Contributions under the Plan. If the Employer elects to use forfeitures to reduce contributions, the Employer may, in its discretion, use such forfeitures to reduce Employer Contributions, Matching Contributions, or both. The Employer may adjust its contribution deposits in any manner, provided the total Employer Contributions and/or Matching Contributions made for the Plan Year properly take into account the forfeitures that are to be used to...
reduce such contributions for that Plan Year. If contributions are allocated over multiple allocation periods, the Employer may reduce its contribution for any allocation periods within the Plan Year in which the forfeitures are to be allocated so that the total amount allocated for the Plan Year is proper. If the Plan provides for a discretionary Employer or Matching Contribution and the Employer elects not to make an Employer or Matching Contribution for the Plan Year, any forfeitures will be allocated to eligible Participants as an additional Employer or Matching Contribution, as provided under subsection (a) above.

(d) Payment of Plan expenses. The Employer may elect under AA §8-7 to use forfeitures to pay Plan expenses for the Plan Year in which the forfeitures would otherwise be applied. If any forfeitures remain after the payment of Plan expenses under this subsection, the remaining forfeitures will be allocated as selected under AA §8-7. This subsection (d) only applies to the extent Plan expenses are paid by the Plan. Nothing herein affects the ability of the Employer to pay Plan expenses, as authorized under Section 11.04(a). In determining the Plan expenses that may be offset by Plan forfeitures, the Employer may use any reasonable method to determine the Plan expenses attributable to a particular year. In addition, the Employer may elect to use forfeitures first to reduce Employer and/or Matching Contributions or as an additional allocation (as set forth in AA §8-7) prior to using forfeitures to pay Plan expenses.

(e) Forfeiture rules for other contribution types.

(1) Prior Employer and/or Matching Contributions. If the Plan maintains Employer Contribution and/or Matching Contribution Accounts, but the Plan no longer provides for such contributions, such amounts will continue to vest under the vesting schedule applicable to such contributions under the prior Plan or under any vesting schedule designated under Appendix A of the Adoption Agreement. If there are any forfeitures related to such prior contributions, such amounts may be reallocated as an additional Employer Contribution or as an additional Matching Contribution in accordance with the provisions of subsection (a) or (b), to the extent such contributions are authorized under the Plan, or may be used to reduce any Employer Contribution or Matching Contribution, consistent with the provisions of subsection (c) above. If the Plan does not provide for either Employer Contributions or Matching Contributions, the Employer may reallocate forfeitures of prior contributions as an Employer Contribution (using the pro rata allocation formula) or as a discretionary Matching Contribution under the Profit Sharing Plan Adoption Agreement, as applicable, or as a fixed contribution under the Money Purchase Plan Adoption Agreement. Alternatively, the Employer may use such forfeitures to pay Plan expenses as authorized under subsection (d). The Employer may elect to use such forfeitures in the Plan Year the forfeiture occurs or in the following Plan Year.

(2) Other contributions. If a Participant has any other amounts under the Plan which are treated as forfeited (e.g. a forfeiture for a missing Participant under Section 6.10(c)), and no selections are made under AA §8-7 regarding the treatment of forfeitures under the Plan, such amounts may be forfeited in accordance with any of the forfeiture options described in this Section 6.11.
SECTION 7
PLAN DISTRIBUTIONS

A Participant may receive a distribution of his/her vested Account Balance at the time and in the manner provided under this Section 7. Upon reaching the Required Beginning Date (defined in Section 8.05(e)), a Participant must begin receiving distributions under the Plan (in accordance with the provisions of Section 8.)

7.01 **Available Forms of Distribution.** The Employer may elect under AA §9-1 the forms of distribution that are available to a Participant or Beneficiary under the Plan. Different distribution options may apply depending on whether a distribution is made upon termination of employment, death, disability or as an in-service withdrawal. Available distribution options under AA §9-1 may include a lump sum of all or a portion of the Participant’s vested Account Balance, installments, annuity payments, or any other form designated in AA §9-1. In addition, distribution options may be available as provided under a guaranteed income product to the extent such distribution options are consistent with qualification requirements applicable to such distributions. Any distribution options selected under the Plan must comply with the required minimum distribution rules under Section 8.

If the Plan provides for installment payments as an optional form of distribution, such payments may be made in monthly, quarterly, semi-annual, or annual payments over a period not exceeding the life expectancy of the Participant and his/her designated Beneficiary. The Plan Administrator may permit a Participant or Beneficiary to accelerate the payment of all, or any portion, of an installment distribution. If the Plan provides for annuity payments, the Plan must purchase an annuity that provides for payments over a period that does not extend beyond either the life of the Participant (or the lives of the Participant and his/her designated Beneficiary) or the life expectancy of the Participant (or the life expectancy of the Participant and his/her designated Beneficiary). (The availability of installments and or annuity payments may be restricted under AA §9-1(c).)

7.02 **Amount Eligible for Distribution.** For purposes of determining the amount a Participant or Beneficiary may receive as a distribution from the Plan, a Participant’s Account Balance is determined as of the Valuation Date (as specified in AA §11-1) immediately preceding the date the Participant or Beneficiary receives his/her distribution from the Plan. For this purpose, the Account Balance must be increased for any contributions allocated to the Participant’s Account since the most recent Valuation Date and must be reduced for any distributions made from the Participant’s Account since the most recent Valuation Date. A Participant or Beneficiary does not share in any allocation of gains or losses attributable to the period between the most recent Valuation Date and the date of the distribution, unless provided otherwise under uniform funding and valuation procedures established by the Plan Administrator. See Section 10.03.

7.03 **Participant Consent.** To the extent elected under AA §9-2, if the value of a Participant’s entire vested Account Balance exceeds the Involuntary Cash-Out threshold (as defined in subsection (a) below), the Participant must consent to any distribution of such Account Balance prior to his/her Required Beginning Date (as defined in Section 8.05(e)) or, if so provided in AA §9-2(a)(3), as of the date the Participant attains (or would have attained if not deceased) the later of Normal Retirement Age or age 62. A failure by the Participant (and Spouse, if applicable) to consent to a distribution while a benefit is immediately distributable shall be deemed to be an election to defer commencement of payment of any benefit sufficient to satisfy this section.

(a) **Involuntary Cash-Out threshold.** For purposes of determining whether a distribution is subject to the Participant consent requirements as described in Section 7.03, the Involuntary Cash-Out threshold is $5,000 unless a different amount is designated under AA §9-2(a). (See Section 7.05 for a discussion of the Automatic Rollover rules that apply if a Participant does not consent to a distribution that is otherwise available without Participant consent.) For purposes of determining whether a Participant’s vested Account Balance exceeds the Involuntary Cash-Out threshold, the value of the Participant’s vested Account Balance shall be determined without regard to that portion of the Account Balance that is attributable to Rollover Contributions (and earnings allocable thereto) within the meaning of Code §402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16). The Employer may elect in AA §9-2(a)(4) to include Rollover Contributions (and earnings allocable thereto) in determining whether the Participant’s vested Account Balance exceeds the Involuntary Cash-Out threshold.

(b) **Participant notice.** If a distribution is subject to Participant consent, the Participant must consent in writing to the distribution within a reasonable period prior to the Annuity Starting Date (as defined in Section 1.09). For this purpose, any consent made within the 180-day period ending on the Annuity Starting Date will be deemed to be made within a reasonable period. If the distribution is subject to spousal consent under AA §9-2(b), the Participant’s Spouse also must consent to the distribution in accordance with Section 9.02.

Prior to receiving a distribution from the Plan, a Participant must be notified of his/her right to defer any distribution from the Plan. The notification shall include a general description of the material features and the relative values of the optional forms of benefit available under the Plan (consistent with the requirements under Code §417(a)(3)). Effective for Plan Years beginning on or after January 1, 2007, the Participant notice must include a description of the consequences of a Participant’s decision not to defer the receipt of a distribution. The notice must be provided no less than 30 days and no more than 180 days prior to the Participant’s Annuity Starting Date. However, distribution may
commence less than 30 days after the notice is given, if the Participant is clearly informed of his/her right to take 30 days after receiving the notice to decide whether or not to elect a distribution (and, if applicable, a particular distribution option), and the Participant, after receiving the notice, affirmatively elects to receive the distribution prior to the expiration of the 30-day minimum period. The notice requirements described in this paragraph may be satisfied by providing a summary of the required information, so long as the conditions described in applicable regulations for the provision of such a summary are satisfied, and the full notice is also provided (without regard to the 180-day period described in this subsection).

(c) **Special rules.** The consent rules under this Section 7.03 apply to distributions made after the Participant’s termination of employment and to distributions made prior to the Participant’s termination of employment. However, the consent of the Participant (and the Participant’s Spouse, if applicable) shall not be required to the extent that a distribution is required to satisfy the required minimum distribution rules under Section 8 or to satisfy the requirements of Code §415, as described in Section 5.02. A Participant also will not be required to consent to a corrective distribution of Excess Deferrals.

7.04 **Direct Rollovers.** Notwithstanding any provision in the Plan to the contrary, a Participant may elect, at the time and the manner prescribed by the Plan Administrator, to have all or any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan in a Direct Rollover. If an Eligible Rollover Distribution is less than $500, the Participant may not elect a Direct Rollover of only a portion of such distribution (i.e., a Participant must elect a complete Direct Rollover if the Eligible Rollover Distribution is less than $500). For purposes of this Section 7.04, a Participant includes a Participant or former Participant. In addition, this Section applies to any distribution from the Plan made to a Participant’s surviving Spouse or to a Participant’s Spouse or former Spouse who is the Alternate Payee under a QDRO, as defined in Section 1.76. For distributions made on or after January 1, 2007, this Section 7.04 also applies to distributions made to a Participant’s non-Spouse beneficiary, as set forth in subsection (c) below.

(a) **Definitions.**

(1) **Eligible Rollover Distribution.** An Eligible Rollover Distribution is any distribution of all or any portion of a Participant’s Account Balance, except an Eligible Rollover Distribution does not include:

(i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Participant or the joint lives (or joint life expectancies) of the Participant and the Participant’s Beneficiary, or for a specified period of ten years or more;

(ii) any distribution to the extent such distribution is a required minimum distribution under Code §401(a)(9), as described under Section 8;

(iii) any Hardship distribution, as described in Section 7.10(e);

(iv) the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to Employer securities);

(v) any distribution if it is reasonably expected (at the time of the distribution) that the total amount the Participant will receive as a distribution during the calendar year will total less than $200;

(vi) a distribution made to satisfy the requirements of Code §415 (as described in Section 5.02) or a distribution to correct Excess Deferrals.

(2) **Eligible Retirement Plan.** For purposes of applying the Direct Rollover provisions under this Section 7.04, an Eligible Retirement Plan is:

(i) a qualified plan described in Code §401(a);

(ii) an individual retirement account described in Code §408(a);

(iii) an individual retirement annuity described in Code §408(b);

(iv) an annuity plan described in Code §403(a);

(v) an annuity contract described in Code §403(b); or
The definition of Eligible Retirement Plan also applies in the case of a distribution to a surviving Spouse, or to a Spouse or former Spouse who is the Alternate Payee under a QDRO.

To the extent any portion of an Eligible Rollover Distribution is attributable to Roth Deferrals (as defined in Section 3.02(c)(2)(v)), an Eligible Retirement Plan with respect to such portion of the distribution shall include only another designated Roth account of the Participant or a Roth IRA. To the extent any portion of an Eligible Rollover Distribution is attributable to After-Tax Employee Contributions, an Eligible Retirement Plan with respect to such portion of the distribution shall include only an individual retirement account or annuity described in Code §408(a) or (b) or a qualified Defined Contribution Plan described in Code §401(a) or §403(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includable in gross income and the portion of such distribution which is not includable in gross income.

(3) **Direct Rollover.** A Direct Rollover is a payment made directly from the Plan to the Eligible Retirement Plan specified by the Participant. The Plan Administrator may develop reasonable procedures for accommodating Direct Rollover requests.

(b) **Direct Rollover notice.** A Participant entitled to an Eligible Rollover Distribution must receive a written explanation of his/her right to a Direct Rollover, the tax consequences of not making a Direct Rollover, and, if applicable, any available special income tax elections. The notice must be provided within 30–180 days prior to the Participant’s Annuity Starting Date in the same manner as described in Section 7.03(b). The Direct Rollover notice must be provided to all Participants, unless the total amount the Participant will receive as a distribution during the calendar year is expected to be less than $200.

If a Participant terminates employment and is eligible for a distribution which is not subject to Participant consent, and the Participant does not respond to the Direct Rollover notice indicating whether a Direct Rollover is desired and the name of the Eligible Retirement Plan to which the Direct Rollover is to be made, the Plan Administrator may distribute the Participant’s entire vested Account Balance in the form of an Automatic Rollover (pursuant to Section 7.05). If a distribution would qualify for Automatic Rollover, the Direct Rollover notice must describe the procedures for making an Automatic Rollover, including the name, address, and telephone number of the IRA trustee and information regarding IRA maintenance and withdrawal fees and how the IRA funds will be invested. The Direct Rollover notice also must describe the timing of the Automatic Rollover and the Participant's ability to affirmatively opt out of the Automatic Rollover.

(c) **Direct Rollover by non-Spouse beneficiary.** Effective for Plan Years beginning after December 31, 2009, the Plan must permit a non-Spouse beneficiary (as defined in Code §401(a)(9)(E)) to make a direct rollover of an eligible rollover distribution to an individual retirement account under Code §408(a) or an individual retirement annuity under Code §408(b) that is established on behalf of the designated beneficiary and that will be treated as an inherited IRA pursuant to the provisions of Code §402(c)(11). A non-Spouse rollover made after December 31, 2009 will be subject to the direct rollover requirements under Code §401(a)(31), the rollover notice requirements under Code §402(f) or the mandatory withholding requirements under Code §3405(c).

(d) **Direct Rollover of non-taxable amounts.** Notwithstanding any other provision of the Plan, effective for taxable years beginning on or after January 1, 2007, an Eligible Rollover Distribution may include the portion of any distribution that is not includable in gross income. For this purpose, an Eligible Retirement Plan includes a Defined Contribution or Defined Benefit Plan qualified under Code §401(a) and a tax-sheltered annuity plan under Code §403(b), provided the rollover is accomplished through a direct rollover and the recipient Eligible Retirement Plan separately accounts for any amounts attributable to the rollover of any nontaxable distribution and earnings thereon.

(e) **Rollovers to Roth IRA.** For distributions occurring on or after January 1, 2008, a Participant or beneficiary (including a non-spousal beneficiary to the extent permitted under subsection (c) above), may roollover an Eligible Rollover Distribution (as defined in subsection (a)(1)) to a Roth IRA, provided the Participant (or beneficiary) satisfies the requirements for making a Roth contribution under Code §408A(c)(3)(B). Any amounts rolled over to a Roth IRA will be included in gross income to the extent such amounts would have been included in gross income if not rolled over (as required under Code §408A(d)(3)(A)). For purposes of this subsection (e), the Plan Administrator is not responsible for assuring the Participant (or beneficiary) is eligible to make a rollover to a Roth IRA.
7.05 **Automatic Rollover.** The Automatic Rollover rules in this Section 7.05 are effective for distributions made on or after the close of the first regular legislative session of the legislative body with the authority to amend the Plan that begins on or after January 1, 2006.

(a) **Automatic Rollover requirements.** If a Participant is entitled to an Involuntary Cash-Out Distribution (as defined in subsection (b)), and the Participant does not elect to receive a distribution of such amount (either as a Direct Rollover to an Eligible Retirement Plan or as a direct distribution to the Participant), then the Plan Administrator may pay the distribution in a Direct Rollover to an individual retirement plan (IRA) designated by the Plan Administrator. (The Automatic Rollover provisions under this subsection (a) apply to any Involuntary Cash-Out Distribution for which the Participant fails to consent to a distribution, without regard to whether the Participant can be located. See Section 6.10(c) for alternatives if the Participant cannot be located after a reasonable diligent search.)

(b) **Involuntary Cash-Out Distribution.** An Involuntary Cash-Out Distribution is any distribution that is made from the Plan without the Participant’s consent. Unless elected otherwise under AA §9-2(a)(3), an Involuntary Cash-Out Distribution, for purposes of applying the Automatic Rollover requirements under this Section 7.05 does not include any amounts below $1,000. (See Section 7.03 for the Participant consent requirements with respect to distributions under the Plan.)

(c) **Treatment of Rollover Contributions.** Unless elected otherwise under AA §9-2(a)(5), for purposes of determining whether a mandatory distribution is greater than $1,000, the portion of the Participant’s distribution attributable to any Rollover Contribution is excluded.

7.06 **Distribution Upon Termination of Employment.** Subject to the required minimum distribution provisions under Section 8, aParticipant who terminates employment for any reason (other than death) is entitled to receive a distribution of his/her vested Account Balance in accordance with this Section 7.06. (See Section 7.07 for the applicable rules when a Participant dies before distribution of his/her vested Account Balance is completed.)

(a) **Account Balance not exceeding Cash-Out threshold.** If a Participant’s vested Account Balance does not exceed $5,000 (or other Cash-Out threshold designated under AA §9-2(a)(2)) at the time of distribution, the only distribution option available under the Plan is a lump sum option. The Participant will be eligible to receive a distribution of his/her vested Account Balance as of the date selected in AA §9-3(b).

(b) **Account Balance exceeding Cash-Out threshold.** If a Participant’s vested Account Balance exceeds $5,000 (or other Cash-Out threshold designated under AA §9-2(a)(2)) at the time of distribution, the Participant may elect to receive a distribution of his/her vested Account Balance in any form permitted under AA §9-1. The Participant will be eligible to receive a distribution of his/her vested Account Balance as of the date selected in AA §9-3(a). The Employer may elect to accelerate the distribution to Employees upon special circumstances, such as termination after attainment of Normal Retirement Age or other special circumstances.

7.07 **Distribution Upon Death.** Subject to the Required Minimum Distribution rules in Section 8, a Participant’s vested Account Balance will be distributed to the Participant’s Beneficiary(ies) in accordance with this Section 7.07. (See subsection (c) for rules regarding the determination of Beneficiaries upon the death of the Participant.) The form of benefit payable with respect to a deceased Participant will depend on whether the Participant dies before or after distribution of his/her Account Balance has commenced.

(a) **Death after commencement of benefits.** If a Participant begins receiving a distribution of his/her benefits under the Plan, and subsequently dies prior to receiving the full value of his/her vested Account Balance, the remaining benefit will continue to be paid to the Participant’s Beneficiary(ies) in accordance with the form of payment that has already commenced. If a Participant commences distribution prior to death only with respect to a portion of his/her Account Balance, then the rules in subsection (b) apply to the rest of the Account Balance.

(b) **Death before commencement of benefits.** If a Participant dies before commencing distribution of his/her benefits under the Plan, the form and timing of any death benefits will depend on whether the value of the death benefit exceeds $5,000 (or other threshold designated under AA §9-2(a)(2)).

1. **Death benefit not exceeding $5,000.** If the value of the death benefit does not exceed $5,000, such benefit will be paid to the Participant’s Beneficiary(ies) in a single sum as soon as administratively feasible following the Participant’s death.

2. **Death benefit exceeding $5,000.** If the value of the death benefit exceeds $5,000, will be paid in a lump sum as soon as administratively feasible following the Participant’s death. However, the death benefit may be payable in a different form if prescribed by the Participant’s Beneficiary designation, or the Beneficiary, before a lump...
sum payment of the benefit is made, elects to receive the distribution in an alternative form of benefit permitted under Section 7.01.

In no event will any death benefit be paid in a manner that is inconsistent with the Required Minimum Distribution rules under Section 8. The Beneficiary of any pre-retirement death benefit described in this subsection (b) may postpone the commencement of the death benefit to a date that is not later than the latest commencement date permitted under Section 8.

(c) **Determining a Participant’s Beneficiary.** The determination of a Participant’s Beneficiary(ies) to receive any death benefits under the Plan will be based on the Participant’s Beneficiary designation under the Plan. If a Participant does not designate a Beneficiary to receive the death benefits under the Plan, distribution will be made to the default Beneficiaries, as set forth in subsection (3) below.

1. **Post-retirement death benefit.** If a Participant dies after commencing distribution of benefits under the Plan (but prior to receiving a distribution of his/her entire vested Account Balance under the Plan), the Beneficiary of any post-retirement death benefit is determined in accordance with the Beneficiary selected under the distribution option in effect prior to death.

2. **Pre-retirement death benefit.** If a Participant dies before commencing distribution of his/her benefits under the Plan, the surviving Spouse (determined at the time of the Participant’s death) will be treated as the sole Beneficiary, unless:

   (i) there is a valid contrary Beneficiary designation,

   (ii) there is no surviving Spouse, or

   (iii) the Spouse makes a valid disclaimer.

3. **Default beneficiaries.** To the extent a Beneficiary has not been named by the Participant and is not designated under the terms of this Plan to receive all or any portion of the deceased Participant’s death benefit, such amount shall be distributed to the Participant’s surviving Spouse (if the Participant was married at the time of death). If the Participant does not have a surviving Spouse at the time of death, distribution will be made to the Participant’s surviving children, in equal shares. If the Participant has no surviving children, distribution will be made to the Participant’s estate. The Employer may modify the default beneficiary rules described in this subparagraph under AA §9-5.

4. **Identification of Beneficiaries.** The Plan Administrator may request proof of the Participant’s death and may require the Beneficiary to provide evidence of his/her right to receive a distribution from the Plan in any form or manner the Plan Administrator may deem appropriate. The Plan Administrator’s determination of the Participant’s death and of the right of a Beneficiary to receive payment under the Plan shall be conclusive. If a distribution is to be made to a minor or incompetent Beneficiary, payments may be made to the person’s legal guardian, conservator recognized under state law, or custodian in accordance with the Uniform Gifts to Minors Act or similar law as permitted under the laws of the state where the Beneficiary resides. The Plan Administrator or Trustee will not be liable for any payments made in accordance with this subsection (4) and will not be required to make any inquiries with respect to the competence of any person entitled to benefits under the Plan. (See Section 9.03 for a special one-year marriage rule that may apply under AA §9-5(b).)

5. **Death of Beneficiary.** Unless specified otherwise in the Participant’s Beneficiary designation form or under AA §9-5, if a Beneficiary does not predecease the Participant but dies before distribution of the death benefit is made to the Beneficiary, the death benefit will be paid to the Beneficiary’s estate. If the Participant and the Participant’s Beneficiary die simultaneously and the Participant’s Beneficiary designation form does not address simultaneous death, the determination of the death beneficiary will be determined under any state simultaneous death laws, to the extent applicable. If no applicable state law applies, the death benefit will be paid to the any contingent beneficiaries named under the Participant’s beneficiary designation. If there are no contingent beneficiaries, the death benefit will be paid to the Participant’s default beneficiaries, as described in subsection (3).

6. **Divorce from Spouse.** Unless designated otherwise under AA §9-5(c), if a Participant designates his/her Spouse as Beneficiary and subsequent to such Beneficiary designation, the Participant and Spouse are divorced, the designation of the Spouse as Beneficiary under the Plan is automatically rescinded unless specifically provided otherwise under a divorce decree or QDRO, or unless the Participant enters into a new Beneficiary designation naming the prior Spouse as Beneficiary. In addition, the provisions under this subsection (6) will not apply if the Participant has entered into a Beneficiary designation that specifically overrides the provisions of this subsection
(6). For periods prior to the date this Plan is executed by the Employer, this subsection (6) also applies to situations where the Participant and Spouse are legally separated.

7.08 Distribution to Disabled Employees. Unless elected otherwise under AA §9-4, no special distribution rules apply to Disabled Employees. However, the Employer may elect in AA §9-4 to permit a distribution at an earlier date for Disabled Employees.

7.09 Qualified Distributions for Retired Public Safety Officers. A Participant who is an eligible retired public safety officer may elect, after separation from service, to have qualified health insurance premiums deducted from amounts to be distributed from the Plan that would otherwise be includible in gross income, and to have such amounts paid directly to the insurer or group health plan. The distribution shall be excluded from the Participant's gross income to the extent that the aggregate amount of the distribution does not exceed the lesser of the amount used to pay the qualified health insurance premiums of the Participant, the Participant's spouse, and the Participant's dependents (as defined in Code §152), or $3,000, determined by aggregating all distributions with respect to the Participant that are used to pay qualified health insurance premiums from all eligible retirement plans of the Employer as defined in Code §414(d).

(a) Qualified health insurance premiums. The term "qualified health insurance premiums" means premiums for coverage for the Participant, the Participant's spouse, and the Participant's dependents (as defined in Code §152) by an accident or health insurance plan (including under a self-insured plan) or qualified long-term care insurance contract (within the meaning of Code §7702B(b)).

(b) Eligible retired public safety officer. The term "eligible retired public safety officer" means an individual who separated from service, either by reason of disability or after attainment of Normal Retirement Age, as a public safety officer with the Employer. For this purpose, a public safety officer is an individual serving the Employer in an official capacity, with or without compensation, as a law enforcement officer, a firefighter, a chaplain, or a member of a rescue squad or ambulance crew.

7.10 In-Service Distributions. The Employer may elect under AA §10 to permit in-service distributions under the Plan. Except to the extent provided under subsection (a) below, if an in-service distribution is not specifically permitted under AA §10, a Participant may not receive a distribution from the Plan until termination of employment, death or disability.

(a) After-Tax Employee Contributions and Rollover Contributions. Unless designated otherwise under AA §10-2, a Participant may withdraw at any time, upon written request, all or any portion of his/her Account Balance attributable to After-Tax Employee Contributions or Rollover Contributions. No forfeiture will occur solely as a result of an Employer's withdrawal of After-Tax Employee Contributions.

(b) Employer Contributions and Matching Contributions. The Employer may elect under AA §10 the extent to which in-service distributions will be permitted from Employer Contributions (including Matching Contributions, if applicable) under the Plan. If permitted under AA §10 of the Profit Sharing Plan Adoption Agreement, Employer Contributions may be withdrawn upon the occurrence of a specified event (such as attainment of a designated age or the occurrence of a Hardship, as defined in subsection (e) below). In addition, a Participant may take withdraw his/her Employer Contributions (and Matching Contributions, if applicable) upon the completion of a certain number of years, provided no distribution solely on account of years may be made with respect to Employer Contributions that have been accumulated in the Plan for less than 2 years, unless the Participant has been a Participant in the Plan for at least 5 years. (See Section 6.09 for special vesting rules that apply if a Participant takes an in-service distribution prior to becoming 100% vested in such contributions.)

For Plan Years beginning after January 1, 2007, if the Plan is a pension plan (e.g., a money purchase plan or if the Plan holds transferred assets from a money purchase plan), a Participant may not receive an in-service distribution of his/her vested Account Balance prior to the earlier of the attainment of Normal Retirement Age or age 62 (to the extent permitted under AA §10-1 or AA §10-2).

(c) Salary Deferrals under Grandfathered 401(k) Arrangement. If the Plan qualifies as a Grandfathered 401(k) Arrangement, as designated under AA §2-3 of the Profit Sharing Adoption Agreement, any Salary Deferrals (including any earnings on such amounts) generally may not be distributed prior to the Participant's severance from employment, death, or disability. However, the Employer may elect under AA §10 to permit an in-service distribution of such amounts upon attainment of a specified age (no earlier than age 59½, upon a Hardship (as defined in subsection (e)) or upon a Qualified Reservist Distribution, as defined under subsection (d).

If Normal Retirement Age or Early Retirement Age is earlier than age 59½ and an in-service distribution is permitted upon attainment of Normal Retirement Age or Early Retirement Age from Salary Deferrals, the Normal Retirement Age and/or Early Retirement Age will be deemed to be age 59½ for purposes of determining eligibility to distribute Salary Deferrals.
(d) **Penalty-free withdrawals for individuals called to active duty**, Effective September 11, 2001, the distribution provisions applicable to Salary Deferrals include a Qualified Reservist Distribution, as defined in subsection (1) below. If a Participant takes a Qualified Reservist Distribution, such distributions will not be subject to the 10% penalty tax under Code §72(t). A Qualified Reservist Distribution is only available if permitted under AA §10-1.

(1) **Qualified Reservist Distribution.** For purposes of this subsection (d), a Qualified Reservist Distribution means any distribution to an individual if:

(i) such distribution is from amounts attributable to elective deferrals described in Code §402(g)(3)(A) or (C) or Code §501(c)(18)(D)(iii),

(ii) such individual was (by reason of being a member of a reserve component (as defined in §101 of Title 37 of the United States Code)) ordered or called to active duty for a period in excess of 179 days or for an indefinite period, and

(iii) such distribution is made during the period beginning on the date of such order or call and ending at the close of the active duty period.

(2) **Active duty.** A Qualified Reservist Distribution will only be available for individuals who are ordered or called into active duty after September 11, 2001.

(e) **Hardship distribution.** The Employer may elect under AA §10-1 or AA §10-2of the Profit Sharing Plan Adoption Agreement to authorize an in-service distribution upon the occurrence of a Hardship event. A Hardship distribution of Salary Deferrals must meet the requirements of a safe harbor Hardship as described under subsection (1) below. For other contribution types, the Employer may elect to apply the safe harbor Hardship rules under subsection (1) or the non-safe harbor Hardship provisions under subsection (2) below.

(1) **Safe harbor Hardship distribution.** To qualify for a safe harbor Hardship, a Participant must demonstrate an immediate and heavy financial need, as described in subsection (i), and the distribution must be necessary to satisfy such need, as described in subsection (ii).

(i) **Immediate and heavy financial need.** To be considered an immediate and heavy financial need, the Hardship distribution must be made to satisfy one of the following financial needs:

(A) to pay expenses incurred or necessary for medical care (as described in Code §213(d)) of the Participant, the Participant’s Spouse or dependents (determined without regard to whether the expenses exceed 7.5% of adjusted gross income);

(B) for the purchase (excluding mortgage payments) of a principal residence for the Participant;

(C) for payment of tuition and related educational fees (including room and board) for the next 12 months of post-secondary education for the Participant, the Participant’s Spouse, children or dependents;

(D) to prevent the eviction of the Participant from, or a foreclosure on the mortgage of, the Participant’s principal residence;

(E) to pay funeral or burial expenses for the Participant’s deceased parent, Spouse, child or dependent;

(F) to pay expenses to repair damage to the Participant's principal residence that would qualify for a casualty loss deduction under Code §165 (determined without regard to whether the loss exceeds the 10% of adjusted gross income limit); or

(G) for any other event that the IRS recognizes as a safe harbor Hardship distribution event under ruling, notice or other guidance of general applicability.

The payment of funeral or burial expenses under subsection (E) and the payment of expenses to repair damage to a principal residence under subsection (F) only apply to Plan Years beginning on or after January 1, 2006. For purposes of determining eligibility of a Hardship distribution under this subsection (i), a dependent is determined under Code §152. However, for taxable years beginning on or after January 1, 2005, the determination of dependent for purposes of tuition and education fees under subsection (C) above will be made without regard to Code §152(b)(1), (b)(2), and (d)(1)(B) and the...
determination of dependent for purposes of funeral or burial expenses under subsection (E) above will be made without regard to Code §152(d)(1)(B).

A Participant must provide the Plan Administrator with a written request for a Hardship distribution. The Plan Administrator may require written documentation, as it deems necessary, to sufficiently document the existence of a proper Hardship event.

(ii) **Distribution necessary to satisfy need.** A distribution will be considered as necessary to satisfy an immediate and heavy financial need of the Participant if:

(A) The distribution is not in excess of the amount of the immediate and heavy financial need (including amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution);

(B) The Participant has obtained all available distributions, other than Hardship distributions, and all nontaxable loans under the Plan and all plans maintained by the Employer; and

(C) The Participant is suspended from making Salary Deferrals (and After-Tax Employee Contributions) for at least 6 months after the receipt of the Hardship distribution.

(2) **Non-safe harbor Hardship distribution.** The Employer may elect in AA §10-1(e) or AA §10-2(e) of the Profit Sharing Plan Adoption Agreement to permit Participants to take a Hardship distribution without satisfying the requirements of subsection (1) above.

(i) **Immediate and heavy financial need.** For purposes of determining whether a Hardship exists under this subsection (2), the same Hardship distribution events described in subsection (1)(i) will qualify as a Hardship distribution event under this subsection (2). The Employer may modify the permissible Hardship distribution events under AA §10-3(f) of the Profit Sharing Plan Adoption Agreement.

(ii) **Distribution necessary to satisfy need.** A Hardship distribution under this subsection (2) need not satisfy the requirements under subsection (1)(ii) above. Instead, all relevant facts and circumstances are considered to determine whether the Employee has other resources reasonably available to relieve or satisfy the need. For this purpose, resources include assets of the Employee's Spouse and minor children that are reasonably available to the Employee. In addition, the amount withdrawn for hardship may include amounts necessary to pay federal, state or local income taxes, or penalties reasonably anticipated to result from the distribution.

The Employer or Plan Administrator may rely upon the Employee's written representation that the need cannot be reasonably relieved through the following sources:

(A) Reimbursement or compensation by insurance;

(B) Liquidation of the Employee's assets;

(C) Cessation of Salary Deferrals or After-Tax Employee Contributions under the Plan;

(D) Other currently available distributions or nontaxable loans from the Plan or any other plan maintained by the Employer (or any other employer);

(E) Borrowing from commercial sources on reasonable commercial terms in an amount sufficient to satisfy the need.

The Employer or Plan Administrator may not rely upon the written representation under this subsection (ii) if the Employer has actual knowledge to the contrary.

(3) **Amount available for Hardship distribution.** A Participant may receive a Hardship distribution of any portion of his/her vested Employer Contribution Account or Matching Contribution Account (including earnings thereon), as permitted under AA §10. A Participant may receive a Hardship distribution of Salary Deferrals provided such distribution, when added to other Hardship distributions from Salary Deferrals, does not exceed the total Salary Deferrals the Participant has made to the Plan (increased by income allocable to such Salary Deferrals as of the later of December 31, 1988 or the end of the last Plan Year ending before July 1, 1989).
4 Availability to terminated Employees. If a Hardship distribution is permitted under AA §10-1 or AA §10-2, a Participant may take such a Hardship distribution after termination of employment to the extent no other distribution is available from the Plan.

5 Application of Hardship distributions rules with respect to primary beneficiaries. If elected under AA §10-3(e), if the Plan otherwise permits Hardship distributions based on the safe harbor hardship provisions under subsection (1), the existence of an immediate and heavy financial need under subsection (1)(i) may be determined with respect to a primary beneficiary under the Plan. For this purpose, a primary beneficiary is an individual who is named as a beneficiary under the Plan and has an unconditional right to all or a portion of a Participant’s Account Balance upon the death of the Participant. Hardship distributions with respect to primary beneficiaries under this subsection (5) are limited to Hardship distributions on account of medical expenses, educational expenses and funeral expenses (as described in subsections (1)(i)(A), (1)(i)(C) and (1)(i)(E), above). Any Hardship distribution with respect to a primary beneficiary must satisfy all the other requirements applicable to Hardship distributions under subsection (e).

7.11 Sources of Distribution. Unless provided otherwise in separate administrative provisions adopted by the Plan Administrator, in applying the distribution provisions under this Section 7, distributions will be made on a pro rata basis from all Accounts from which a distribution is permitted. Alternatively, the Plan Administrator may permit Participants to direct the Plan Administrator as to which Account the distribution is to be made. Regardless of a Participant’s direction as to the source of any distribution, the tax effect of such a distribution will be governed by Code §72 and the regulations thereunder.

(a) Exception for Hardship withdrawals. If the Plan permits a Hardship withdrawal from both Salary Deferrals (including Roth Deferrals) and Employer Contributions, a Hardship distribution will first be treated as having been made from a Participant’s Employer Contribution Account and then from the Employer’s Matching Contribution Account, to the extent such Hardship distribution is available with respect to such Accounts. Only when all available amounts have been exhausted under the Participant’s Employer Contribution Account and/or Matching Contribution Account will a Hardship distribution be made from a Participant’s Pre-Tax Salary Deferral Account and/or Roth Deferral Account. (See subsection (b) below for the ordering rules for distributions from the Pre-Tax Salary Deferral and Roth Deferral Accounts.) The Plan Administrator may modify the ordering rules under this subsection (a) under separate administrative procedures.

(b) Roth Deferrals. If a Participant has both a Pre-Tax Salary Deferral Account and a Roth Deferral Account, withdrawals and loans from such Accounts will be made in accordance with this subsection (b).

1) Distributions and withdrawals. Unless designated otherwise under AA §6A-5 of the Grandfathered 401(k) Plan Adoption Agreement or separate administrative procedures, if a Participant has both a Pre-Tax Salary Deferral Account and a Roth Deferral Account, the Participant may designate the extent to which a distribution or withdrawal of Salary Deferrals will come from the Pre-Tax Salary Deferral Account or the Roth Deferral Account. Alternatively, the Employer may provide under AA §6A-5 of the Grandfathered 401(k) Plan Adoption Agreement (or under separate administrative procedures) that any distribution or withdrawal of Salary Deferrals will be made on a pro rata basis from the Pre-Tax Salary Deferral Account and the Roth Deferral Account. Alternatively, the Employer may designate any other order of distribution and withdrawals under AA §6A-5 or separate administrative procedures.

2) Distribution of Excess Deferrals. Unless designated otherwise under AA §6A-5 of the Grandfathered 401(k) Plan Adoption Agreement or separate administrative procedures, if a Participant has both a Pre-Tax Salary Deferral Account and a Roth Deferral Account, and the Plan is required to make a corrective distribution of Excess Deferrals to such Participant, the Participant may designate whether the Plan will make such corrective distribution of Excess Deferrals from the Pre-Tax Salary Deferral Account or the Roth Deferral Account. Alternatively, the Employer may elect under AA §6A-5 of the Grandfathered 401(k) Plan Adoption Agreement (or under separate administrative procedures) that corrective distributions of Salary Deferrals to correct Excess Deferrals will be made pro rata from the Pre-Tax Salary Deferral Account and Roth Deferral Account or first from the Pre-Tax Salary Deferral Account or first from the Roth Deferral Account.

Unless designated otherwise under separate administrative procedures, if a Participant is permitted to designate the extent to which a corrective distribution is made from the Pre-Tax Salary Deferral Account or the Roth Deferral Account, and the Participant fails to designate the appropriate Account by the date the corrective distribution is made from the Plan, such corrective distribution may be withdrawn equally both from the Pre-Tax Salary Deferral Account and the Roth Deferral Account or the Employer may withdraw such amounts first from either the Pre-Tax Salary Deferral Account or the Roth Deferral Account.

(c) In-kind distributions. Nothing in this Section 7 precludes the Plan Administrator from making a distribution in the form of property, or other in-kind distribution. An in-kind distribution is only available to the extent such investments
are held in the Participant’s Account at the time of the distribution. This subsection (c) does not give any Participant the right to request an in-kind distribution if not otherwise authorized by the Plan Administrator.

7.12 Correction of Qualification Defects. Nothing in this Section 7 precludes the Plan Administrator from making a distribution to a Participant to correct a qualification defect consistent with the correction procedures under the IRS’ voluntary compliance programs. Thus, for example, if an Employee is permitted to enter the Plan prior to his/her proper Entry Date under Section 2.03(b) and the Plan Administrator determines that a corrective distribution is a proper means of correcting the operational violation, nothing in this Section 7 would prevent the Plan from making such corrective distribution. Any such distribution must be made in accordance with the correction procedures applicable under the IRS’ voluntary correction programs under Rev. Proc. 2013-12 (or successive guidance).
SECTION 8
REQUIRED MINIMUM DISTRIBUTIONS

8.01 Required Minimum Distributions. Unless specified otherwise under Appendix A of the Adoption Agreement, the provisions of this Section apply to calendar years beginning on or after January 1, 2003. A Participant’s entire interest under the Plan will be distributed, or begin to be distributed, to the Participant no later than the Participant’s Required Beginning Date (as defined in Section 8.05(e)). All distributions required under this Section 8 will be determined and made in accordance with the regulations under Code §401(a)(9) and the minimum distribution incidental benefit requirement of Code §401(a)(9)(G). For purposes of applying the required minimum distribution rules under this Section 8, any distribution made in a form other than a lump sum must be made over one of the following periods (or a combination thereof):

(a) the life of the Participant;

(b) the life of the Participant and a Designated Beneficiary;

(c) a period certain not extending beyond the life expectancy of the Participant; or

(d) a period certain not extending beyond the joint and last survivor life expectancy of the Participant and a Designated Beneficiary.

8.02 Death of Participant before required distributions begin. If the Participant dies before required distributions begin, the Participant’s entire interest will be distributed, or begin to be distributed, no later than as follows:

(a) Surviving Spouse is sole Designated Beneficiary. Unless designated otherwise under AA §10-4, if the Participant’s surviving Spouse is the Participant’s sole Designated Beneficiary, the surviving Spouse may elect to take distributions under the five-year rule (as described in Section 8.06(a) below) or under the life expectancy method. If the life expectancy method applies, distributions to the surviving Spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70-1/2, if later.

(b) Surviving Spouse is not the sole Designated Beneficiary. Unless designated otherwise under AA §10-4, if the Participant’s surviving Spouse is not the Participant’s sole Designated Beneficiary, the Designated Beneficiary may elect to take distributions under the five-year rule (as described in Section 8.06(a) below) or under the life expectancy method. If the life expectancy method applies, then distributions to the Designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died. If the Designated Beneficiary does not elect to commence distributions by December 31 of the calendar year immediately following the calendar year in which the Participant dies, a complete distribution must be made by December 31 of the calendar year containing the fifth anniversary of the Participant’s death. See Section 8.06(a) below.

(c) No Designated Beneficiary. If there is no Designated Beneficiary as of the date of the Participant’s death who remains a Beneficiary as of September 30 of the year immediately following the year of the Participant’s death, the Participant’s entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant’s death.

(d) Death of surviving Spouse. 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 Section 8.02 (other than subsection (a)) will apply as if the surviving Spouse were the Participant.

For purposes of this Section 8.02 and AA §10-4, unless subsection (d) applies, distributions are considered to begin on the Participant’s Required Beginning Date. If subsection (d) applies, distributions are considered to begin on the date distributions are required to begin to the surviving Spouse under subsection (a) above. 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 subsection (a)), the date distributions are considered to begin is the date distributions actually commence.

8.03 Required Minimum Distributions during Participant’s lifetime.

(a) Amount of Required Minimum Distribution for each Distribution Calendar Year. During the Participant’s lifetime, the minimum amount that will 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 set forth in the Uniform Lifetime Table found in Treas. Reg. §1.401(a)(9)-9, Q&A-2, using the Participant’s age as of the Participant’s birthday in the Distribution Calendar Year; or
required distributions begin and there is a Designated Beneficiary, the minimum amount that will 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:

(i) The Participant’s remaining life expectancy is calculated in accordance with the Single Life Table found in Treas. Reg. §1.401(a)(9)-9, Q&A-1, using the age of the Participant in the year of death, reduced by one for each subsequent year.

(ii) If the Participant’s surviving Spouse is the Participant’s sole Designated Beneficiary, the remaining life expectancy of the surviving Spouse is calculated using the Single Life Table found in Treas. Reg. §1.401(a)(9)-9, Q&A-1, 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.

(iii) If the Participant’s surviving Spouse is not the Participant’s sole Designated Beneficiary, the Designated Beneficiary’s remaining life expectancy is calculated under the Single Life Table using the age of the Designated Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(2) No Designated Beneficiary, If the participant dies on or after the date required distributions begin and there is no Designated Beneficiary as of the Participant’s date of death who remains a Designated Beneficiary as of September 30 of the year after the year of the Participant’s death, the minimum amount that will 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 under the Single Life Table calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(b) Death before date required distributions begin.

(1) Participant survived by Designated Beneficiary, Unless designated otherwise under AA §10-4, if the Participant dies before the date required distributions begin and there is a Designated Beneficiary, the minimum amount that will 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 subsection (a).

(2) No Designated Beneficiary, If the Participant dies before the date distributions begin and there is no Designated Beneficiary as of the date of death of the Participant who remains a Designated Beneficiary as of September 30 of the year following the year of the Participant’s death, distribution of the Participant’s entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Participant’s death.

(3) Death of surviving Spouse before distributions to surviving Spouse are required to begin, 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 Section 8.02(a), this subsection (b) will apply as if the surviving Spouse were the Participant.
8.05 Definitions.

(a) **Designated Beneficiary.** A Beneficiary designated by the Participant (or the Plan), whose life expectancy may be taken into account to calculate minimum distributions, pursuant to Code §401(a)(9) and Treas. Reg. §1.401(a)(9)-4.

(b) **Distribution Calendar Year.** 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 pursuant to Section 8.02. The Required Minimum Distribution for the Participant’s first Distribution Calendar Year will 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, will be made on or before December 31 of that Distribution Calendar Year.

(c) **Life expectancy.** For purposes of determining a Participant’s Required Minimum Distribution amount, life expectancy is computed using one of the following tables, as appropriate: (1) Single Life Table, (2) Uniform Life Table, or (3) Joint and Last Survivor Table found in Treas. Reg. §1.401(a)(9)-9.

(d) **Account Balance.** For purposes of determining a Participant’s Required Minimum Distribution, the Participant’s Account Balance is determined based on the Account Balance as of the last Valuation Date in the calendar year immediately preceding the Distribution Calendar Year (the “valuation calendar year”) increased by the amount of any contributions or forfeitures allocated to the Account Balance as of dates in the calendar year after the Valuation Date and decreased by distributions made in the 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.

(e) **Required Beginning Date.** Unless designated otherwise under AA §10-4, a Participant’s Required Beginning Date under the Plan is April 1 that follows the end of the calendar year in which the later of the following two events occurs:

1. the Participant attains age 70½ or
2. the Participant terminates employment.

A Participant may begin in-service distributions prior to his/her Required Beginning Date only to the extent authorized under Section 7.10 and AA §10. However, if this Plan were amended to add the Required Beginning Date rules under this subsection (e), a Participant who attained age 70½ prior to January 1, 1999 (or, if later, January 1 following the date the Plan is first amended to contain the Required Beginning Date rules under this subsection (e)) may receive in-service minimum distributions in accordance with the terms of the Plan in existence prior to such amendment.

8.06 Special Rules.

(a) **Election to apply 5-year rule to required distributions after death.** If the Participant dies before distributions begin and there is a Designated Beneficiary, the Employer may elect under AA §10-4, instead of applying the provisions of Sections 8.02 and 8.04, to require the Participant’s entire interest to be distributed to the Designated Beneficiary by December 31 of the calendar year containing the fifth anniversary of the Participant’s death. 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 either the Participant or the surviving Spouse begin, this election will apply as if the surviving Spouse were the Participant.

(b) **Election to allow Participants or Beneficiaries to elect 5-year rule.** If a Participant or Designated Beneficiary is permitted under AA §10-4 to elect whether to apply the life expectancy rule under Section 8.02 above or the five year rule under subsection (a), the election must be made no later than the earlier of September 30 of the calendar year in which distribution would be required to begin under Section 8.02 or by September 30 of the calendar year which contains the fifth anniversary of the Participant’s (or, if applicable, surviving Spouse’s) death. If neither the Participant nor Beneficiary makes an election under this paragraph, distributions will be made in accordance with the five year rule under subsection (a) above.

(c) **Forms of Distribution.** Unless the Participant’s interest is distributed in the form of an annuity purchased from an insurance company or in a lump sum on or before the Required Beginning Date, as of the first Distribution Calendar Year distributions will be made in accordance with Sections 8.02 and 8.04. If the Participant’s interest is distributed in the form of an annuity purchased from an insurance company, distributions thereafter will be made in accordance with the requirements of Code §401(a)(9) and the regulations.
(d) **Waiver of Required Minimum Distributions.** For calendar year 2009, the Required Minimum Distribution rules will not apply. In applying the provisions of this Section 8 for the 2009 Distribution Calendar Year,

(1) the Required Beginning Date with respect to any individual shall be determined without regard to this subsection for purposes of applying this paragraph for Distribution Calendar Years after 2009, and

(2) required distributions to a beneficiary upon the death of the Participant shall be determined without regard to calendar year 2009.

A Participant or beneficiary who would have been required to receive a Required Minimum Distribution for the 2009 Distribution Calendar Year but for the enactment of Code §401(a)(9)(H) (“2009 RMD”), may elect whether or not to receive the 2009 RMD (or any portion of such distribution). A distribution of the 2009 RMD or a series of substantially equal distributions (that include the 2009 RMDs) made at least annually and expected to last for the life (or life expectancy) of the participant, the joint lives (or joint life expectancy) of the participant and the participant’s designated beneficiary, or for a period of at least 10 years, will be treated as an Eligible Rollover Distribution. However, if all or any portion of a distribution during 2009 is treated as an Eligible Rollover Distribution but would not be so treated if the Required Minimum Distribution requirements under this Section 8 had applied during 2009, such distribution shall not be treated as an Eligible Rollover Distribution for purposes of Code §§401(a)(31), 402(f) or 3405(c). (See Notice 2009-82 for transitional rules that apply for purposes of applying the rollover rules to the distribution of 2009 RMDs.)

(e) **Treatment of trust beneficiaries as Designated Beneficiaries.** If a trust is properly named as a Beneficiary under the Plan, the beneficiaries of the trust will be treated as the Designated Beneficiaries of the Participant solely for purposes of determining the distribution period under this Section 8 with respect to the trust’s interests in the Participant’s vested Account Balance. The beneficiaries of a trust will be treated as Designated Beneficiaries for this purpose only if, during any period during which required minimum distributions are being determined by treating the beneficiaries of the trust as Designated Beneficiaries, the following requirements are met:

(1) the trust is a valid trust under state law, or would be but for the fact there is no corpus;

(2) the trust is irrevocable or will, by its terms, become irrevocable upon the death of the Participant;

(3) the beneficiaries of the trust who are beneficiaries with respect to the trust’s interests in the Participant’s vested Account Balance are identifiable from the trust instrument; and

(4) the Plan Administrator receives the documentation described in subsection (f)(1) below.

If the foregoing requirements are satisfied and the Plan Administrator receives such additional information as it may request, the Plan Administrator may treat such beneficiaries of the trust as Designated Beneficiaries.

(f) **Special rules applicable to trust beneficiaries.**

(1) **Information that must be supplied to Plan Administrator.**

   (i) **Required minimum distribution before death where Spouse is sole beneficiary.** If a Participant designates a trust as the beneficiary of his/her entire benefit and the Participant’s Spouse is the sole beneficiary of the trust, the Participant must provide the information under (A) or (B) below to satisfy the information requirements under subsection (e)(4) above.

   (A) The Participant must provide to the Plan Administrator a copy of the trust instrument and agree that if the trust instrument is amended at any time in the future, the Participant will, within a reasonable time, provide to the Plan Administrator a copy of each such amendment; or

   (B) The Participant must:

   (I) provide to the Plan Administrator a list of all of the beneficiaries of the trust (including contingent and remaindermen beneficiaries with a description of the conditions on their entitlement sufficient to establish that the Spouse is the sole beneficiary) for purposes of Code §401(a)(9);

   (II) certify that, to the best of the Participant’s knowledge, the list under subsection (I) is correct and complete and that the requirements of subsection (e) above are satisfied;
(III) agree that, if the trust instrument is amended at any time in the future, the Participant will, within a reasonable time, provide to the Plan Administrator corrected certifications to the extent that the amendment changes any information previously certified; and

(IV) agree to provide a copy of the trust instrument to the Plan Administrator upon demand.

(ii) **Required minimum distribution after death.** In order to satisfy the documentation requirement of subsection (e)(4) above for required minimum distributions after the death of the Participant (or Spouse in a case to which Treas. Reg. § 401(a)(9)-3, Q&A-5 applies), the trustee of the trust must satisfy the requirements of subsection (A) or (B) by October 31 of the calendar year immediately following the calendar year in which the Participant died.

(A) The trustee of the trust must:

(I) provide the Plan Administrator with a final list of all beneficiaries of the trust (including contingent and remaindermen beneficiaries with a description of the conditions on their entitlement) as of September 30 of the calendar year following the calendar year of the Participant’s death;

(II) certify that, to the best of the trustee's knowledge, the list in subsection (I) is correct and complete and that the requirements of subsection (e) above are satisfied; and

(III) agree to provide a copy of the trust instrument to the Plan Administrator upon demand.

(B) The trustee of the trust must provide the Plan Administrator with a copy of the actual trust document for the trust that is named as a beneficiary of the Participant under the Plan as of the Participant’s date of death.

(2) **Relief for discrepancy.** If required minimum distributions are determined based on the information provided to the Plan Administrator in certifications or trust instruments described in subsection (1) above, the Plan will not fail to satisfy Code §401(a)(9) merely because the actual terms of the trust instrument are inconsistent with the information in those certifications or trust instruments previously provided to the Plan Administrator, provided the Plan Administrator reasonably relied on the information provided and the required minimum distributions for calendar years after the calendar year in which the discrepancy is discovered are determined based on the actual terms of the trust instrument.

8.07 **Transitional Rule.** Notwithstanding the other requirements of this Section 8, distribution on behalf of any Employee may be made in accordance with all of the following requirements (regardless of when such distribution commences):

(a) The distribution by the Plan is one that would not have disqualified the Plan under Code §401(a)(9) as in effect prior to amendment by the Deficit Reduction Act of 1984.

(b) The distribution is in accordance with a method of distribution designated by the Participant whose interest in the Plan is being distributed or, if the Participant is deceased, by a Beneficiary of such Participant.

(c) Such designation was in writing, was signed by the Participant or the beneficiary, and was made before January 1, 1984.

(d) The Participant had accrued a benefit under the Plan as of December 31, 1983.

(e) The method of distribution designated by the Participant or the beneficiary specifies the time at which distribution will commence, the period over which distributions will be made, and in the case of any distribution upon the Participant’s death, the beneficiaries of the Participant listed in order of priority.

A distribution upon death will not be covered by this transitional rule unless the information in the designation contains the required information described above with respect to the distributions to be made upon the death of the Participant.

For any distribution which commences before January 1, 1984, but continues after December 31, 1983, the Participant, or the Beneficiary, to whom such distribution is being made, will be presumed to have designated the method of distribution under which the distribution is being made if the method of distribution was specified in writing and the distribution satisfies the requirements in subsections (a) - (e) above.

If a designation is revoked any subsequent distribution must satisfy the requirements of Code §401(a)(9) and the proposed regulations thereunder. If a designation is revoked subsequent to the date distributions are required to begin, the Plan must
distribute by the end of the calendar year following the calendar year in which the revocation occurs the total amount not yet distributed which would have been required to have been distributed to satisfy Code §401(a)(9) and the proposed regulations thereunder, but for the TEFRA §242(b)(2) election. For calendar years beginning after December 31, 1988, such distributions must meet the minimum distribution incidental benefit requirements. Any changes in the designation will be considered to be a revocation of the designation. However, the mere substitution or addition of another Beneficiary (one not named in the designation) under the designation will not be considered to be a revocation of the designation, so long as such substitution or addition does not alter the period over which distributions are to be made under the designation, directly or indirectly (for example, by altering the relevant measuring life). In the case in which an amount is transferred or rolled over from one plan to another plan, the rules in Treas. Reg. §1.401(a)(9)-8, Q&A-14 and Q&A-15 shall apply.
SECTION 9
SPOUSAL CONSENT RULES

9.01 Application of Joint and Survivor Annuity Rules. As a Governmental Plan, the Qualified Joint and Survivor Annuity rules under Code §§401(a)(11) and 417 do not apply to the Plan. The Employer may elect to require spousal consent for Plan distributions under AA §9-2(b).

9.02 Spousal consent. If the Employer elects under AA §9-2(b) to require spousal consent to a Plan distribution, the Spouse’s consent will be required with respect to a distribution as designated in AA §9-2(b). A Spouse’s consent, if required, must be provided pursuant to a Qualified Election. For this purpose, a Qualified Election is a written election signed by both the Participant and the Participant’s Spouse that specifically acknowledges the effect of the election. The Spouse’s consent must be witnessed by a plan representative or notary public. If the Qualified Election permits the Participant to change a payment form or Beneficiary designation without any further consent by the Spouse, the Qualified Election must acknowledge that the Spouse has the right to limit consent to a specific Beneficiary, and a specific form of benefit, as applicable, and that the Spouse voluntarily elects to relinquish either or both of such rights.

9.03 One-year marriage rule. The Employer may elect under AA §9-5(b), for purposes of identifying a Beneficiary under Section 7.07(c) and for purposes of applying the spousal consent rules under this Section 9, that an individual will not be considered the surviving Spouse of the Participant if the Participant and the surviving Spouse have not been married for the entire one-year period ending on the date of the Participant’s death.
SECTION 10

PLAN ACCOUNTING AND INVESTMENTS

10.01 Participant Accounts. The Plan Administrator will maintain a separate Account for each Participant to reflect the Participant’s entire interest under the Plan. The Plan Administrator may maintain any (or all) of the following separate sub-Accounts:

- Employer Contribution Account
- Matching Contribution Account
- After-Tax Employee Contribution Account
- Rollover Contribution Account
- Transfer Account.

In addition, if this Plan qualifies as a Grandfathered 401(k) Arrangement (as designated under AA §2-3 of the Profit Sharing Plan Adoption Agreement), the Plan Administrator may also maintain the following separate Accounts:

- Pre-Tax Salary Deferral Account
- Roth Deferral Account
- Roth Rollover Contribution Account

The Plan Administrator may establish other Accounts, as it deems necessary, for the proper administration of the Plan.

10.02 Valuation of Accounts. A Participant’s portion of the Trust assets is determined as of each Valuation Date under the Plan. The value of a Participant’s Account consists of the fair market value of the Participant’s share of the Trust assets. The Trustee must value Plan assets at least annually. The Trustee’s determination of the value of Trust assets shall be final and conclusive.

(a) Periodic valuation. The Employer may elect under AA §11-1 or may elect operationally to value assets on a periodic basis. The Trustee and the Plan Administrator may adopt reasonable procedures for performing such valuations.

(b) Daily valuation. The Employer may elect under AA §11-1 or may elect operationally to value assets on a daily basis. The Plan Administrator may adopt reasonable procedures for performing such valuations. Unless otherwise set forth in the written procedures, a daily valued Plan will have its assets valued at the end of each business day during which the New York Stock Exchange is open. The Plan Administrator has authority to interpret the provisions of this Plan in the context of a daily valuation procedure. This includes, but is not limited to, the determination of the value of the Participant's Account for purposes of Participant loans, distribution and consent rights, and corrective distributions.

(c) Interim valuations. The Plan Administrator may request the Trustee to perform interim valuations.

10.03 Adjustments to Participant Accounts. Unless the Plan Administrator adopts other reasonable administrative procedures, as of each Valuation Date under the Plan, each Participant’s Account is adjusted in the following manner.

(a) Distributions and forfeitures from a Participant’s Account. A Participant’s Account will be reduced by any distributions, forfeitures and other reductions from the Account since the previous Valuation Date.

(b) Life insurance premiums and dividends. A Participant’s Account will be reduced by the amount of any life insurance premium payments under the Plan made for the benefit of the Participant since the previous Valuation Date. The Account will be credited with any dividends or credits paid on any life insurance policy held by the Trust for the benefit of the Participant.

(c) Contributions and forfeitures allocated to a Participant’s Account. A Participant’s Account will be credited with any contribution, forfeiture or other additions allocated to the Participant since the previous Valuation Date.

(d) Net income or loss. A Participant’s Account will be adjusted for any net income or loss in accordance with any reasonable procedures that the Plan Administrator may establish. Such procedures may be reflected in a funding agreement governing the applicable investments under the Plan. To the extent the Plan Administrator does not establish separate written procedures, net income or loss will be allocated to Participants’ Accounts in accordance with the following provisions.

(1) Net income or loss attributable to General Trust Account. To the extent a Participant’s Account is invested as part of a General Trust Account, such Account is adjusted for its allocable share of net income or loss experienced by the General Trust Account. The net income or loss of the General Trust Account is allocated to the Participant Accounts in the ratio that each Participant’s Account bears to all Accounts, based on the value of each Participant’s Account as of the prior Valuation Date, as adjusted in subsections (a) - (c) above. In determining Participant Account Balances as of the prior Valuation Date, the Employer may apply a weighted
average method that credits each Participant’s Account with a portion of the contributions made since the prior Valuation Date. The Plan’s investment procedures may designate the specific type(s) of contributions eligible for a weighted allocation of net income or loss and may designate alternative methods for determining the weighted allocation. If the Employer elects to apply a weighted average method, such method will be applied uniformly to all Participant Accounts under the General Trust Account.

(2) **Net income or loss attributable to a Directed Account.** If the Participant or Beneficiary is entitled to direct the investment of all or part of his/her Account (see Section 10.07), the Account (or the portion of the Account which is subject to such direction) will be maintained as a Directed Account, which reflects the value of the directed investments as of any Valuation Date. The assets held in a Directed Account may be (but are not required to be) segregated from the other investments held in the Trust. Net income or loss attributable to the investments made by a Directed Account is allocated to such Account in a manner that reasonably reflects the investment experience of such Directed Account. Where a Directed Account reflects segregated investments, the manner of allocating net income or loss shall not result in a Participant (or Beneficiary) being entitled to distribution from the Directed Account that exceeds the value of such Account as of the date of distribution.

10.04 **Share or unit accounting.** The Plan’s investment procedures may provide for share or unit accounting to reflect the value of Accounts, if such method is appropriate for the investments allocable to such Accounts.

10.05 **Suspense accounts.** The Plan’s investment procedures also may provide for special valuation procedures for suspense accounts that are properly established under the Plan.

10.06 **Investments under the Plan.**

(a) **Investment options.** The Trustee or other person(s) responsible for the investment of Plan assets is authorized to invest Plan assets in any prudent investment. Investment options include, but are not limited to, the following:

- common and preferred stock or other equity securities (including stock bought and sold on margin);
- corporate bonds;
- open-end or closed-end mutual funds (including funds for which a Volume Submitter Sponsor, Trustee, or affiliate serves as investment advisor or other capacity);
- money market accounts;
- certificates of deposit;
- debentures;
- commercial paper;
- put and call options;
- limited partnerships;
- mortgages;
- U.S. Government obligations, including U.S. Treasury notes and bonds;
- real and personal property having a ready market;
- life insurance or annuity policies;
- commodities;
- savings accounts;
- notes; and
- securities issued by the Trustee and/or its affiliates, as permitted by law.

(b) **Common/collective trusts and collectibles.** Plan assets may also be invested in a common/collective trust fund, or in a group trust fund that satisfies the requirements of IRS Revenue Ruling 81-100 (as modified by Rev. Rul. 2004-67 and Rev. Rul. 2011-1). All of the terms and provisions of any such common/collective trust fund or group trust into which Plan assets are invested are incorporated by reference into the provisions of the Trust for this Plan. No portion of any voluntary, tax deductible Employee contributions being held under the Plan (or any earnings thereon) may be invested in life insurance contracts or, as with any Participant-directed investment, in tangible personal property characterized by the IRS as a collectible.

10.07 **Participant-directed investments.** If the Plan (by election in AA §C-1 or under separate investment procedures) permits Participant direction of investments, each Participant shall have the exclusive right, in accordance with the provisions of the Plan, to direct the investment by the Trustee of all or a portion of the amounts allocated to the separate Accounts of the Participant under the Plan. All investment directions by Participants shall be timely furnished to the Trustee by the Plan Administrator, except to the extent such directions are transmitted electronically or otherwise by Participants directly to the Trustee or its delegate in accordance with rules and procedures established and approved by the Plan Administrator and communicated to the Trustee. In
making any investment of Plan assets, the Trustee shall be fully entitled to rely on such directions furnished to it by the Plan Administrator or by Participants in accordance with the Plan Administrator’s approved rules and procedures, and shall be under no duty to make any inquiry or investigation with respect thereto. Except as otherwise provided in this Plan, neither the Trustee, the Employer, nor any other fiduciary of the Plan will be liable to the Participant for any loss resulting from action taken at the direction of the Participant. (A reference to Participant under this Section 10.07 also applies to any Beneficiary or Alternate Payee eligible to direct investments under the Plan.)

(a) **Limits on participant investment direction.** The Employer may elect under AA §C-1 or under separate investment procedures to limit Participant direction of investment to specific types of contributions or with respect to specific investment options. If Participant investment direction is limited to specific investment options, it shall be the sole and exclusive responsibility of the Employer or Plan Administrator to select the investment options, and the Trustee shall not be responsible for selecting or monitoring such investment options, unless the Trustee has otherwise agreed in writing. In no case may Participants direct that investments be made in collectibles, other than U.S. Government or State issued gold and silver coins. (See Section 10.03(d)(2) for rules regarding allocation of net income or loss to a Directed Account.)

(b) **Failure to direct investment.** If Participant direction of investments is permitted, the Plan Administrator will designate how accounts will be invested in the absence of proper affirmative direction from the Participant. The Plan or Plan Administrator may designate a default fund under the Plan in which the Trustee shall deposit contributions to the Trust on behalf of Participants who have been identified by the Plan Administrator as having not specified investment choices under the Plan. If the Trustee receives any contribution under the Plan that is not accompanied by instructions directing its investment, the Trustee shall immediately notify the Plan Administrator of that fact, and the Trustee may, in its discretion, hold all or a portion of the contribution uninvested without liability for loss of income or appreciation pending receipt of proper investment directions.

(c) **Trustee to follow Participant direction.** To the extent the Plan allows Participant direction of investment, the Trustee is authorized to follow the Participant’s written direction (or other form of direction deemed acceptable by the Trustee). A Directed Account will be established for the portion of the Participant’s Account that is subject to Participant direction of investment. The Trustee may decline to follow a Participant’s investment direction to the extent such direction would:

1. result in a prohibited transaction;
2. cause the assets of the Plan to be maintained outside the jurisdiction of the U.S. courts;
3. jeopardize the Plan’s tax qualification;
4. be contrary to the Plan’s governing documents;
5. cause the assets to be invested in collectibles within the meaning of Code §408(m);
6. generate unrelated business taxable income; or
7. result (or could result) in a loss exceeding the value of the Participant’s Account.

The Trustee will not be responsible for any loss or expense resulting from a failure to follow a Participant’s direction in accordance with the requirements of this paragraph. Participant directions will be processed as soon as administratively practicable following receipt of such directions by the Trustee. The Trustee, Plan Administrator, or Employer will not be liable for a delay in the processing of a Participant direction that is caused by a legitimate business reason (including, but not limited to, a failure of computer systems or programs, failure in the means of data transmission, the failure to timely receive values or prices, or other unforeseen problems outside of the control of the Trustee, Plan Administrator, or Employer).

**10.08 Investment in Life Insurance.** A group or individual life insurance policy purchased by the Plan may be issued on the life of a Participant, a Participant’s Spouse, a Participant’s child or children, a family member of the Participant, or any other individual with an insurable interest. If this Plan is a money purchase plan, a life insurance policy may only be issued on the life of the Participant. A life insurance policy includes any type of policy, including a second-to-die policy, provided that the holding of a particular type of policy is not prohibited under rules applicable to qualified plans.

Any premiums on life insurance held for the benefit of a Participant will be charged against such Participant’s vested Account Balance. Unless directed otherwise, the Plan Administrator will reduce each of the Participant’s Accounts under the Plan equally to pay premiums on life insurance held for such Participant’s benefit. Any premiums paid for life insurance policies must satisfy the incidental life insurance rules under subsection (a).
(a) **Incidental Life Insurance Rules.** Any life insurance purchased under the Plan must meet the following requirements:

1. **Ordinary life insurance policies.** The aggregate premiums paid for ordinary life insurance policies (i.e., policies with both nondecreasing death benefits and nonincreasing premiums) for the benefit of a Participant must be at any time less than 50% of the aggregate amount of Employer Contributions (including Salary Deferrals) and forfeitures that have been allocated to the Account of such Participant.

2. **Life insurance policies other than ordinary life.** The aggregate premiums paid for term, universal or other life insurance policies (other than ordinary life insurance policies) for the benefit of a Participant shall not at any time exceed 25% of the aggregate amount of Employer Contributions (including Salary Deferrals) and forfeitures that have been allocated to the Account of such Participant.

3. **Combination of ordinary and other life insurance policies.** The sum of one-half (½) of the aggregate premiums paid for ordinary life insurance policies plus all the aggregate premiums paid for any other life insurance policies for the benefit of a Participant shall not at any time exceed 25% of the aggregate amount of Employer Contributions (including Salary Deferrals) and forfeitures which have been allocated to the Account of such Participant.

4. **Exception for certain Profit Sharing Plans.** If the Plan is a Profit Sharing Plan, the limitations in this Section do not apply to the extent life insurance premiums are paid only with Employer Contributions and forfeitures that have been accumulated in the Participant’s Account for at least two years or are paid with respect to a Participant who has been a Participant for at least five years. For purposes of applying this special limitation, Employer Contributions do not include any Salary Deferrals, QMACs, QNECs or Safe-Harbor Contributions under a 401(k) plan.

5. **Exception for After-Tax Employee Contributions and Rollover Contributions.** The Plan Administrator also may invest, with the Participant’s consent, any portion of the Participant’s After-Tax Employee Contribution Account or Rollover Contribution Account in a group or individual life insurance policy for the benefit of such Participant, without regard to the incidental life insurance rules under this Section.

(b) **Ownership of Life Insurance Policies.** The Trustee is the owner of any life insurance policies purchased under the Plan. Any life insurance policy purchased under the Plan shall be designated the Trustee as owner and beneficiary under the policy. The Trustee will pay all proceeds of any life insurance policies to the Beneficiary of the Participant for whom such policy is held in accordance with the distribution provisions under Section 7. In no event shall the Trustee retain any part of the proceeds from any life insurance policies for the benefit of the Plan.

(c) **Evidence of Insurability.** Prior to purchasing a life insurance policy, the Plan Administrator may require the individual whose life is being insured to provide evidence of insurability, such as a physical examination, as may be required by the Insurer.

(d) **Distribution of Insurance Policies.** Life insurance policies under the Plan, which are held on behalf of a Participant, must be distributed to the Participant or converted to cash upon the later of the Participant’s Annuity Starting Date (as defined in Section 1.09) or termination of employment. Any life insurance policies that are held on behalf of a terminated Participant must continue to satisfy the incidental life insurance rules under subsection (a). If a life insurance policy is purchased on behalf of an individual other than the Participant, and such individual dies, the Participant may withdraw any or all life insurance proceeds from the Plan, to the extent such proceeds exceed the cash value of the life insurance policy determined immediately before the death of the insured individual.

(e) **Discontinuance of Insurance Policies.** Investments in life insurance may be discontinued at any time, either at the direction of the Trustee or other fiduciary responsible for making investment decisions. If the Plan provides for Participant direction of investments, life insurance as an investment option may be eliminated at any time by the Plan Administrator. Where life insurance investment options are being discontinued, the Plan Administrator, in its sole discretion, may offer the sale of the insurance policies to the Participant, or to another person, provided that the prohibited transaction exemption requirements prescribed by the Department of Labor are satisfied.

(f) **Protection of Insurer.** An Insurer (as defined in Section 1.58) that issues a life insurance policy under the terms of this Section 10.08, shall not be responsible for the validity of this Plan and shall be protected and held harmless for any actions taken or not taken by the Trustee or any actions taken in accordance with written directions from the Trustee or the Employer (or any duly authorized representatives of the Trustee or Employer). An Insurer shall have no obligation to determine the propriety of any premium payments or to guarantee the proper application of any payments made by the insurance company to the Trustee.
The Insurer is not and shall not be considered a party to this Plan and is not a fiduciary with respect to the Plan solely as a result of the issuance of life insurance policies under this Section 10.08.

(g) **No Responsibility for Act of Insurer.** Neither the Employer, the Plan Administrator nor the Trustee shall be responsible for the validity of the provisions under a life insurance policy issued under this Section 10.08 or for the failure or refusal by the Insurer to provide benefits under such policy. The Employer, the Plan Administrator and the Trustee are also not responsible for any action or failure to act by the Insurer or any other person which results in the delay of a payment under the life insurance policy or which renders the policy invalid or unenforceable in whole or in part.
SECTION 11
PLAN ADMINISTRATION AND OPERATION

11.01 **Plan Administrator.** The Employer is the Plan Administrator, unless the Employer designates in writing an alternative Plan Administrator. The Plan Administrator has the responsibilities described in this Section 11.

11.02 **Designation of Alternative Plan Administrator.** The Employer may designate another person or persons as the Plan Administrator by name, by reference to the person or group of persons holding a particular position, by reference to a procedure under which the Plan Administrator is designated, or by reference to a person or group of persons charged with the specific responsibilities of Plan Administrator.

(a) **Acceptance of responsibility by designated Plan Administrator.** If the Employer designates an alternative Plan Administrator, the designated Plan Administrator must accept its responsibilities in writing. The Employer and the designated Plan Administrator jointly will determine the time period for which the alternative Plan Administrator will serve.

(b) **Multiple alternative Plan Administrators.** If the Employer designated more than one person as an alternative Plan Administrator, such Plan Administrators shall act by majority vote, unless the group delegates particular Plan Administrator duties to a specific person.

(c) **Resignation or removal of designated Plan Administrator.** A designated Plan Administrator may resign by delivering a written notice of resignation to the Employer. The Employer may remove a designated Plan Administrator by delivering a written notice of removal. If a designated Plan Administrator resigns or is removed, and no new alternative Plan Administrator is designated, the Employer is the Plan Administrator.

(d) **Employer responsibilities.** If the Employer designates an alternative Plan Administrator, the Employer will provide in a timely manner all appropriate information necessary for the Plan Administrator to perform its duties. This information includes, but is not limited to, Participant compensation data, Employee employment, service and termination information, and other information the Plan Administrator may require. The Plan Administrator may rely on the accuracy of any information and data provided by the Employer.

(e) **Indemnification of Plan Administrator.** The Employer will indemnify, defend and hold harmless the Plan Administrator (including the individual members of any administrative committee appointed by the Employer to handle administrative functions of the Plan or any Employees who have administrative responsibility for the Plan) with respect to any liability, loss, damage or expense resulting from any act or omission (except willful misconduct or gross negligence) in their official capacities in the administration of this Trust or Plan, including attorney, accountant and advisory fees and all other expenses reasonably incurred in their defense.

11.03 **Duties, Powers and Responsibilities of the Plan Administrator.** The Plan Administrator will administer the Plan for the exclusive benefit of the Plan Participants and Beneficiaries, and in accordance with the terms of the Plan. If the terms of the Plan are unclear, the Plan Administrator may interpret the Plan, provided such interpretation is consistent with the rules of Code §40. This right to interpret the Plan is an express grant of discretionary authority to resolve ambiguities in the Plan document and to make discretionary decisions regarding the interpretation of the Plan’s terms, including who is eligible to participate under the Plan, and the benefit rights of a Participant or Beneficiary. Unless an interpretation or decision is determined to be arbitrary and capricious, the Plan Administrator will not be held liable for any interpretation of the Plan terms or decision regarding the application of a Plan provision.

(a) **Delegation of duties, powers and responsibilities.** The Plan Administrator may delegate its duties, powers or responsibilities to one or more persons. Such delegation must be in writing and accepted by the person or persons receiving the delegation. The Employer must agree to such delegation by an alternative Plan Administrator.

(b) **Specific Plan Administrator responsibilities.** The Plan Administrator has the general responsibility to control and manage the operation of the Plan. This responsibility includes, but is not limited to, the following:

(1) To interpret and enforce the provisions of the Plan, including those related to Plan eligibility, vesting and benefits;

(2) To communicate with the Trustee and other responsible persons with respect to the crediting of Plan contributions, the disbursement of Plan distributions and other relevant matters;

(3) To develop separate procedures (if necessary) consistent with the terms of the Plan to assist in the administration of the Plan, including the adoption of a separate or modified loan policy (see Section 13), procedures for direction of investment by Participants (see Section 10.07), procedures for determining whether domestic
relations orders are QDROs, and procedures for the determination of investment earnings to be allocated to Participants’ Accounts (see Section 10.03(d));

(4) To maintain all records necessary for tax and other administration purposes;

(5) To furnish and to file all appropriate notices, reports and other information to Participants, Beneficiaries, the Employer, the Trustee and government agencies (as necessary);

(6) To provide information relating to Plan Participants and Beneficiaries;

(7) To retain the services of other persons, including investment managers, attorneys, consultants, advisers and others, to assist in the administration of the Plan;

(8) To review and decide on claims for benefits under the Plan; and

(9) To correct any defect or error in the operation of the Plan;

11.04 Plan Administration Expenses.

(a) Reasonable Plan administration expenses. All reasonable expenses related to plan administration will be paid from Plan assets, except to the extent the expenses are paid (or reimbursed) by the Employer. For this purpose, Plan expenses include, but are not limited to, all reasonable costs, charges and expenses incurred by the Trustee in connection with the administration of the Trust (including such reasonable compensation to the Trustee as may be agreed upon from time to time between the Employer or Plan Administrator and the Trustee and any fees for legal services rendered to the Trustee). If liquid assets of the Trust are insufficient to cover the fees of the Trustee or the Plan Administrator, then Trust assets shall be liquidated to the extent necessary for such fees. In the event any part of the Trust becomes subject to tax, all taxes incurred will be paid from the Trust.

(b) Plan expense allocation. The Plan Administrator will allocate plan expenses among the accounts of Plan Participants. The Plan Administrator has authority to allocate these expenses either proportionally based on the value of the Account Balances or pro rata based on the number of Participants in the Plan. The Plan Administrator will determine the proper method for allocating expenses in accordance with such reasonable nondiscriminatory rules as the Plan Administrator deems appropriate under the circumstances. Unless the Plan Administrator decides otherwise, the following expenses will be allocated to the Participant’s Account relative to which the expense is incurred: distribution expenses, including those relating to lump sums, installments, QDROs, hardship, in-service and required minimum distributions; loan expenses; participant direction expenses, including brokerage fees; and benefit calculations.

(c) Expenses related to administration of former Employee or surviving Spouse. If the Plan is making distributions to a former Employee or surviving Spouse, the Plan may charge reasonable Plan administrative expenses to the Account of that former Employee or surviving Spouse, but only if the administrative expenses are on a pro rata basis. Under the pro rata basis, the expenses are based on the amount in each account of a former Employee or surviving Spouse receiving benefits from the Plan. The Plan Administrator may use another reasonable basis for charging the expenses.

11.05 Qualified Domestic Relations Orders (QDROs).

(a) In general. Upon receipt of an order which appears to be a QDRO, the Plan Administrator will notify the Participant involved and each Alternate Payee under the order. The Plan Administrator will determine whether the order is a QDRO and will notify each affected individual of such determination. The Plan Administrator may use the default QDRO procedures set forth in subsection (h) below or may develop separate QDRO procedures for administering any QDROs submitted under the Plan.

(b) Definitions related to Qualified Domestic Relations Orders (QDROs).

(1) QDRO. A QDRO is a domestic relations order that creates or recognizes the existence of an Alternate Payee’s right to receive, or assigns to an Alternate Payee the right to receive, all or a portion of the benefits payable with respect to a Participant under the Plan. (See Code §414(p).) The QDRO must contain certain information and meet other requirements described in this Section 11.05.

(2) Domestic relations order. A domestic relations order is a judgment, decree, or order (including the approval of a property settlement) that is made pursuant to state domestic relations law (including community property law).

(3) Alternate Payee. An Alternate Payee must be a Spouse, former Spouse, child, or other dependent of a Participant.
(c) **Recognition as a QDRO.** To be a QDRO, an order must be a domestic relations order (as defined in subsection (b)(2) above) that relates to the provision of child support, alimony payments, or marital property rights for the benefit of an Alternate Payee. The Plan Administrator is not required to determine whether the court or agency issuing the domestic relations order had jurisdiction to issue an order, whether state law is correctly applied in the order, whether service was properly made on the parties, or whether an individual identified in an order as an Alternate Payee is a proper Alternate Payee under state law.

Effective April 6, 2007, a domestic relations order otherwise meeting the requirements to be a QDRO shall not fail to be treated as a QDRO solely because:

1. the order is issued after, or revises, another domestic relations order or QDRO; or
2. of the time at which the order is issued, including orders issued after the death of the Participant.

Any QDRO described in this Section 11.05 shall be subject to the same requirements and protections which apply to QDROs under Code §414(p)(7).

(d) **Contents of QDRO.** A QDRO must contain the following information:

1. the name and last known mailing address of the Participant and each Alternate Payee;
2. the name of each plan to which the order applies;
3. the dollar amount or percentage (or the method of determining the amount or percentage) of the benefit to be paid to the Alternate Payee; and
4. the number of payments or time period to which the order applies.

(e) **Impermissible QDRO provisions.**

1. The order must not require the Plan to provide an Alternate Payee or Participant with any type or form of benefit, or any option, not otherwise provided under the Plan;
2. The order must not require the Plan to provide for increased benefits (determined on the basis of actuarial value);
3. The order must not require the Plan to pay benefits to an Alternate Payee that are required to be paid to another Alternate Payee under another order previously determined to be a QDRO; and
4. The order must not require the Plan to pay benefits to an Alternate Payee in the form of a Qualified Joint and Survivor Annuity for the lives of the Alternate Payee and his or her subsequent Spouse.

(f) **Immediate distribution to Alternate Payee.** Even if a Participant is not eligible to receive an immediate distribution from the Plan, an Alternate Payee may receive a QDRO benefit immediately in a lump sum, provided such distribution is consistent with the QDRO provisions.

(g) **Fee for QDRO determination.** The Plan Administrator may condition the making of a QDRO determination on the payment of a fee by a Participant or an Alternate Payee (either directly or as a charge against the Participant’s Account).

(h) **Default QDRO procedure.** If the Plan Administrator chooses this default QDRO procedure or if the Plan Administrator does not establish a separate QDRO procedure, this subsection (h) will apply as the procedure the Plan Administrator will use to determine whether a domestic relations order is a QDRO. This default QDRO procedure incorporates the requirements set forth below.

1. **Access to information.** The Plan Administrator will provide access to Plan and Participant benefit information sufficient for a prospective Alternate Payee to prepare a QDRO. Such information might include the summary plan description, other relevant plan documents, and a statement of the Participant’s benefit entitlements. The disclosure of this information is conditioned on the prospective Alternate Payee providing to the Plan Administrator information sufficient to reasonably establish that the disclosure request is being made in connection with a domestic relations order.
(2) **Notifications to Participant and Alternate Payee.** The Plan Administrator will promptly notify the affected Participant and each Alternate Payee named in the domestic relations order of the receipt of the order. The Plan Administrator will send the notification to the address included in the domestic relations order. Along with the notification, the Plan Administrator will provide a copy of the Plan’s procedures for determining whether a domestic relations order is a QDRO.

(3) **Alternate Payee representative.** The prospective Alternate Payee may designate a representative to receive copies of notices and Plan information that are sent to the Alternate Payee with respect to the domestic relations order.

(4) **Evaluation of domestic relations order.** Within a reasonable period of time, the Plan Administrator will evaluate the domestic relations order to determine whether it is a QDRO. A reasonable period will depend on the specific circumstances. The domestic relations order must contain the information described in subsection (d). If the order is only deficient in a minor respect, the Plan Administrator may supplement information in the order from information within the Plan Administrator’s control or through communication with the prospective Alternate Payee.

   (i) **Separate accounting.** Upon receipt of a domestic relations order, the Plan Administrator will separately account for and preserve the amounts that would be payable to an Alternate Payee until a determination is made with respect to the status of the order. During the period in which the status of the order is being determined, the Plan Administrator will take whatever steps are necessary to ensure that amounts that would be payable to the Alternate Payee, if the order were a QDRO, are not distributed to the Participant or any other person. The separate accounting requirement may be satisfied, at the Plan Administrator’s discretion, by a segregation of the assets that are subject to separate accounting.

   (ii) **Separate accounting until the end of 18 month period.** The Plan Administrator will continue to separately account for amounts that are payable under the QDRO until the end of an 18-month period. The 18-month period will begin on the first date following the Plan’s receipt of the order upon which a payment would be required to be made to an Alternate Payee under the order. If, within the 18-month period, the Plan Administrator determines that the order is a QDRO, the Plan Administrator must pay the Alternate Payee in accordance with the terms of the QDRO. If, however, the Plan Administrator determines within the 18-month period that the order is not a QDRO, or, if the status of the order is not resolved by the end of the 18-month period, the Plan Administrator may pay out the amounts otherwise payable under the order to the person or persons who would have been entitled to such amounts if there had been no order. If the order is later determined to be a QDRO, the order will apply only prospectively; that is, the Alternate Payee will be entitled only to amounts payable under the order after the subsequent determination.

   (iii) **Preliminary review.** The Plan Administrator will perform a preliminary review of the domestic relations order to determine if it is a QDRO. If this preliminary review indicates the order is deficient in some manner, the Plan Administrator will allow the parties to attempt to correct any deficiency before issuing a final decision on the domestic relations order. The ability to correct is limited to a reasonable period of time.

   (iv) **Notification of determination.** The Plan Administrator will notify in writing the Participant and each Alternate Payee of the Plan Administrator’s decision as to whether a domestic relations order is a QDRO. In the case of a determination that an order is not a QDRO, the written notice will contain the following information:

   (A) references to the Plan provisions on which the Plan Administrator based its decision;

   (B) an explanation of any time limits that apply to rights available to the parties under the Plan (such as the duration of any protective actions the Plan Administrator will take); and

   (C) a description of any additional material, information, or modifications necessary for the order to be a QDRO and an explanation of why such material, information, or modifications are necessary.

   (v) **Treatment of Alternate Payee.** If an order is accepted as a QDRO, the Plan Administrator will act in accordance with the terms of the QDRO as if it were a part of the Plan. Except as designated otherwise under this subsection (v), an Alternate Payee will be considered a Beneficiary under the Plan and be afforded the same rights as a Beneficiary. The Plan Administrator will provide any appropriate
disclosure information relating to the Plan to the Alternate Payee. In determining the rights of an Alternate Payee, unless designated otherwise under AA §C-4(b), the following rules apply:

(A) **Loans.** An Alternate Payee is not permitted to take a loan from the Plan.

(B) **Death benefits.** If an Alternate Payee dies prior to receiving the entire amount designated under the QDRO, such benefits will be paid in accordance with Section 7.07, treating the Alternate Payee as the Beneficiary. If the Alternate Payee dies without a designated Beneficiary, the benefits will be paid to the Alternate Payee’s estate. Any death benefit will be paid in a single sum as soon as administratively feasible after the Alternate Payee’s death.

(C) **Direction of investments.** An Alternate Payee has the right to direct the investment of the portion of the Participant’s benefit that is segregated for the Alternate Payee’s benefit pursuant to a QDRO in the same manner as the Participant.

11.06 **Claims Procedure.** The Plan Administrator may establish procedures for administering benefit claims. Such benefit claims procedures should provide claimants with a reasonable opportunity to have a full and fair review of a denied claim. The Plan Administrator is authorized to conduct an examination of the relevant facts to determine the merits of a Participant’s or Beneficiary’s claim for Plan benefits. Any claims procedure will incorporate the guidelines under this Section 11.06. To the extent any of the time periods specified in this Section 11.06 are amended by law or Department of Labor regulations, the time frames specified herein shall automatically be changed in accordance with such law or regulation.
SECTION 12
TRUST PROVISIONS

12.01 Establishment of Trust. In conjunction with the establishment of this Plan, the Employer and the Trustee agree to establish and maintain a domestic Trust in the United States consisting of such sums as shall from time to time be paid to the Trustee under the Plan and such earnings, income and appreciation as may accrue thereon. The Trustee shall carry out the duties and responsibilities herein specified, but shall be under no duty to determine whether the amount of any contribution by the Employer or any Participant is in accordance with the terms of the Plan.

The Trust shall be held, invested, reinvested and administered by the Trustee in accordance with the terms of the Plan and this Agreement solely in the interest of Participants and their Beneficiaries and for the exclusive purpose of providing benefits to Participants and their Beneficiaries and defraying reasonable expenses of administering the Plan. Except as provided in Section 15.02, no assets of the Plan shall inure to the benefit of the Employer.

12.02 Types of Trustees. The Trustee identified in the Trustee Declaration page under the Adoption Agreement shall act either as a Directed Trustee or as a Discretionary Trustee, as designated on the Trustee Declaration page.

(a) Directed Trustee. A Directed Trustee is subject to the direction of the Plan Administrator, the Employer, a properly appointed investment manager, or Plan Participant. A Directed Trustee does not have any discretionary authority with respect to the investment of Plan assets. In addition, a Directed Trustee is not responsible for the propriety of any directed investment made pursuant to this Section and shall not be required to consult or advise the Employer regarding the investment quality of any directed investment held under the Plan.

(1) Delegation of powers. The Directed Trustee shall be advised in writing regarding the retention of investment powers by the Employer or the appointment of an investment manager with power to direct the investment of Plan assets. Any such delegation of investment powers will remain in force until such delegation is revoked or amended in writing. The Employer is deemed to have retained investment powers under this subsection to the extent the Employer directs the investment of Participant Accounts for which affirmative investment direction has not been received.

(2) Direction of Trustee. Any investment direction shall be made in writing by the Employer, investment manager, as applicable. A Directed Trustee must act solely in accordance with the direction of the Plan Administrator, the Employer, any employees or agents of the Employer, a properly appointed investment manager or other authorized person, or Plan Participants. (See Section 10.07 for a discussion of the Trustee’s responsibilities with regard to Participant directed investments.)

(3) Restriction on Trustee. The Employer may direct the Directed Trustee to invest in any media in which the Trustee may invest, as described in Section 12.03(b). However, the Employer may not borrow from the Trust or pledge any of the assets of the Trust as security for a loan to itself; buy property or assets from or sell property or assets to the Trust; charge any fee for services rendered to the Trust; or receive any services from the Trust on a preferential basis.

(b) Discretionary Trustee. A Discretionary Trustee has exclusive authority and discretion with respect to the investment, management or control of Plan assets. Notwithstanding a Trustee’s designation as a Discretionary Trustee, a Trustee’s discretion is limited, and the Trustee shall be considered a Directed Trustee, to the extent the Trustee is subject to the direction of the Plan Administrator, the Employer, a properly appointed investment manager, under an agreement between the Plan Administrator and the Trustee. A Trustee also is considered a Directed Trustee to the extent the Trustee is subject to investment direction of Plan Participants. (See Section 10.07 for a discussion of the Trustee’s responsibilities with regard to Participant-directed investments.)

12.03 Responsibilities of the Trustee. In addition to the powers, rights and responsibilities enumerated under this Section, the Trustee has all powers necessary to carry out its duties in a prudent manner. The Trustee’s powers, rights and responsibilities may be modified, supplemented or limited by a separate trust agreement, investment policy, funding agreement, or other binding document entered into between the Trustee and the Plan Administrator or Employer. Such binding document must designate the Trustee’s responsibilities with respect to the Plan. A separate trust agreement, investment policy, funding agreement, or other binding document must be consistent with the terms of this Plan and must comply with all qualification requirements under the Code and regulations. To the extent the exercise of any power, right or responsibility is subject to discretion, such exercise by a Directed Trustee must be made at the direction of the Plan Administrator, the Employer, an investment manager, or Plan Participant.
Responsibilities regarding administration of Trust.

1. The Trustee, the Employer and the Plan Administrator shall each discharge their assigned duties and responsibilities under this Agreement and the Plan solely in the interest of Participants and their Beneficiaries in the following manner:
   
   i. for the exclusive purpose of providing benefits to Participants and their Beneficiaries and defraying reasonable expenses of administering the Plan;
   
   ii. with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; and
   
   iii. by diversifying the available investments under the Plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
   
2. The Trustee will receive all contributions, earnings and other amounts made to and under the terms of the Plan. The Trustee is not obligated in any manner to ensure that such amounts are correct in amount or that such amounts comply with the terms of the Plan or the Code. The Trustee is not liable for the manner in which such amounts are deposited or the allocation between Participant’s Accounts, to the extent the Trustee follows the written direction of the Plan Administrator or Employer.
   
3. The Trustee will make distributions from the Trust in accordance with the written directions of the Plan Administrator or other authorized representative. To the extent the Trustee follows such written direction, the Trustee is not obligated in any manner to ensure a distribution complies with the terms of the Plan, that a Participant or Beneficiary is entitled to such a distribution, or that the amount distributed is proper under the terms of the Plan. If there is a dispute as to a payment from the Trust, the Trustee may decline to make payment of such amounts until the proper payment of such amounts is determined by a court of competent jurisdiction, or the Trustee has been indemnified to its satisfaction.
   
4. The Trustee may employ agents, attorneys, accountants and other third parties to provide counsel on behalf of the Plan, where the Trustee deems advisable. The Trustee may reimburse such persons from the Trust for reasonable expenses and compensation incurred as a result of such employment. The Trustee shall not be liable for the actions of such persons, provided the Trustee acted prudently in the employment and retention of such persons. In addition, the Trustee will not be liable for any actions taken as a result of good faith reliance on the advice of such persons.
   
5. The Trustee shall keep full and accurate accounts of all receipts, investments, disbursements and other transactions hereunder, including such specific records as may be agreed upon in writing between the Employer and the Trustee. All such accounts, books and records shall be open to inspection and audit at all reasonable times by any authorized representative of the Trustee or the Plan Administrator. A Participant may examine only those individual account records pertaining directly to him.
   
6. Except as provided in Section 15.02, at no time prior to the satisfaction of all liabilities with respect to Participants and their Beneficiaries under the Plan shall any part of the corpus or income of the Fund be used for, or diverted to, purposes other than for the exclusive benefit of Participants or their Beneficiaries, or for defraying reasonable expenses of administering the Plan.

Responsibilities regarding investment of Plan assets.

1. The Trustee shall be responsible for holding the assets of the Trust in accordance with the provisions of this Plan.
   
2. The Trustee may invest and reinvest, manage and control the Plan assets in a manner that is consistent with the Plan’s funding policy and investment objectives of the Plan. The Trustee may invest in any investment, as authorized under this subsection (b), which the Trustee deems advisable and prudent, subject to the proper written direction of the Plan Administrator, the Employer, a properly appointed investment manager, or a Plan Participant. The Trustee is not liable for the investment of Plan assets to the extent the Trustee is following the proper direction of the Plan Administrator, the Employer, a Participant, an Investment manager, or other person or persons duly appointed by the Employer to provide investment direction. In addition, the Trustee does not guarantee the Trust in any manner against investment loss or depreciation in asset value, or guarantee the adequacy of the Trust to meet and discharge any or all liabilities of the Plan.
(3) The Trustee may hold any securities or other property in the name of the Trustee or in the name of the Trustee’s nominee, and may hold any investments in bearer form, provided the books and records of the Trustee at all times show such investment to be part of the Trust.

(4) The Trustee may retain such portion of the Plan assets in cash or cash balances as the Trustee may, from time to time, deem to be in the best interests of the Plan, without liability for interest thereon.

(5) The Trustee may collect and receive any and all moneys and other property due the Plan and to settle, compromise, or submit to arbitration any claims, debts, or damages with respect to the Plan, and to commence or defend on behalf of the Plan any lawsuit, or other legal or administrative proceedings.

(6) The Trustee may pay expenses out of Plan assets as necessary to administer the Trust and as authorized under the Plan.

(7) The Trustee may borrow or raise money on behalf of the Plan in such amount, and upon such terms and conditions, as the Trustee deems advisable. The Trustee may issue a promissory note as Trustee to secure the repayment of such amounts and may pledge all, or any part, of the Trust as security.

(8) The Trustee is authorized to execute, acknowledge and deliver all documents of transfer and conveyance, receipts, releases, and any other instruments that the Trustee deems necessary or appropriate to carry out its powers, rights and duties hereunder.

(9) The Trustee, upon the written direction of the Plan Administrator, is authorized to enter into a transfer agreement with the Trustee of another qualified retirement plan and to accept a transfer of assets from such retirement plan on behalf of any Employee of the Employer. The Trustee is also authorized, upon the written direction of the Plan Administrator, to transfer some or all of a Participant’s vested Account Balance to another qualified retirement plan on behalf of such Participant. A transfer agreement entered into by the Trustee does not affect the Plan’s status as a Volume Submitter Plan.

(10) If the Employer maintains more than one Plan, the assets of such Plans may be commingled for investment purposes. The Trustee must separately account for the assets of each Plan. A commingling of assets does not cause the Trusts maintained with respect to the Employer’s Plans to be treated as a single Trust, except as provided in a separate document authorized in the first paragraph of this Section 12.03.

(11) If the Trustee is a bank or similar financial institution, the Trustee is authorized to invest in any type of deposit of the Trustee (including its own money market fund) at a reasonable rate of interest.

(12) The Trustee is authorized to invest Plan assets in a common/collective trust fund, or in a group trust fund that satisfies the requirements of IRS Revenue Ruling 81-100, as clarified by Revenue Ruling 2004-67. All of the terms and provisions of any such common/collective trust fund or group trust into which Plan assets are invested are incorporated by reference into the provisions of the Trust for this Plan. The assets in a group trust may be pooled with the assets of a custodial account under Code §403(b)(7), a retirement income account under Code §403(b)(9), and Code §401(a)(24) governmental plans without affecting the tax status of the group trust, subject to the requirements under Rev. Rul. 2011-1 (as modified by Notice 2012-6).

12.04 Responsibilities of the Employer. The Employer will provide to the Trustee written notification of the appointment of any person or persons as Plan Administrator or investment manager and the names, titles and authorities of any individuals who are authorized to act on behalf of such persons. The Trustee shall be entitled to rely upon such information until it receives written notice of a change in such appointments or authorizations.

The Employer may authorize the Trustee to enter into a merger agreement with the Trustee of another plan to effect such merger or consolidation. A merger agreement entered into by the Trustee is not part of this Plan and does not affect the assets transferred to this Plan from another plan.

12.05 Effect of Plan Amendment. Any amendment that affects the rights, duties or responsibilities of the Trustee or Plan Administrator may only be made with the Trustee’s or Plan Administrator’s written consent. Any amendment to the Plan must be in writing and a copy of the resolution (or similar instrument) setting forth such amendment (with the applicable effective date of such amendment) must be delivered to the Trustee.

12.06 More than One Trustee. If the Plan has more than one person acting as Trustee, the Trustees may allocate the Trustee responsibilities by mutual agreement. The Trustees may agree to make decisions by a majority vote or may permit any one of the Trustees to make any decision, undertake any action or execute any documents affecting this Trust without the approval of
the remaining Trustees. The Trustees may agree to the allocation of responsibilities in a separate trust agreement or other binding document.

12.07 **Annual Valuation.** The Plan assets will be valued at least on an annual basis. The Employer may designate more frequent Valuation Dates under AA §11-1. Notwithstanding any election under AA §11-1, the Trustee and Plan Administrator may agree to value the Trust on a more frequent basis, and/or to perform an interim valuation of the Trust.

12.08 **Reporting to Plan Administrator and Employer.** Within a reasonable time after the end of each Plan Year or within a reasonable time after its removal or resignation, the Trustee shall file with the Plan Administrator a written account of the administration of the Trust showing all transactions effected by the Trustee from the last preceding accounting to the end of such Plan Year or date of removal or resignation. The accounting will include a statement of cash receipts, disbursements and other transactions effected by the Trustee since the date of its last accounting, and such further information as the Trustee and/or Employer deems appropriate. Upon approval of such accounting by the Plan Administrator, neither the Employer nor the Plan Administrator shall be entitled to any further accounting by the Trustee. The Trustee shall have a reasonable time following its receipt of a written disapproval from the Employer to provide the Employer with a written explanation of the terms in question. If the Employer again disapproves of the accounting, the Trustee may file its accounting with a court of competent jurisdiction for audit and adjudication.

12.09 **Reasonable Compensation.** The Trustee shall be paid reasonable compensation in an amount agreed upon by the Plan Administrator and Trustee. The Trustee also will be reimbursed for any reasonable expenses or fees incurred in its function as Trustee. An individual Trustee who is already receiving full-time pay as an Employee of the Employer may not receive any additional compensation for services as Trustee. The Plan will pay the reasonable compensation and expenses incurred by the Trustee, unless the Employer pays such compensation and expenses. Any compensation or expense paid directly by the Employer to the Trustee is not an Employer Contribution to the Plan.

12.10 **Resignation and Removal of Trustee.** The Trustee may resign at any time by delivering to the Employer a written notice of resignation at least thirty (30) days prior to the effective date of such resignation, unless the Employer consents in writing to a shorter notice period. The Employer and Trustee may agree to a longer notification period prior to the resignation of the Trustee. The Employer may remove the Trustee at any time, with or without cause, by delivering written notice to the Trustee at least 30 days prior to the effective date of such removal. The Employer may remove the Trustee upon a shorter written notice period if the Employer reasonably determines such shorter period is necessary to protect Plan assets or to ensure the Plan is being operated for the exclusive benefit of Participants and their Beneficiaries. Upon the resignation, removal, death or incapacity of a Trustee, the Employer may appoint a successor Trustee which, upon accepting such appointment, will have all the powers, rights and duties conferred upon the preceding Trustee. In the event there is a period of time following the effective date of a Trustee’s removal or resignation before a successor Trustee is appointed, the Employer is deemed to be the Trustee. During such period, the Trust continues to be in existence and legally enforceable, and the assets of the Plan shall continue to be protected by the provisions of the Trust.

12.11 **Indemnification of Trustee.** Except to the extent that it is judicially determined that the Trustee has acted with gross negligence or willful misconduct, the Employer shall indemnify the Trustee (whether or not the Trustee has resigned or been removed) against any liabilities, losses, damages, and expenses, including attorney, accountant, and other advisory fees, incurred as a result of:

(a) any action of the Trustee taken in good faith in accordance with any information, instruction, direction, or opinion given to the Trustee by the Employer, the Plan Administrator, investment manager, or legal counsel of the Employer, or any person or entity appointed by any of them and authorized to give any information, instruction, direction, or opinion to the Trustee;

(b) the failure of the Employer, the Plan Administrator, investment manager, or any person or entity appointed by any of them to make timely disclosure to the Trustee of information which any of them or any appointee knows or should know if it acted in a reasonably prudent manner; or

(c) any breach of fiduciary duty by the Employer, the Plan Administrator, investment manager, or any person or entity appointed by any of them, other than such a breach which is caused by any failure of the Trustee to perform its duties under this Trust.

12.12 **Liability of Trustee.** The duties and obligations of the Trustee shall be limited to those expressly imposed upon it by this Plan document and Trust or as subsequently agreed upon by the parties. Responsibility for administrative duties required under the Plan or applicable law not expressly imposed upon or agreed to by the Trustee shall rest solely with the Plan Administrator and the Employer.

The Employer agrees that the Trustee shall have no liability with regard to the investment or management of illiquid Plan assets transferred from a prior Trustee, and shall have no responsibility for investments made before the transfer of Plan assets to it, or
for the viability or prudence of any investment made by a prior Trustee, including those represented by assets now transferred to the custody of the Trustee, or for any dealings whatsoever with respect to Plan assets before the transfer of such assets to the Trustee. The Employer shall indemnify and hold the Trustee harmless for any and all claims, actions or causes of action for loss or damage, or any liability whatsoever relating to the assets of the Plan transferred to the Trustee by any prior Trustee of the Plan, including any liability arising out of or related to any act or event, including prohibited transactions, occurring prior to the date the Trustee accepts such assets, including all claims, actions, causes of action, loss, damage, or any liability whatsoever arising out of or related to that act or event, although that claim, action, cause of action, loss, damage, or liability may not be asserted, may not have accrued, or may not have been made known until after the date the Trustee accepts the Plan assets. Such indemnification shall extend to all applicable periods, including periods for which the Plan is retroactively restated to comply with any tax law or regulation.

12.13 Appointment of Custodian. The Plan Administrator may appoint a Custodian to hold all or any portion of the Plan assets. A Custodian has the powers, rights and responsibilities similar to those of a Directed Trustee. The Custodian will be protected from any liability with respect to actions taken pursuant to the direction of the Trustee, Plan Administrator, the Employer, an investment manager, or other third party with authority to provide direction to the Custodian. The Custodian may designate its acceptance of the responsibilities and obligations described under this Plan document by executing the Trustee Declaration Page. The Employer also may enter into a separate agreement with the Custodian. Such separate agreement must be consistent with the responsibilities and obligations set forth in this Plan document. If there is no Custodian that will be executing the Trustee Declaration, the provisions of the Trustee Declaration addressing the Custodian (i.e., the Custodian signature provisions) may be removed from the Trustee Declaration Page.

12.14 Modification of Trust Provisions. The Employer may amend the administrative trust or custodial provisions under this Plan (such as provisions relating to investments and the duties of trustees), provided the amended provisions are not in conflict with any other provision of the Plan and do not cause the Plan to fail to qualify under Code §401(a). The Employer may document any amendment modifying the trust or custodial provisions under this Plan or other overriding language in an Addendum to the Adoption Agreement.

12.15 Custodial Accounts, Annuity Contracts and Insurance Contracts. As provided under Code §401(f), a custodial account, an annuity contract or a contract issued by an Insurer is treated as a qualified trust under the Plan if (i) the custodial account or contract would, except for the fact that it is not a trust, constitute a qualified trust under Code §401(a) and (ii) in the case of a custodial account the assets thereof are held by a bank (as defined in Code §408(n)) or another person who demonstrates to the IRS that the manner in which the assets are held are consistent with the requirements of Code §401(a).

No insurance contract will be purchased under the Plan unless such contract or a separate definite written agreement between the Employer and the Insurer provides that: (1) no value under contracts providing benefits under the Plan or credits determined by the Insurer (on account of dividends, earnings, or other experience rating credits, or surrender or cancellation credits) with respect to such contracts may be paid or returned to the Employer or diverted to or used for other than the exclusive benefit of the Participants or their Beneficiaries. However, any contribution made by the Employer because of a mistake of fact must be returned to the Employer within one year of the contribution.

If this Plan is funded by individual contracts that provide a Participant's benefit under the Plan, such individual contracts shall constitute the Participant's Account Balance. If this Plan is funded by group contracts, under the group annuity or group insurance contract, premiums or other consideration received by the insurance company must be allocated to Participants' accounts under the Plan.
SECTION 13
PARTICIPANT LOANS

13.01 Availability of Participant Loans. The Employer may elect under Appendix B of the Adoption Agreement to permit Participants to take loans from their vested Account Balance under the Plan. Participant loans may be treated as a segregated investment on behalf of each individual Participant for whom the loan is made or may be treated as a general investment of the Plan. If the Employer elects to permit loans under the Plan, the Employer may elect to use the default loan policy under this Section 13, as modified under Appendix B of the Adoption Agreement, or an outside loan policy for purposes of administering Participant loans under the Plan. If a separate written loan policy is adopted, the terms of such separate loan policy will control over the terms of this Plan with respect to the administration of any Participant loans. Any separate written loan policy must satisfy the requirements under Code §72(p) and the regulations thereunder.

To receive a Participant loan, a Participant must sign a promissory note along with a pledge or assignment of the portion of the Account Balance used for security on the loan. The loan will be evidenced by a legally enforceable agreement which specifies the amount and term of the loan, and the repayment schedule.

13.02 Must be Available in Reasonably Equivalent Manner. Participant loans must be made available to Participants in a reasonably equivalent manner. The Employer may elect under AA §B-7 to limit the availability of Participant loans to specified events. For example, the availability of Participant loans may be limited to the occurrence of a hardship event as described in Section 7.10(e)(1)(i).

13.03 Loan Limitations. A Participant loan may not be made to the extent such loan (when added to the outstanding balance of all other loans made to the Participant) exceeds the lesser of:

(a) $50,000 (reduced by the excess, if any, of the Participant’s highest outstanding balance of loans from the Plan during the one-year period ending on the day before the date on which such loan is made, over the Participant’s outstanding balance of loans from the Plan as of the date such loan is made) or

(b) one-half (½) of the Participant’s vested Account Balance, determined as of the Valuation Date coinciding with or immediately preceding such loan, adjusted for any contributions or distributions made since such Valuation Date.

If so elected under AA §B-4, a Participant may take a loan equal to the greater of $10,000 or 50% of the Participant's vested Account Balance. However, if a Participant takes a loan in excess of 50% of the Participant’s vested Account Balance, such loan is still subject to the adequate security requirements under Section 13.06.

In applying the limitations under this Section 13.03, all plans maintained by the Employer are aggregated and treated as a single plan. In addition, any assignment or pledge of any portion of the Participant’s interest in the Plan and any loan, pledge, or assignment with respect to any insurance contract purchased under the Plan will be treated as loan under this Section.

13.04 Limit on Amount and Number of Loans. Unless elected otherwise under AA §B-5 and/or AA §B-6, or under a separate written loan policy, a Participant may not receive a Participant loan of less than $1,000 nor may a Participant have more than one Participant loan outstanding at any time.

(a) Loan renegotiation. Unless designated otherwise under AA §B-15, a Participant may be permitted to renegotiate a loan without violating the one outstanding loan requirement to the extent such renegotiated loan is a new loan (i.e., the renegotiated loan separately satisfies the reasonable interest rate requirement under Section 13.05, the adequate security requirement under Section 13.06, and the periodic repayment requirement under Section 13.07) and the renegotiated loan does not exceed the limitations under Section 13.03 above, treating both the replaced loan and the renegotiated loan as outstanding at the same time. However, if the term of the renegotiated loan does not end later than the original term of the replaced loan, the replaced loan may be ignored in applying the limitations under Section 13.03 above.

(b) Participant must be creditworthy. The Plan Administrator may refuse to make a loan to any Participant who is determined to be not creditworthy. For this purpose, a Participant is not creditworthy if, based on the facts and circumstances, it is reasonable to believe that the Participant will not repay the loan. A Participant who has defaulted on a previous loan from the Plan and has not repaid such loan (with accrued interest) at the time of any subsequent loan will be treated as not creditworthy until such time as the Participant repays the defaulted loan (with accrued interest).

13.05 Reasonable Rate of Interest. All Participant loans will be charged a reasonable rate of interest. Alternative methods for determining a reasonable rate of interest may be identified under AA §B-7 or under a separate written loan policy. The interest rate assumptions must be periodically reviewed to ensure the interest rate charged on Participant loans is reasonable.

If a Participant is in military service while he/she has an outstanding Participant loan, the applicable interest charged on such loan during the period while the Participant is in military service will not exceed 6% per year provided the Participant provides
written notice and a copy of his/her call-up or extension orders to the Plan Administrator within 180 days following the Participant’s termination or release from military service. For this purpose, military service is as defined in the Soldier’s and Sailor’s Civil Relief Act of 1940 as modified by the Servicemembers Civil Relief Act of 2003. The Participant may voluntarily waive this 6% interest limitation and the Plan Administrator may petition the court to retain the original interest rate if the ability to repay is not affected by the Participant's activation to military duty.

13.06 Adequate Security. All Participant loans must be adequately secured. The Participant’s vested Account Balance shall be used as security for a Participant loan provided the outstanding balance of all Participant loans made to such Participant does not exceed 50% of the Participants vested Account Balance, determined immediately after the origination of each loan. The Plan Administrator (with the consent of the Trustee) may require a Participant to provide additional collateral to receive a Participant loan if the Plan Administrator determines such additional collateral is required to protect the interests of Plan Participants. A separate loan policy or written modifications to this loan policy may prescribe alternative rules for obtaining adequate security.

13.07 Periodic Repayment. A Participant loan must provide for level amortization with payments to be made not less frequently than quarterly. A Participant loan must be payable within a period not exceeding five (5) years from the date the Participant receives the loan from the Plan, unless the loan is for the purchase of the Participant’s principal residence, in which case the loan may be payable within ten (10) years or such longer period that is commensurate with the repayment period permitted by commercial lenders for similar loans. Loan repayments must be made through payroll withholding, except to the extent the Plan Administrator determines payroll withholding is not practical given the level of a Participant’s wages, the frequency with which the Participant is paid, or other circumstances.

(a) Leave of absence. A Participant with an outstanding Participant loan may suspend loan payments to the Plan for up to 12 months for any period during which the Participant’s pay is insufficient to fully repay the required loan payments. Upon the Participant’s return to employment (or after the end of the 12-month period, if earlier), the Participant’s outstanding loan will be reamortized over the remaining period of such loan to make up for the missed payments. The reamortized loan may extend beyond the original loan term so long as the loan is paid in full by whichever of the following dates comes first:

   (1) the date which is five (5) years from the original date of the loan (or the end of the suspension, if sooner), or

   (2) the original loan repayment deadline (or the end of the suspension period, if later) plus the length of the suspension period.

(b) Military leave. A Participant with an outstanding Participant loan also may suspend loan payments for any period such Participant is on military leave, in accordance with Code §414(u)(4). Upon the Participant’s return from military leave (or the expiration of five years from the date the Participant began his/her military leave, if earlier), loan payments will recommence under the amortization schedule in effect prior to the Participant’s military leave, without regard to the five-year maximum loan repayment period. Alternatively, the loan may be reamortized to require a different level of loan payment, as long as the amount and frequency of such payments are not less than the amount and frequency under the amortization schedule in effect prior to the Participant’s military leave.

13.08 Designation of Accounts. A Participant loan will be treated as a segregated investment on behalf of the individual Participant for whom the loan is made or may be treated as a general investment of the Plan. Unless designated otherwise under AA §B-9 or under a separate loan procedure, loan amounts may be taken from any available contribution source under the Plan. The Plan Administrator may determine the contribution sources from which a loan is taken or may follow directions of the Participant.

Each payment of principal and interest paid by a Participant on his/her Participant loan shall be credited to the same Participant Accounts and investment funds within such Accounts from which the loan was taken.

13.09 Procedures for Loan Default. A Participant will be considered to be in default with respect to a loan if any scheduled repayment with respect to such loan is not made by the end of the calendar quarter following the calendar quarter in which the missed payment was due. The Employer may apply a shorter cure period under AA §B-11.

If a Participant defaults on a Participant loan, the Plan may not offset the Participant’s Account Balance until the Participant is otherwise entitled to an immediate distribution of the portion of the Account Balance which will be offset and such amount being offset is available as security on the loan, pursuant to Section 13.06. For this purpose, a loan default is treated as an immediate distribution event to the extent the law does not prohibit an actual distribution of the type of contributions which would be offset as a result of the loan default. The Participant may repay the outstanding balance of a defaulted loan (including accrued interest through the date of repayment) at any time.

Pending the offset of a Participant’s Account Balance following a defaulted loan, the following rules apply to the amount in default.
(a) Interest continues to accrue on the amount in default until the time of the loan offset or, if earlier, the date the loan repayments are made current or the amount is satisfied with other collateral.

(b) A subsequent offset of the amount in default is not reported as a taxable distribution, except to the extent the taxable portion of the default amount was not previously reported by the Plan as a taxable distribution.

(c) The post-default accrued interest included in the loan offset is not reported as a taxable distribution at the time of the offset.

A separate loan policy or written modifications to this loan policy may modify the procedures for determining a loan default.

13.10 Termination of Employment.

(a) **Offset of outstanding loan.** Unless elected otherwise under AA §B-13, a Participant loan becomes due and payable in full immediately upon the Participant’s termination of employment. Upon a Participant’s termination, the Participant may repay the entire outstanding balance of the loan (including any accrued interest) within a reasonable period following termination of employment. If the Participant does not repay the entire outstanding loan balance, the Participant’s vested Account Balance will be reduced by the remaining outstanding balance of the loan to the extent such Account Balance is available as security on the loan, pursuant to Section 13.06, and the remaining vested Account Balance will be distributed in accordance with the distribution provisions under Section 7. If the outstanding loan balance of a deceased Participant is not repaid, the outstanding loan balance shall be treated as a distribution to the Participant and shall reduce the death benefit amount payable to the Beneficiary under Section 7.07.

(b) **Direct Rollover.** Unless elected otherwise under AA §B-14, upon termination of employment, a Participant may request a Direct Rollover of the loan note (provided the distribution is an Eligible Rollover Distribution as defined in Section 7.04(a)(1)) to another qualified plan which agrees to accept a Direct Rollover of the loan note. A Participant may not engage in a Direct Rollover of a loan to the extent the Participant has already received a deemed distribution with respect to such loan. (See the rules regarding deemed distributions upon a loan default under Section 13.09.)

13.11 Amendment of Plan to Eliminate Participant Loans. The Plan may be amended at any time to eliminate Participant loans on a prospective basis. However, the elimination of a Participant loan feature may not result in the acceleration of payment of any existing Participant loans, unless the terms of the Participant loan permit such acceleration.
SECTION 14
PLAN AMENDMENTS, TERMINATION, MERGERS AND TRANSFERS

14.01 Plan Amendments.

(a) Amendment by the Volume Submitter practitioner. The Volume Submitter practitioner may amend the Plan on behalf of all adopting Employers, including those Employers who adopt the Plan prior to or after the amendment, for changes in the Code, regulations, revenue rulings, and other statements published by the Internal Revenue Service, including model, sample or other required good faith amendments (but only if their adoption will not cause such Plan to be individually designed), and for corrections of prior approved plans. These amendments will be applied to all Employers who have adopted the Plan.

However, for purposes of reliance on an advisory or determination letter, the Volume Submitter practitioner will no longer have the authority to amend the Plan on behalf of any adopting Employer as of either:

(1) the date the Employer amends the Plan to incorporate a type of plan that is not permitted under the Volume Submitter program, as described in section 6.03 of Rev. Proc. 2011-49, or

(2) the date the IRS notifies the Employer, in accordance with section 24.03 of Rev. Proc. 2011-49, that the Plan is an individually designed plan due to the nature and extent of Employer amendments to the Plan.

If the Employer is required to obtain a determination letter for any reason in order to maintain reliance on the Favorable IRS Letter, the Volume Submitter practitioner’s authority to amend the Plan on behalf of the adopting Employer is conditioned on the Plan receiving a favorable determination letter.

The Volume Submitter practitioner will maintain, or have maintained on its behalf, a record of the Employers that have adopted the Plan, and the Volume Submitter practitioner will make reasonable and diligent efforts to ensure that adopting Employers have actually received and are aware of all Plan amendments and that such Employers adopt new documents when necessary.

(b) Amendment by the Employer. The Employer shall have the right at any time to amend the Adoption Agreement in the following manner without affecting the Plan’s status as a Volume Submitter Plan. (The ability to amend the Plan as authorized under this subsection (b) applies only to the Employer that executes the Employer Signature Page of the Adoption Agreement. Any amendment to the Plan by the Employer under this subsection (b) also applies to any other Employer that participates under the Plan as a Participating Employer.)

(1) The Employer may change any optional selections under the Adoption Agreement.

(2) The Employer may add overriding language to the Adoption Agreement when such language is necessary to satisfy Code §415 because of the required aggregation of multiple plans.

(3) The Employer may change the administrative selections under Appendix C of the Adoption Agreement by replacing the appropriate page(s) within the Adoption Agreement. Such amendment does not require reexecution of the Employer Signature Page of the Adoption Agreement.

(4) The Employer may amend administrative provisions of the trust or custodial document, including the name of the Plan, Employer, Trustee or Custodian, Plan Administrator and other fiduciaries, the trust year, and the name of any pooled trust in which the Plan’s trust will participate.

(5) The Employer may add certain sample or model amendments published by the IRS which specifically provide that their adoption will not cause the Plan to be treated as an individually designed plan.

(6) The Employer may add or change provisions permitted under the Plan and/or specify or change the effective date of a provision as permitted under the Plan.

(7) The Employer may adopt any amendments that it deems necessary to satisfy the requirements for resolving qualification failures under the IRS’ compliance resolution programs.

The Employer may amend the Plan at any time for any other reason. If such amendment is not deemed to be significant, the Plan will not lose its status as a Volume Submitter Plan. However, if the Employer modifies the language of the Plan or Adoption Agreement (other than the completion of optional selections (e.g., Describe lines), the Employer will not be able to rely on the Favorable IRS Letter issued with respect to the Plan and will need to submit the Plan to the IRS for a favorable determination letter to retain reliance. If an amendment to the Plan is deemed significant, such
amendment could cause the Plan to lose its status as a Volume Submitter Plan and become an individually designed plan.

(c) **Method of amendment.** An amendment to the Plan may be adopted as a modification to the Adoption Agreement and/or Basic Plan Document or as a separate snap-on amendment. An amendment to the Plan may be adopted as part of a properly executed board resolution. Any such amendment must be executed by the board of directors or a duly authorized officer of the Employer (if the Employer is a corporation or other similarly organized business entity), by a general partner or member of the Employer (if the Employer is a partnership or limited liability company), or by a sole proprietor (if the Employer is a sole proprietorship).

(d) **Effective date of Plan Amendments.** If the Plan is restated or amended, such restatement or amendment is generally effective as of the Effective Date of the restatement or amendment (as designated on the Employer Signature Page with respect to such amendment), except where the context indicates a reference to an earlier Effective Date. The Employer may designate special effective dates for individual provisions under the Plan where provided in the Adoption Agreement or under Appendix A of the Adoption Agreement.

1. **Retroactive Effective Date.** If the Plan is amended retroactively (e.g., to add language required to comply with IRS guidance or law), the provisions of this Plan generally override the provisions of any prior Plan. However, if the provisions of this Plan are different from the provisions of the Employer’s prior plan and, after the retroactive Effective Date of this Plan, the Employer operated in compliance with the provisions of the prior plan, the provisions of such prior plan are incorporated into this Plan for purposes of determining whether the Employer operated the Plan in compliance with its terms, provided operation in compliance with the terms of the prior plan do not violate any qualification requirements under the Code, regulations, or other IRS guidance.

2. **Retroactive effect of PPA, HEART and WRERA provisions.** This Plan is designed to comply with the Code, regulations, and general guidance applicable to qualified retirement plans, including the provisions of the Pension Protection Act of 2006 (PPA), the Heroes Earnings Assistance And Relief Tax Act Of 2008 (HEART Act), and the Worker, Retiree, and Employer Recovery Act of 2008 (WRERA). If this Plan is being restated or amended to comply with the provisions of PPA, HEART and/or WRERA, the Plan contains special effective dates that apply with respect to such provisions. If the Plan is being restated within the remedial amendment period for retroactive compliance with the PPA, HEART and WRERA provisions, the special effective dates for such provisions (as described below) will apply, even if such special effective dates precede the Effective Date of the restatement designated on the Employer Signature Page of the Adoption Agreement. Thus, if the Plan is being restated or amended to comply with PPA, HEART and/or WRERA, and the Effective Date of this restatement or amendment is later than the special effective date applicable to any of the PPA, HEART or WRERA provisions described below, such special effective dates will apply and the prior plan being replaced by this Plan will be considered to have been timely amended for the PPA, HEART and WRERA provisions.

The following provisions contain special effective dates for purposes of complying with the requirements of PPA, HEART and WRERA:

(i) **Hardship distributions.** Section 7.10(c)(5) of the Plan allows Hardship distributions to be determined with respect to primary beneficiaries. The Employer may elect to apply this provision under AA §10-2(d).

(ii) **Direct rollovers by non-Spouse beneficiaries.** The provisions allowing for direct rollovers by non-Spouse beneficiaries as described in Section 7.04(c), are effective for distributions made on or after January 1, 2007.

(iii) **Direct rollover of non-taxable amounts.** Effective for taxable years beginning on or after January 1, 2007, Section 7.04(d) expands the definition of Eligible Rollover Distribution to include the portion of a distribution that is not includible in gross income.

(iv) **Rollovers to Roth IRA.** For distributions occurring on or after January 1, 2008, Section 7.04(e) permits Participants or beneficiaries to rollover a qualified Eligible Rollover Distribution to a Roth IRA.

(v) **Distribution notice periods.** Effective for Plan Years beginning on or after January 1, 2007, the period for providing the Code §402(f) rollover notice under Section 7.04(b), and the period for providing the notice regarding the right to defer receipt of a distribution under Section 7.03(b) is increased to 180 days.

(vi) **Content of notice of a Participant’s right to defer receipt of a distribution.** Effective for Plan Years beginning on or after January 1, 2007, Section 7.03(b) requires the notice relating to a Participant’s right
to defer receipt of a distribution must include a description of the consequences of a Participant’s decision not to defer the receipt of a distribution.

(vii) **Qualified Domestic Relations Orders (QDROs).** Section 11.05(c) of the Plan expands the definition of a QDRO effective April 6, 2007 to include modified orders and orders issued after the Participant’s death.

(viii) **In-service distributions from pension plans.** AA §10-1 permits a pension plan (e.g., a money purchase plan or a plan that holds transferred assets from a money purchase plan), to make an in-service distribution upon attainment of age 62. This provision is effective for Plan Years beginning on or after January 1, 2013.

(ix) **Penalty-free withdrawals for individuals called to active duty.** Effective September 11, 2001, Section 7.10(d) expands the distribution provisions applicable to elective deferrals to include a Qualified Reservist Distribution.

(x) **Benefit accruals for Participants on Qualified Military Service.** Section 15.04 of the Plan sets forth the HEART Act provisions addressing Participants on qualified military leave. These provisions are effective for Plan Years beginning on or after January 1, 2007.

(xi) **Differential Pay.** Effective for years beginning on or after January 1, 2009, Section 1.89(e) of the Plan permits the Employer to include Differential Pay as Total Compensation under the Plan.

(xii) **Waiver of Required Minimum Distributions.** Section 8.06(d) allows for the waiver of the Required Minimum Distribution rules for calendar year 2009 as prescribed under WRERA.

(xiii) **Final 415 regulations.** Sections 1.89 and 5.02 contain the provisions required by the final 415 regulations, effective for Limitation Years beginning on or after July 1, 2007.

(3) **Merged plans.** Except for retroactive application of the provisions under this subsection (d), if one or more qualified retirement plans have been merged into this Plan, the provisions of the merging plan(s) will remain in full force and effect until the Effective Date of the Plan merger(s), unless provided otherwise under Appendix A of the Adoption Agreement.

14.02 **Plan Termination.** The Employer may terminate this Plan at any time by delivering to the Trustee and Plan Administrator written notice of such termination.

(a) **Full and immediate vesting.** Upon a full or partial termination of the Plan (or in the case of a Profit Sharing Plan, the complete discontinuance of contributions), all amounts credited to an affected Participant’s Account become 100% vested, regardless of the Participant’s vested percentage determined under Section 6.02. The Plan Administrator has discretion to determine whether a partial termination has occurred.

(b) **Distribution upon Plan termination.** Upon the termination of the Plan, the Plan Administrator shall direct the distribution of Plan assets to Participants in accordance with the provisions under Section 7. For purposes of applying the provisions of this subsection (b), distribution may be delayed until the Employer receives a favorable determination letter from the IRS as to the qualified status of the Plan upon termination, provided the determination letter request is made within a reasonable period following the termination of the Plan. Until all Plan assets have been distributed from the Plan, the Employer must amend the Plan in order to comply with current laws and regulations and may take any other actions necessary to retain the qualified status of the Plan.

(c) **Missing Participants.** Upon termination of the Plan, if any Participant cannot be located after a reasonable diligent search (as defined in Section 6.10(c)(1)), the Plan Administrator may make a direct rollover to an IRA selected by the Participant. For this purpose, the Plan Administrator will adopt procedures similar to the procedures required under Section 7.05 for making Automatic Rollovers in applying the provisions under this subsection (c). An Automatic Rollover under this subsection (c) may be made on behalf of any missing Participant, regardless of the value of his/her vested Account Balance under the Plan.

(d) **Partial Termination.** In determining whether a Plan has experienced a partial termination as described under Code §411(d)(3), the Plan Administrator will apply the principals set forth under IRS Revenue Ruling 2007-43.

14.03 **Merger or Consolidation.** In the event the Plan is merged or consolidated with another plan, each Participant must be entitled to a benefit immediately after such merger or consolidation that is at least equal to the benefit the Participant was entitled to immediately before such merger or consolidation (had the Plan terminated).
If the Employer amends the Plan from one type of Defined Contribution Plan (e.g., a Money Purchase Plan) into another type of Defined Contribution Plan (e.g., a Profit Sharing Plan) will not result in a partial termination or any other event that would require full vesting of some or all Plan Participants.

14.04 Transfer of Assets. The Plan may accept a transfer of assets from another qualified retirement plan on behalf of any Employee, even if such Employee is not eligible to receive other contributions under the Plan. If a transfer of assets is made on behalf of an Employee prior to the Employee’s becoming a Participant, the Employee shall be treated as a Participant for all purposes with respect to such transferred amount. Any assets transferred to this Plan from another plan must be accompanied by written instructions designating the name of each Employee for whose benefit such amounts are being transferred, the current value of such assets, and the sources from which such amounts are derived. The Plan Administrator will deposit any transferred assets in the appropriate Participant’s Transfer Account. The Transfer Account will contain any sub-Accounts necessary to separately track the sources of the transferred assets. Each sub-Account will be treated in the same manner as the corresponding Plan Account.

If the Plan is a Profit Sharing Plan or a Grandfathered 401(k) Arrangement and the Plan accepts a transfer of assets from a money purchase plan (other than as a Qualified Transfer as defined in subsection (d) below), the amounts transferred (and any gains attributable to such transferred amounts) continue to be subject to the distribution restrictions applicable to money purchase plan assets under the transferor plan. Such amounts may not be distributed for reasons other than death, disability, attainment of Normal Retirement Age, attainment of age 62, or termination of employment, regardless of any distribution provisions under this Plan that would otherwise permit a distribution prior to such events.

The Plan Administrator may refuse to accept a transfer of assets if the Plan Administrator reasonably believes the transfer (1) is not being made from a proper qualified plan; (2) could jeopardize the tax-exempt status of the Plan; or (3) could create adverse tax consequences for the Plan or the Employer. Prior to accepting a transfer of assets, the Plan Administrator may require evidence documenting that the transfer of assets meets the requirements of this Section. The Trustee will have no responsibility to determine whether the transfer of assets meets the requirements of this Section; to verify the correctness of the amount and type of assets being transferred to the Plan; or to perform a due diligence review with respect to such transfer.

(a) Trustee’s right to refuse transfer. If the assets to be transferred to the Plan under this Section 14.04 are not susceptible to proper valuation and identification or are of such a nature that their valuation is incompatible with other Plan assets, the Trustee may refuse to accept the transfer of all or any specific asset, or may condition acceptance of the assets on the sale or disposition of any specific asset.

(b) Transfer of Plan to unrelated Employer. The Employer may not transfer sponsorship of the Plan to an unrelated employer if the transfer is not in connection with a transfer of business assets or operations from the Employer to the unrelated employer.
SECTION 15
MISCELLANEOUS

15.01 **Exclusive Benefit.** Plan assets will not be used for, or diverted to, a purpose other than the exclusive benefit of Participants or their Beneficiaries.

No amendment may authorize or permit any portion of the assets held under the Plan to be used for or diverted to a purpose other than the exclusive benefit of Participants or their Beneficiaries, except to the extent such assets are used to pay taxes or administrative expenses of the Plan. An amendment also may not cause or permit any portion of the assets held under the Plan to revert to or become property of the Employer.

15.02 **Return of Employer Contributions.** Upon written request by the Employer, the Trustee must return any Employer Contributions provided that the circumstances and the time frames described below are satisfied. The Trustee may request the Employer to provide additional information to ensure the amounts may be properly returned. Any amounts returned shall not include earnings, but must be reduced by any losses.

(a) **Mistake of fact.** Any Employer Contributions made because of a mistake of fact must be returned to the Employer within one year of the contribution.

(b) **Failure to initially qualify.** Employer Contributions to the Plan are made with the understanding, in the case of a new Plan, that the Plan satisfies the qualification requirements of Code §401(a) as of the Plan’s Effective Date. In the event that the Internal Revenue Service determines that the Plan is not initially qualified under the Code, any Employer Contributions (and allocable earnings) made incident to that initial qualification must be returned to the Employer within one year after the date the initial qualification is denied, but only if the application for the qualification is made by the time prescribed by law for filing the employer’s return for the taxable year in which the Plan is adopted, or such later date as the Secretary of the Treasury may prescribe.

15.03 **Participants’ Rights.** The adoption of this Plan by the Employer does not give any Participant, Beneficiary, or Employee a right to continued employment with the Employer and does not affect the Employer’s right to discharge an Employee or Participant at any time. This Plan also does not create any legal or equitable rights in favor of any Participant, Beneficiary, or Employee against the Employer, Plan Administrator or Trustee. Unless the context indicates otherwise, any amendment to this Plan is not applicable to determine the benefits accrued (and the extent to which such benefits are vested) by a Participant or former Employee whose employment terminated before the effective date of such amendment, except where application of such amendment to the terminated Participant or former Employee is required by statute, regulation or other guidance of general applicability. Where the provisions of the Plan are ambiguous as to the application of an amendment to a terminated Participant or former Employee, the Plan Administrator has the authority to make a final determination on the proper interpretation of the Plan.

15.04 **Military Service.** To the extent required under Code §414(u), an Employee who returns to employment with the Employer following a period of qualified military service will receive any contributions, benefits and service credit required under Code §414(u), provided the Employee satisfies all applicable requirements under the Code and regulations. In determining the amount of contributions under Code §414(u), Plan Compensation will be deemed to be the compensation the Employee would have received during the period while in military service based on the rate of pay the Employee would have received from the Employer but for the absence due to military leave. If the compensation the Employee would have received during the leave is not reasonably certain, Plan Compensation will be equal to the Employee’s average compensation from the Employer during the twelve (12) month period immediately preceding the military leave or, if shorter, the Employee’s actual period of employment with the Employer.

(a) **Death benefits under qualified military service.** In the case of a Participant who dies while performing qualified military service (as defined in Code §414(u)), the survivors of the Participant are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan as though the Participant resumed and then terminated employment on account of death. This provision is effective with respect to deaths occurring on or after January 1, 2007.

(b) **Benefit accruals.** If elected under AA §11-3, for benefit accrual purposes, the Plan will treat an individual who dies or becomes disabled (as defined under the terms of the Plan) while performing qualified military service (as defined in Code §414(u)) with respect to the Employer, as if the individual has resumed employment in accordance with the individual’s reemployment rights under the Uniformed Services Employment and Reemployment Rights Act (USERRA) on the day preceding death or disability (as the case may be) and terminated employment on the actual date of death or disability. This provision is effective with respect to deaths and disabilities occurring on or after January 1, 2007.
(1) This subsection (b) shall apply only if all individuals performing qualified military service with respect to the Employer maintaining the Plan who die or became disabled as a result of performing qualified military service prior to reemployment by the employer are credited with service and benefits on reasonably equivalent terms.

(2) The amount of employee contributions and the amount of elective deferrals of an individual treated as reemployed under this subsection (b) shall be determined on the basis of the individual’s average actual employee contributions or elective deferrals for the lesser of:

(i) the 12-month period of service with the Employer immediately prior to qualified military service, or

(ii) if service with the Employer is less than such 12-month period, the actual length of continuous service with the Employer.

(c) **Plan distributions.** Notwithstanding the provisions of Section 1.89(e) regarding the treatment of Differential Pay, an individual shall be treated as having been severed from employment during any period the individual is performing service in the Uniformed Services for purposes of receiving a Plan distribution under Code §401(k)(2)(B)(i)(I). If an individual elects to receive a distribution while on military leave, the individual may not make Salary Deferrals or Employee After-Tax Employee Contributions under the Plan during the 6-month period beginning on the date of the distribution.

(d) **Make-Up Contributions.** A Participant who is reemployed following a qualified military leave shall have the right to make up any Salary Deferrals or After-Tax Employee Contributions to which he/she would have been entitled but for the fact the Participant was on qualified military leave. To the extent a Participant returning from qualified military leave would have been required to make Employer Pick-Up Contributions, as described in Section 3.03, the Participant will be required to make such Employer Pick-Up Contributions upon his/her return to employment based on the amount that would have been contributed but for the fact the Participant was on qualified military leave. The Employer will also make any Employer Contributions and Matching Contributions the Participant would have earned during the period of qualified military leave had the Participant remained employed during such period. The Employer will only be required to make Matching Contributions if the reemployed Participant makes up the underlying contributions that were eligible for the Matching Contributions.

In determining the amount of Make-Up Contributions a Participant may make under this subsection (d), a Participant will be treated as earning Plan Compensation during the period the Participant was on qualified military leave equal to:

(1) the rate of pay the Participant would have received from the Employer during such period had the Participant not been on qualified military leave, or

(2) if the Plan Compensation the Participant would have received during such period was not reasonably certain, the Participant's average Plan Compensation during the 12-month period immediately preceding the qualified military leave (or the entire period of employment, if shorter).

Even if the Employer is required under this subsection (d) to make Employer Contributions for a reemployed Participant, the Employer must make such Employer Contributions not later than 90 days after the date of reemployment or the date the Employer Contributions are otherwise due for the year in which the military service was performed. For Salary Deferrals and After-Tax Employee Contributions, a Participant who is reemployed following a qualified military leave may make up such contributions during the period beginning on the date of reemployment and ending on the earlier of the date that is three times the length of the military service period or 5 years from the date of reemployment. Any required Matching Contributions must be made in the same manner as other Matching Contribution under the Plan following the Participant’s contribution of the amounts eligible for the Matching Contributions.

Any make up contributions under this subsection (d) are subject to the Code §415 Limitation under Section 5.02 and the Elective Deferral Dollar Limitation under Section 5.03 for the year for which the make-up contribution would have been made had the Participant not been on qualified military leave.

15.05 **Annuity Contract.** Any annuity contract distributed under the Plan must be nontransferable. In addition, the terms of any annuity contract purchased and distributed to a Participant or to a Participant’s Spouse must comply with all requirements under this Plan.

15.06 **Use of IRS Compliance Programs.** Nothing in this Plan document should be construed to limit the availability of the IRS’ voluntary compliance programs. An Employer may take whatever corrective actions are permitted under the IRS voluntary compliance programs, as is deemed appropriate by the Plan Administrator or Employer. If the Employer’s Plan fails to attain or retain qualification, such Plan will no longer participate in this Volume Submitter Plan and will be considered an individually designed plan.
15.07 **Governing Law.** The provisions of this Plan shall be construed, administered, and enforced in accordance with the provisions of applicable Federal Law and, to the extent applicable, the laws of the state in which the Trustee has its principal place of business. The foregoing provisions of this Section shall not preclude the Employer and the Trustee from agreeing to a different state law with respect to the construction, administration and enforcement of the Plan.

15.08 **Waiver of Notice.** Any person entitled to a notice under the Plan may waive the right to receive such notice, to the extent such a waiver is not prohibited by law, regulation or other pronouncement.

15.09 **Use of Electronic Media.** The Employer, Plan Administrator, Trustee and any other designated individual responsible for providing applicable notices or disclosures under the Plan, and any Participant or beneficiary making an election under the Plan may use telephonic or electronic media to satisfy any notice requirements required by this Plan. Any use of electronic medium under the Plan must comply with the requirements outlined in Treas. Reg. §1.401(a)-21 or other general guidance concerning the use of telephonic or electronic media. The Plan Administrator also may use telephonic or electronic media to conduct plan transactions such as enrolling participants, making (and changing) salary reduction elections, electing (and changing) investment allocations, applying for Plan loans, and other transactions, to the extent permissible under regulations (or other generally applicable guidance).

15.10 **Severability of Provisions.** In the event that any provision of this Plan shall be held to be illegal, invalid or unenforceable for any reason, the remaining provisions under the Plan shall be construed as if the illegal, invalid or unenforceable provisions had never been included in the Plan.

15.11 **Binding Effect.** The Plan, and all actions and decisions made thereunder, shall be binding upon all applicable parties, and their heirs, executors, administrators, successors and assigns.
SECTION 16
PARTICIPATING EMPLOYERS

16.01 Participation by Participating Employers. An Employer (other than the Employer that executes the Employer Signature Page of the Adoption Agreement) may elect to participate under this Plan by executing a Participating Employer Adoption Page under the Adoption Agreement. A Participating Employer (including a Related Employer defined in Section 1.78) may not contribute to this Plan unless it executes the Participating Employer Adoption Page.

16.02 Participating Employer Adoption Page.

(a) Application of Plan provisions. By executing a Participating Employer Adoption Page, a Participating Employer adopts all the provisions of the Plan, including the elective choices made by the signatory Employer under the Adoption Agreement. The Participating Employer may elect under the Participating Employer Adoption Page to modify the elective provisions under the Adoption Agreement as they apply to the Participating Employer.

(b) Plan amendments. In addition, unless provided otherwise under the Participating Employer Adoption Page, a Participating Employer is bound by any amendments made to the Plan in accordance with Section 14.01.

(c) Trustee designation. The Participating Employer agrees to use the same Trustee as is designated on the Trustee Declaration under the Agreement, except as provided in a separate trust agreement.

16.03 Compensation of Related Employers. In applying the provisions of this Plan, Total Compensation (as defined in Section 1.89) includes amounts earned with a Related Employer, regardless of whether such Related Employer executes a Participating Employer Adoption Page. The Employer may elect under AA §5-3(h) to exclude amounts earned with a Related Employer that does not execute a Participating Employer Adoption Page for purposes of determining an Employee’s Plan Compensation.

16.04 Allocation of Contributions and Forfeitures. Unless selected otherwise under the Participating Employer Adoption Page, any contributions made by a Participating Employer (and any forfeitures relating to such contributions) will be allocated to all Participants employed by the Employer and Participating Employers in accordance with the provisions under this Plan. A Participating Employer may elect under the Participating Employer Adoption Page to allocate its contributions (and forfeitures relating to such contributions) only to the Participants employed by the Participating Employer making such contributions. If so elected, Employees of the Participating Employer will not share in an allocation of contributions (or forfeitures relating to such contributions) made by any other Participating Employer (except in such individual’s capacity as an Employee of that other Participating Employer). Thus, for example, a Participating Employer may make a different discretionary contribution and allocate such contribution only to its Employees. Where contributions are allocated only to the Employees of a contributing Participating Employer, a separate accounting must be maintained of Employees’ Account Balances attributable to the contributions of a particular Participating Employer. This separate accounting is necessary only for contributions that are not 100% vested, so that the allocation of forfeitures attributable to such contributions can be allocated for the benefit of the appropriate Employees.

16.05 Discontinuance of Participation by a Participating Employer. A Participating Employer may discontinue its participation under the Plan at any time. To document a Participating Employer’s cessation of participation, the following procedures should be followed:

(a) the Participating Employer should adopt a resolution that formally terminates active participation in the Plan as of a specified date,

(b) the Employer that has executed the Employer Signature Page of the Adoption Agreement should reexecute such page, indicating an amendment by page substitution through the deletion of the Participating Employer Adoption Page executed by the withdrawing Participating Employer, and

(c) the withdrawing Participating Employer should provide any notices to its Employees that are required by law.

Discontinuance of participation means that no further benefits accrue after the effective date of such discontinuance with respect to employment with the withdrawing Participating Employer. The portion of the Plan attributable to the withdrawing Participating Employer may continue as a separate plan, under which benefits may continue to accrue, through the adoption by the Participating Employer of a successor plan (which may be created through the execution of a separate Adoption Agreement by the Participating Employer) or by spin-off of the portion of the Plan attributable to such Participating Employer followed by a merger or transfer into another existing plan, as specified in a merger or transfer agreement.

16.06 Operational Rules for Related Employer Groups. If an Employer has one or more Related Employers, the Employer and such Related Employer(s) constitute a Related Employer group. In such case, the following rules apply to the operation of the Plan.
(a) If the term Employer is used in the context of administrative functions necessary to the operation, establishment, maintenance, or termination of the Plan, only the Employer executing the Employer Signature Page under the Adoption Agreement, and any Related Employer executing a Participating Employer Adoption Page, is treated as the Employer.

(b) Hours of Service are determined by treating all members of the Related Employer group as the Employer.

(c) The term Excluded Employee is determined by treating all members of the Related Employer group as the Employer, except as specifically provided in the Plan.

(d) Compensation is determined by treating all members of the Related Employer group as the Employer, except as specifically provided in the Plan.

(e) An Employee is not treated as terminated from employment if the Employee is employed by any member of the Related Employer group.

(f) The Code §415 Limitation described in Section 5.02 are applied by treating all members of the Related Employer group as the Employer.

In all other contexts, the term Employer generally means a reference to all members of the Related Employer group, unless the context requires otherwise. If the terms of the Plan are ambiguous with respect to the treatment of the Related Employer group as the Employer, the Plan Administrator has the authority to make a final determination on the proper interpretation of the Plan.
**APPENDIX A**

**ACTUARIAL FACTORS**
(For use with age-based contribution formula)

**Actuarial Factor Table.** The following table sets forth Actuarial Factors based on a testing age of 65, an interest rate of 8.5% and a UP-1984 mortality table. The Actuarial Factors in this table must be modified if the Employer uses a testing age other than age 65 or selects a different interest rate or mortality table under the age-based contribution formula. To determine a Participant's Actuarial Factor, use the factor corresponding to the number of years to the Participant’s testing age. The number of years to the testing age is determined by counting the number of years from the last day of the current plan year to the last day of the Plan Year in which the Participant reaches the testing age. If the Participant has reached the testing age as of the last day of the current Plan Year, the number of years is 0 for that year and all subsequent years.

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B-1.01 In-Plan Roth Conversions. Effective on or after January 1, 2013, the Employer may elect under AA §IA1-1 of the Profit Sharing/401(k) Plan Adoption Agreement to permit In-Plan Roth Conversions under the Plan. For this purpose, an In-Plan Roth Conversion is a conversion of amounts held in a Participant’s Plan Account, other than a Roth Deferral Account or Roth Rollover Account, into the Participant’s In-Plan Roth Conversion Account under the Plan, pursuant to Code §402A(c)(4). Any election to make an In-Plan Roth Conversion during a taxable year may not be changed after the In-Plan Roth Conversion is completed. (For In-Plan Roth Conversions completed prior to January 1, 2013, a Participant had to be eligible to receive a distribution of the converted amounts at the time of the In-Plan Roth Conversion. The provisions of this Section B-1.01 do not affect an In-Plan Roth Conversion completed prior to January 1, 2013.)

An In-Plan Roth Conversion may be elected by a Participant, a Spousal beneficiary, or an Alternate Payee who is a Spouse or former Spouse. To the extent the term “Participant” is used for purposes of determining eligibility to make an In-Plan Roth Conversion, such term will also include a Spousal beneficiary and an Alternate Payee who is a Spouse or former Spouse.

To permit In-Plan Roth Conversions on or after January 1, 2013, AA §IA1-1(a) of the Profit Sharing/401(k) Plan Adoption Agreement must be completed. In addition, the Plan must provide for Roth Deferrals under AA §6A-5(a) as of the date the In-Plan Roth Conversion is permitted under the Plan. If In-Plan Roth Conversions are not specifically authorized under AA §6A-5(a) of the Profit Sharing 401(k) Plan Adoption Agreement, Participants may not make an In-Plan Roth Conversion.

(b) Amounts Eligible for In-Plan Roth Conversion. If permitted under AA §IA1-1 of the Profit Sharing/401(k) Adoption Agreement, a Participant may convert any portion of his/her vested Account Balance (other than amounts attributable to Roth Deferrals or Roth Deferral rollovers) to an In-Plan Roth Conversion Account. Unless elected otherwise under AA §IA1-1(b), a Participant need not be eligible to receive a distribution from the Plan at the time of the In-Plan Roth Conversion.

In addition, an In-Plan Roth Conversion will not be treated as a distribution for the following purposes:

1. **Participant loans.** A Participant loan directly transferred in an In-Plan Roth Conversion without changing the repayment schedule is not treated as a new loan. The Employer may elect in AA §IA1-1(d)(3) to not permit Participant loans to be distributed as part of an In-Plan Roth Conversion.

2. **Spousal consent.** An In-Plan Roth Conversion is not treated as a distribution for purposes of applying the spousal consent requirements under Code §401(a)(11). Thus, a married Plan Participant is not required to obtain spousal consent in connection with an election to make an In-Plan Roth Conversion, even if the Plan is otherwise subject to the spousal consent requirements under Code §401(a)(11).

3. **Participant consent.** An In-Plan Roth Conversion is not treated as a distribution for purposes of applying the participant consent requirements under Code §411(a)(11). Thus, amounts that are converted as part of an In-Plan Roth Conversion continue to be taken into account in determining whether the Participant’s vested Account Balance exceeds $5,000 for purposes of applying the Involuntary Cash-Out provisions and will not trigger the requirement for a notice of the Participant’s right to defer receipt of the distribution.

4. **Protected benefits.** An In-Plan Roth Conversion is not treated as a distribution under Code §411(d)(6)(B)(ii). Thus, a Participant who had a distribution right (such as a right to an immediate distribution) prior to the In-Plan Roth Conversion cannot have that distribution right eliminated solely as a result of the election to make an In-Plan Roth Conversion. The Employer may have to maintain separate accounts with respect to different contribution sources within the In-Plan Roth Conversion Account in order to protect distribution options related to such different contribution sources.

5. **Mandatory withholding.** An In-Plan Roth Conversion is not subject to 20% mandatory withholding under Code §3405(c).

6. **Distribution restrictions.** Generally, a distribution will be permitted from the In-Plan Roth Conversion Account to the extent permitted for regular Roth Deferrals under AA §10-1. However, as described in subsection (6) above, additional distribution options may need to be protected with respect to specific contribution sources. The distribution restrictions normally applicable to Roth Deferrals, as described in Section 7.10(c) of the Plan, do not apply to the extent the conversion is from a contribution source that is not otherwise subject to the distribution restrictions applicable to Roth Deferrals. In addition, distribution restrictions that otherwise apply with respect to a specific contribution source will continue to apply if such contribution source is converted to Roth Deferrals. For example, if Safe Harbor Contributions are converted to Roth Deferrals, such amounts may not be distributed...
on account of hardship or other event not otherwise permitted under Section 7.10(c) of the Plan, unless permitted otherwise under IRS guidance.

(c) **Effect of In-Plan Roth Conversion.** A Participant must include in gross income the taxable amount of an In-Plan Roth Conversion. For this purpose, the taxable amount of an In-Plan Roth Conversion is the fair market value of the distribution reduced by any basis in the converted amounts. If the distribution includes Employer securities, the fair market value includes any net unrealized appreciation within the meaning of Code §402(c)(4). If an outstanding loan is rolled over as part of an In-Plan Roth Conversion, the amount includible in gross income includes the balance of the loan.

Generally, the taxable amount of an In-Plan Roth Conversion is includible in gross income in the taxable year in which the conversion occurs.

(d) **Application of Early Distribution Penalty under Code §72(t).** An In-Plan Roth Conversion is not subject to the early distribution penalty under Code §72(t) at the time of the conversion. However, if an amount allocable to the taxable amount of an In-Plan Roth Conversion is subsequently distributed within the 5-taxable-year period beginning with the first day of the Participant’s taxable year in which the conversion was made, the amount distributed is treated as includible in gross income for purposes of applying the Code §72(t) early distribution penalty. For this purpose, the 5-taxable-year period ends on the last day of the Participant’s fifth taxable year in the period. This subsection (d) will not apply to the extent the distribution is rolled over to a Roth account in another qualified plan or is rolled over to a Roth IRA. However, the rule under this subsection (d) will apply to any subsequent distributions made from such other Roth account or Roth IRA within the 5-taxable-year period.

(e) **Contribution Sources.** Unless elected otherwise under AA §IA1-1(c), an In-Plan Roth Conversion may be made from any contribution source under the Plan, other than a Roth Deferral Account or Roth Rollover Account. The Employer may elect in AA §IA1-1(c) to limit the contribution sources that are eligible for In-Plan Roth Conversion. In addition, the Employer may elect in AA §IA1-1(d)(1) to limit In-Plan Roth Conversions to contribution accounts that are 100% vested.
APPENDIX C
INTERIM AMENDMENT #2
CODE §401(a)(9), SAME-SEX MARRIAGE AND VALID ROLLOVER CONTRIBUTIONS

C-1.01 Modification of Minimum Distribution Rules Relating to Longevity Annuity Contracts. The following provisions modify the required minimum distribution rules under Section 8 of the Plan to conform the rules to final Treasury Regulation §1.401(a)(9)-6 relating to the purchase of Qualifying Longevity Annuity Contracts (QLACs). The Plan will apply the provisions consistent with the requirements under the Treas. Reg. §§1.401(a)(9)-5 and 1.401(a)(9)-6, as amended.

C-1.02 Effective/Applicability Dates.

(a) General effective dates. This Section C-1 applies to contracts purchased on or after July 2, 2014. If on or after July 2, 2014, an existing contract is exchanged for a contract that satisfies the requirements of this Section C-1, the new contract will be treated as purchased on the date of the exchange and the fair market value of the contract that is exchanged for a QLAC will be treated as a premium paid with respect to the QLAC.

(b) Delayed applicability date for requirement that contract state that it is intended to be QLAC. An annuity contract purchased before January 1, 2016, will not fail to be a QLAC merely because the contract does not satisfy the requirement of Section C-1.04(a)(6) below, provided that:

1. When the contract (or a certificate under a group annuity contract) is issued, the Employee is notified that the annuity contract is intended to be a QLAC; and

2. The contract is amended (or a rider, endorsement or amendment to the certificate is issued) no later than December 31, 2016, to state that the annuity contract is intended to be a QLAC.

C-1.03 Account Balance for Determining Minimum Distributions. For purposes of determining a Participant’s Required Minimum Distribution as described under Section 8 of the Plan, the Participant’s Account Balance as defined under Section 8.05(d) of the Plan does not include the value of any QLAC described under Section C-1.04 of this amendment and Treas. Reg. §1.401(a)(9)-6, A-17, that is held under the Plan.

C-1.04 Rules Applicable to Qualifying Longevity Annuity Contracts.

(a) Definition of Qualifying Longevity Annuity Contracts. A Qualifying Longevity Annuity Contract (QLAC) is an annuity contract that is purchased from an insurance company for an Employee and that, in accordance with the rules of application of this Article II and Treas. Reg. §1.401(a)(9)-6, A-17, satisfies each of the following requirements:

1. Premiums for the contract satisfy the requirements of subsection (b) of this Section C-1.04;

2. The contract provides that distributions under the contract must commence not later than a specified annuity starting date that is no later than the first day of the month next following the 85th anniversary of the Employee’s birth;

3. The contract provides that, after distributions under the contract commence, those distributions must satisfy the requirements of this Article and Treas. Reg. §1.401(a)(9) (other than the requirement that annuity payments commence on or before the required beginning date);

4. The contract does not make available any commutation benefit, cash surrender right, or other similar feature;

5. No benefits are provided under the contract after the death of the employee other than the benefits described in subsection (c) of this Section C-1.04;

6. When the contract is issued, the contract (or a rider or endorsement with respect to that contract) states that the contract is intended to be a QLAC; and

7. The contract is not a variable contract under Code §§817, an indexed contract, or a similar contract, except to the extent provided by the Commissioner of the Internal Revenue Service in revenue rulings, notices, or other guidance published in the Internal Revenue Bulletin.

(b) Limitations on premiums.

1. In general. The premiums paid with respect to the contract on a date satisfy the requirements of this subsection (b) if they do not exceed the lesser of the dollar limitation in subsection (b)(2) or the percentage limitation in subsection (b)(3).
(2) **Dollar limitation.** The dollar limitation is an amount equal to the excess of:

(i) $125,000 (as adjusted under Treas. Reg. §1.401(a)(9)-6, A–17(d)(2)), over

(ii) The sum of:

(A) The premiums paid before that date with respect to the contract, and

(B) The premiums paid on or before that date with respect to any other contract that is intended to be a QLAC and that is purchased for the Employee under the Plan, or any other plan, annuity, or account described in Code §§ 401(a), 403(a), 403(b), or 408 or eligible governmental plan under Code §457(b).

(3) **Percentage limitation.** The percentage limitation is an amount equal to the excess of:

(i) 25 percent of the Employee’s Account Balance under the Plan (including the value of any QLAC held under the Plan for the Employee) as of that date, determined in accordance with Treas. Reg. §1.401(a)(9)-6, A-17 (d)(1)(iii), over

(ii) The sum of:

(A) The premiums paid before that date with respect to the contract, and

(B) The premiums paid on or before that date with respect to any other contract that is intended to be a QLAC and that is held or was purchased for the Employee under the Plan.

(c) **Payments after death of the Employee.**

(1) **Surviving spouse is sole beneficiary.**

(i) **Death on or after annuity starting date.** If the Employee dies on or after the annuity starting date for the contract and the Employee’s surviving spouse is the sole beneficiary under the contract then, except as provided in Treas. Reg. §1.401(a)(9)-6, A-17(c)(4), the only benefit permitted to be paid after the Employee’s death is a life annuity payable to the surviving spouse where the periodic annuity payment is not in excess of 100 percent of the periodic annuity payment that is payable to the Employee.

(ii) **Death before annuity starting date.**

(A) **Amount of annuity.** If the Employee dies before the annuity starting date and the Employee’s surviving spouse is the sole beneficiary under the contract then, except as provided in Treas. Reg. §1.401(a)(9)-6, A-17(c)(4), the only benefit permitted to be paid after the Employee’s death is a life annuity payable to the surviving spouse where the periodic annuity payment is not in excess of 100 percent of the periodic annuity payment that would have been payable to the Employee as of the date that benefits to the surviving spouse commence. However, the annuity is permitted to exceed 100 percent of the periodic annuity payment that would have been payable to the employee to the extent necessary to satisfy the requirement to provide a Qualified Preretirement Survivor Annuity.

(B) **Commencement date for annuity.** Any life annuity payable to the surviving spouse under subsection (c)(1)(i)(a) must commence no later than the date on which the annuity payable to the Employee would have commenced under the contract if the Employee had not died.

(2) **Surviving spouse is not sole beneficiary.**

(i) **Death on or after annuity starting date.** If the Employee dies on or after the annuity starting date for the contract and the Employee’s surviving spouse is not the sole beneficiary under the contract then, except as provided in Treas. Reg. §1.401(a)(9)-6, A-17(c)(4), the only benefit permitted to be paid after the Employee’s death is a life annuity payable to the designated beneficiary where the periodic annuity payment is not in excess of the applicable percentage (determined under Treas. Reg. §1.401(a)(9)-6, A-17(c)(2)(iii)) of the periodic annuity payment that is payable to the Employee.

(ii) **Death before annuity starting date.**
(A) **Amount of annuity.** If the Employee dies before the annuity starting date and the Employee’s surviving spouse is not the sole beneficiary under the contract then, except as provided in Treas. Reg. §1.401(a)(9)-6, A-17(c)(4), the only benefit permitted to be paid after the Employee’s death is a life annuity payable to the designated beneficiary where the periodic annuity payment is not in excess of the applicable percentage (determined under Treas. Reg. §1.401(a)(9)-6, A-17(c)(2)(iii)) of the periodic annuity payment that would have been payable to the Employee as of the date that benefits to the designated beneficiary commence under this subsection (c)(2)(ii).

(B) **Commencement date for annuity.** In any case in which the Employee dies before the annuity starting date, any life annuity payable to a designated beneficiary under this subsection (c)(2)(ii) must commence by the last day of the calendar year immediately following the calendar year of the Employee’s death.

(d) **Rules of application.**

(1) **Rules relating to premiums.**

   (i) **Reliance on representations.** For purposes of the limitation on premiums described in subsections (b)(2) and (b)(3), unless the Plan Administrator has actual knowledge to the contrary, the Plan Administrator may rely on an Employee’s representation (made in writing or such other form as may be prescribed by the Commissioner of the Internal Revenue Service) of the amount of the premiums described in subsections (b)(2)(ii)(B) and (b)(3)(ii)(B), but only with respect to premiums that are not paid under a plan, annuity, or contract that is maintained by the Employer or Related Employer.

   (ii) **Consequences of excess premiums.**

      (A) **General rule.** If an annuity contract fails to be a QLAC solely because a premium for the contract exceeds the limits under subsection (b), then the contract is not a QLAC beginning on the date that premium payment is made unless the excess premium is returned to the non-QLAC portion of the Employee’s account in accordance with Treas. Reg. §1.401(a)(9)-6, A-17(d)(1)(ii)(B). If the contract fails to be a QLAC, then the value of the contract may not be disregarded under A–3(d) of Treas. Reg. §1.401(a)(9)–5 as of the date on which the contract ceases to be a QLAC.

      (B) **Correction in year following year of excess.** If the excess premium is returned (either in cash or in the form of a contract that is not intended to be a QLAC) to the non-QLAC portion of the Employee’s account by the end of the calendar year following the calendar year in which the excess premium was originally paid, then the contract will not be treated as exceeding the limits under subsection (b) at any time, and the value of the contract will not be included in the Employee’s Account Balance. If the excess premium (including the fair market value of an annuity contract that is not intended to be a QLAC, if applicable) is returned to the non-QLAC portion of the Employee’s account after the last valuation date for the calendar year in which the excess premium was originally paid, then the Employee’s Account Balance for that calendar year must be increased to reflect that excess premium in the same manner as an Employee’s Account Balance is increased under Treas. Reg. §1.401(a)(9)–7, A–2 to reflect a rollover received after the last valuation date.

      (C) **Return of excess premium not a commutation benefit.** If the excess premium is returned to the non-QLAC portion of the Employee’s account as described in Treas. Reg. §1.401(a)(9)-6, A-17(d)(1)(ii)(B), it will not be treated as a violation of the requirement in subsection (a)(4) that the contract not provide a commutation benefit.

   (iii) **Application of 25-percent limit.** For purposes of the 25-percent limit under subsection (b)(3), an Employee’s Account Balance on the date on which premiums for a contract are paid is the Account Balance as of the last valuation date preceding the date of the premium payment, adjusted as follows:

      (A) The Account Balance is increased for contributions allocated to the account during the period that begins after the valuation date and ends before the date the premium is paid and

      (B) The Account Balance is decreased for distributions made from the account during that period.
(2) **Dollar and age limitations subject to adjustments.**

(i) **Dollar limitation.** In the case of calendar years beginning on or after January 1, 2015, the $125,000 amount under subsection (b)(2)(i) will be adjusted at the same time and in the same manner as the limits are adjusted under Code §415(d), except that the base period shall be the calendar quarter beginning July 1, 2013, and any increase under this subsection that is not a multiple of $10,000 will be rounded to the next lowest multiple of $10,000.

(ii) **Age limitation.** The maximum age set forth in subsection (a)(2) may be adjusted to reflect changes in mortality, with any such adjusted age to be prescribed by the Commissioner of the Internal Revenue Service in revenue rulings, notices, or other guidance published in the Internal Revenue Bulletin.

(iii) **Prospective application of adjustments.** If a contract fails to be a QLAC because it does not satisfy the dollar limitation in subsection (b)(2) or the age limitation in subsection (a)(2), any subsequent adjustment that is made pursuant to subsections (d)(2)(i) or (d)(2)(ii) will not cause the contract to become a QLAC.

(3) **Determination of whether contract is intended to be a QLAC.** If a contract fails to be a QLAC at any time for a reason other than an excess premium described in Treas. Reg. §1.401(a)(9)-6, A-17(d)(1)(ii), then as of the date of purchase the contract will not be treated as a QLAC (for purposes of A–3(d) of Treas. Reg. §1.401(a)(9)–5) or as a contract that is intended to be a QLAC as of the date of purchase.

(4) **Group annuity contract certificates.** The requirement under subsection (a)(6) that the contract state that it is intended to be a QLAC when issued is satisfied if a certificate is issued under a group annuity contract and the certificate, when issued, states that the Employee’s interest under the group annuity contract is intended to be a QLAC.

C-2.01 **Application of Same-Sex Marriage Rules to Plan.** This Section C-2 is a clarifying amendment relating to the application of same-sex marriage rules to the Plan as provided under United States v. Windsor (Windsor), IRS Revenue Ruling 2013-17, IRS Notice 2014-19, IRS Notice 2014-37 and Obergefell v. Hodges (Obergefell).

C-2.02 **Definition of Spouse under the Plan.**

(a) **Current Plan terms not inconsistent with same-sex rules.** The current terms of the Plan are not inconsistent with the outcome of the Windsor or the Obergefell decisions and the guidance in Revenue Ruling 2013-17 and Notice 2014-19 in that the term Spouse as used in the Plan does not distinguish between a same-sex Spouse and an opposite-sex Spouse. However, as suggested under Notice 2014-19, the Plan may add a clarifying amendment for purposes of Plan administration.

(b) **Operation of the Plan to reflect same-sex rules.** The Plan will not be treated as failing to meet the requirements of Code §401(a) merely because it did not recognize the same-sex Spouse of a Participant as a Spouse before June 26, 2013. Effective as of September 16, 2013 (as provided under IRS Revenue Ruling 2013-17), the Plan recognizes a marriage of same-sex individuals that is validly entered into in a state or foreign jurisdiction whose laws authorize the marriage of two individuals of the same sex, even if the individuals are domiciled in a state that does not recognize the validity of same-sex marriages. However, the Plan does not treat as married, individuals (whether part of an opposite-sex or same-sex couple) who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under state law that is not denominated as a marriage under the laws of that state. Accordingly, the Plan will not be treated as failing to meet the requirements of Code §401(a) merely because the Plan, prior to September 16, 2013, recognized the same-sex Spouse of a Participant only if the Participant was domiciled in a state that recognized same-sex marriages.

C-2.03 **Operation of the Plan to Reflect Obergefell Decision.** To the extent the Employer was not subject to the Windsor decision, but is subject to the Obergefell decision that requires States to allow and recognize same-sex marriage, the Plan must be operated in compliance with the Obergefell decision.

C-2.04 **Amendments to Reflect Retroactive Application of Windsor Decision.** As provided under IRS Notice 2014-19, the Plan will not lose its qualified status due to an amendment to reflect the outcome of Windsor for some or all purposes as of a date prior to June 26, 2013, if the amendment complies with applicable qualification requirements. The deadline to adopt such a Plan amendment is the later of:

(a) the otherwise applicable deadline under Section 5.05 of Rev. Proc. 2007-44, or its successor, or

(b) December 31, 2014.
In the case of a governmental plan, any amendment need not be adopted before the close of the first regular legislative session of the legislative body with the authority to amend the plan that ends after December 31, 2014. An Employer may use Adoption Agreement Appendix A - Special Effective Dates - for this amendment.

C-2.05 **Mid-Year Amendments to Safe Harbor Plans Pursuant to IRS Notice 2014-19 with Respect to the Windsor Decision.** As provided under IRS Notice 2014-37, the Plan will not fail to satisfy the requirements of Code §401(k)(12) relating to Safe Harbor 401(k) plans because of the adoption during the Plan Year of a provision relating to the *Windsor* decision pursuant to IRS Notice 2014-19.

C-3.01 **Acceptance of Rollover Contributions by Plan Administrator.** Under Section 3.07 of the Plan, the Plan Administrator may determine whether an Employee may make a Rollover Contribution into the Plan. This Section C-3 provides clarifying guidance, as provided under IRS Revenue Ruling 2014-9, to assist the Plan Administrator in determining whether a Rollover Contribution is valid and the course of action needed to correct an invalid rollover.

C-3.02 **General Rules.** Under Treas. Reg. §1.401(a)(31)-1, A-14, if the Plan accepts an invalid Rollover Contribution, the contribution will be treated, for purposes of applying the qualification requirements of Code §401(a) to the Plan, as if it were a valid Rollover Contribution if two conditions are satisfied:

(a) When accepting the amount from the Employee as a Rollover Contribution, the Plan Administrator must reasonably conclude that the contribution is a valid Rollover Contribution; and

(b) If the Plan Administrator later determines that the contribution was an invalid Rollover Contribution, the Plan Administrator must distribute the amount of the invalid Rollover Contribution, plus any earnings attributable thereto, to the Employee within a reasonable time after such determination.

C-3.03 **Reasonable Criteria for Determining Valid Rollover.** The Plan Administrator may use the criteria set forth in IRS Revenue Ruling 2014-9, as well as other evidence, in reasonably determining whether a Rollover Contribution is valid. Thus, the Plan Administrator may access the EFAST2 database maintained by the Department of Labor to assist in determining whether a potential Rollover Contribution was distributed by a plan intended to be a qualified plan. If the Plan Administrator later determines that the Rollover Contribution was not valid, the Plan Administrator must have the amount rolled over plus any attributable earnings distributed within a reasonable period of time after such determination.
APPENDIX D
INTERIM AMENDMENT #3
DISASTER RELIEF AND ROLLOVERS TO SIMPLE IRAS

D-1.01 Relief for Victims of Certain Qualified Natural Disasters. Notwithstanding other provisions of the Plan, the Employer may operate the Plan to provide relief from certain qualification rules relating to hardship distributions and loans for Participants who are victims of certain Qualified Natural Disasters, as set forth under applicable IRS or legislative guidance.

D-1.02 Qualified Natural Disasters. For purposes of this section, Qualified Natural Disasters include:

(a) Louisiana storms, as provided under IRS Announcement 2016-30.
(b) Hurricane Matthew, as provided under IRS Announcement 2016-36.
(c) Hurricane Harvey, as provided under IRS Announcement 2017-11.
(d) Hurricane Irma, as provided under IRS Announcement 2017-13.
(e) Hurricane Maria and the California Wildfires, as provided under IRS Announcement 2017-15.
(f) Any other natural disaster for which the IRS or Congress provides relief from certain qualification rules.

D-1.03 General Rules. If the Employer and the Plan Administrator make good-faith efforts to apply the Plan provisions in conformance with the relief provided under applicable guidance, the Plan will not be treated as failing to satisfy the requirements of the Code or regulations. In general, the following rules apply:

(a) In order to make a loan or distribution (including a hardship distribution), the Plan must provide for loans or distributions, as applicable.
(b) Participants (victims) for whom the relief is available are determined under the appropriate IRS or legislative guidance.
(c) The amount available for hardship distribution is limited to the maximum amount that would be available for a hardship distribution under the Plan. However, the relief provided applies to any hardship of the Participant and no post-distribution contribution restrictions apply.
(d) To qualify for relief under this section, a hardship distribution must be made on account of a hardship resulting from the applicable Qualified Natural Disaster and within the time frame provided under the applicable guidance relating to the Qualified Natural Disaster.
(e) The Plan will not be treated as failing to follow Plan procedural requirements for loans or distributions during the periods provided under guidance relating to the applicable Qualified Natural Disaster.

D-2.01 Rollover into a SIMPLE IRA. Effective for rollover distributions made from the Plan after December 18, 2015, a Participant may elect, at the time and the manner prescribed by the Plan Administrator, to have all or any portion of an Eligible Rollover Distribution paid directly to a SIMPLE IRA as defined under Code §408(p), provided the Participant satisfies the requirements (i.e., after the expiration of the two-year period following the date the Participant first participated in the SIMPLE IRA) under Code §408(p)(1)(B).
APPENDIX E
INTERIM AMENDMENT #4
EXTENDED ROLLOVER PERIOD FOR PLAN LOAN OFFSET AMOUNTS
AND SPECIAL DISASTER-RELATED RULES

E-1.01 Rollovers of Qualified Plan Loan Offset Amounts. Pursuant to §13613 of the Tax Cuts and Jobs Act of 2017, notwithstanding any other provisions of the Plan, the period during which a Qualified Plan Loan Offset Amount may be contributed to the Plan as a Rollover Contribution is extended from 60 days after the date of the offset to the due date (including extensions) for filing the individual’s Federal income tax return for the taxable year in which the Plan loan offset occurs.

(a) Effective date. This Section E-1.01 is effective for Qualified Plan Loan Offset Amounts distributed in taxable years beginning after December 31, 2017.

(b) Definition of Qualified Plan Loan Offset Amount. For purposes of this Section E-1.01, a Qualified Plan Loan Offset Amount is a plan loan offset amount that is treated as distributed from a tax-qualified retirement plan described in Code §401(a) or Code §403(a), an annuity contract described in Code §403(b), or a governmental plan under Code §457(b) solely by reason of termination of the Plan or failure to meet the repayment terms of the loan because of Severance from Employment.

E-1.02 Acceptance of Rollover Contributions. Notwithstanding any other provision of the Plan, the Plan Administrator may accept any Rollover Contribution that satisfies the requirements including the time period to make Rollover Contributions, under Code §402(c) and applicable IRS regulations and other guidance. Thus, for example, the Plan Administrator may accept a Rollover Contribution as provided under Revenue Procedure 2016-47 relating to the waiver of the 60-day rollover period and acceptable self-certification by an Employee.

E-2.01 Special Disaster-Relief Rules. This Section E-2.01 incorporates the provisions of Section 502 of the Disaster Tax Relief and Airport and Airway Extension Act of 2017, Section 11028 of the Tax Cuts and Jobs Act of 2017, and Section 20102 of the Bipartisan Budget Act of 2018 relating to special disaster-related rules for retirement plans. The provisions of this Section E-2.01 will apply only to the extent a distribution or loan has been made to a qualified individual as provided under the applicable law. If the Plan does not operationally apply the rules under this Section E-2.01, such provisions do not apply to the Plan. To the extent this Section E-2.01 applies to the Plan, the provisions of this Section E-2.01 supersede any inconsistent provisions of the Plan or loan program.

E-2.02 Tax-Favored Withdrawals from the Plan.

(a) Eligibility for Qualified Disaster Distribution. A qualified individual (as determined under the appropriate provisions of the laws referenced in Section E-2.01 above) may take a Qualified Disaster Distribution without regard to any distribution restrictions otherwise applicable under the Plan.

(1) Definition of Qualified Disaster Distribution. A Qualified Disaster Distribution is a distribution within the applicable time periods to a qualified individual as described in Section 502(a) of the Disaster Tax Relief and Airport and Airway Extension Act of 2017, Section 11028(b)(1) of the Tax Cuts and Jobs Act of 2017, and Section 20102(b)(1) of the Bipartisan Budget Act of 2018.

(2) Limit on amount of Qualified Disaster Distributions. The aggregate amount of Qualified Disaster Distributions received by an individual for any taxable year (from all plans maintained by the Employer and any member of a controlled group which includes the Employer) may not exceed the excess (if any) of $100,000, over the aggregate amounts treated as Qualified Disaster Distributions (under the applicable relief law) received by such individual for all prior taxable years.

(b) Repayment of Qualified Disaster Distribution. A Participant who received a Qualified Disaster Distribution from the Plan or another eligible retirement plan (as defined in Code §402(c)(8)(B)) may, at any time during the 3-year period beginning on the day after the receipt of such distribution, make one or more rollover contributions to the Plan in an aggregate amount that does not exceed the amount of such Qualified Disaster Distribution. This subsection (b) only applies if the Plan permits rollover contributions.

(c) Recontributions of Withdrawals for Home Purchases. As provided under Section 502(b) of the Disaster Tax Relief and Airport and Airway Extension Act of 2017 and Section 20102(b) of the Bipartisan Budget Act of 2018, a Participant who received a qualified distribution to purchase a home, but does not purchase the home due to the disaster may under the applicable law make one or more rollover contributions to the Plan during the applicable period in an aggregate amount not to exceed the amount of such qualified distribution. This subsection (c) only applies if the Plan permits rollover contributions.
(d) **Special Loan Rules.** As provided under Section 502(c) of the Disaster Tax Relief and Airport and Airway Extension Act of 2017 and Section 20102(c) of the Bipartisan Budget Act of 2018, the Plan Administrator is authorized (but not required) to revise the applicable loan requirements under the Plan to reflect (1) and (2) below.

(1) **Increased Participant loan limits.** Notwithstanding the Participant loan limitations under the Plan, for purposes of determining the permissible Participant loans for qualified individuals during the applicable periods (as provided for under Section 502(c) of the Disaster Tax Relief and Airport and Airway Extension Act of 2017 and Section 20102(c) of the Bipartisan Budget Act of 2018), the loan limit under Code §72(p)(2)(A) shall be applied by substituting “$100,000” for “$50,000” and the adequate security requirement under Code §72(p)(2)(A) (ii) may be applied using “the Participant’s vested Account Balance” rather than “one-half (½) of the Participant’s vested Account Balance.”

(2) **Delayed loan repayment date.** If a qualified individual has an outstanding Participant loan on or after the qualified beginning date (as provided under Section 502(c) of the Disaster Tax Relief and Airport and Airway Extension Act of 2017 and Section 20102(c) of the Bipartisan Budget Act of 2018), and the due date for repayment of such loan occurs during the applicable period beginning on the qualified beginning date (as described under the applicable disaster relief law):

   (i) the due date for repayment of the Participant loan shall be delayed for 1 year;

   (ii) any subsequent repayments with respect to such loan shall be appropriately adjusted to reflect the delay in the due date under subsection (i) and any interest accruing during such delay; and

   (iii) in determining the 5-year period and the term of the loan under Code §72(p)(2)(B) and (C), the 1-year delay period described in subsection (i) shall be disregarded.
APPENDIX F
INTERIM AMENDMENT #5
FINAL REGULATIONS RELATING TO HARDSHIP DISTRIBUTIONS

F-1.01 Change in Hardship Distribution requirements. The IRS has issued Final Regulations that amend the rules relating to Hardship distributions from the Plan. This Interim Amendment #5 (Interim Amendment) sets forth the provisions of the Final Regulations and their application to the Plan by amending Section 7.10(e) of the Plan, and providing appropriate Elective Provisions under Interim Amendment – Hardship Distributions Elective Provisions in the Adoption Agreement (Elective Provisions). The Plan Administrator shall administer the provisions of this Interim Amendment, and its Elective Provisions, consistent with a good-faith interpretation of the requirements of the Final Regulations as set forth under Treas. Reg. §§1.401(k)-1, 1.401(k)-3 and 1.401(m)-3, as amended.

(a) Effective Dates. Except as otherwise provided in this Interim Amendment, and its Elective Provisions, the Final Regulations and this Interim Amendment apply to Hardship distributions made on or after January 1, 2020. For Hardship distributions made before January 1, 2020, the rules applicable to Hardship distributions prior to the Final Regulations apply, unless the Employer elects earlier application as permitted under subsections (1) and (2) below.

(1) Options for earlier application. If elected under the Elective Provisions, the provisions of this Interim Amendment may be applied to distributions made in Plan Years beginning after December 31, 2018. The Employer may elect to apply the prohibition on the suspension of Salary Deferrals and After-Tax Employee Contributions as of the first day of the first Plan Year beginning after December 31, 2018, even if the Hardship distribution was made in a prior year. In addition, the Employer may operationally apply the revised deemed immediate and heavy financial need expenses under Section 7.10(e)(1) of the Plan, as amended by this Interim Amendment, to distributions made on or after a date as early as January 1, 2018.

(2) Certain rules optional in 2019. If, in accordance with the provisions of Section F-1.01(a)(1) of this Interim Amendment, the Employer applies certain Hardship distribution provisions to distributions made before January 1, 2020, then the Employer may disregard the rules relating to the employee representation, as described under Section 7.10(e)(3)(ii)(B) of the Plan, as amended by this Interim Amendment, and the rules prohibiting the suspension of contributions, as described under Section 7.10(e)(3)(iii) of the Plan, as amended by this Interim Amendment, to such distributions.

(3) 2020 effective date for employee representations and suspension prohibition. In any event, the rules relating to the employee representation, as described under Section 7.10(e)(3)(ii)(B) of the Plan, as amended by this Interim Amendment, and the rules prohibiting the suspension of contributions, as described under Section 7.10(e)(3)(iv) of the Plan, as amended by this Interim Amendment, are formally made effective for Hardship distributions made on or after January 1, 2020.

F-2.01 Amendment of Section 7.10(e) of the Plan. Section 7.10(e) of the Plan is deleted and replaced with the following:

(a) Hardship distribution. The Employer may elect under AA §10-1 or AA §10-2 of the Profit Sharing/401(k) Plan Adoption Agreement or under Section HD-1 of the Elective Provisions to authorize an in-service distribution upon the occurrence of Hardship. A distribution is made on account of Hardship only if the distribution both is made on account of an immediate and heavy financial need and is necessary to satisfy the financial need.

(1) Deemed immediate and heavy financial need. A distribution is deemed to be made on account of an immediate and heavy financial need of the Employee if the distribution satisfies one of the following needs:

(i) Expenses incurred or necessary for medical care (as described in Code §213(d)) of the Participant, the Participant’s Spouse or dependents (determined without regard to whether the expenses exceed 7.5% of adjusted gross income);

(ii) Costs directly related to the purchase (excluding mortgage payments) of a principal residence for the Participant;

(iii) Payment of tuition, related educational fees and room and board for up to the next 12 months of post-secondary education for the Participant, the Participant’s Spouse, children or dependents;

(iv) Payments necessary to prevent the eviction of the Participant from, or a foreclosure on the mortgage of, the Participant’s principal residence;

(v) Payments for funeral or burial expenses for the Participant's deceased parent, Spouse, child or dependent;

(vi) Expenses for the repair of damage to the Participant’s principal residence that would qualify for the
Hardship distributions from the vested portion of a Participant’s Employer Contribution Account, Matching

(vii) Expenses and losses (including loss of income) incurred by the Participant on account of a disaster declared by the Federal Emergency Management Agency (FEMA) under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, Pub. L. 100-707, provided that the Participant’s principal residence or principal place of employment at the time of the disaster was located in an area designated by FEMA for individual assistance with respect to the disaster; or

(viii) For any other event that the IRS recognizes as a deemed immediate and heavy financial need, Hardship distribution event under ruling, notice or other guidance of general applicability.

For purposes of determining eligibility for a Hardship distribution under this subsection (1), a dependent is determined under Code §152. However, the determination of dependent for purposes of tuition and related educational fees under subsection (iii) above will be made without regard to Code §§152(b)(1), (b)(2), and (d)(1)(B) and the determination of dependent for purposes of funeral or burial expenses under subsection (v) above will be made without regard to Code §152(d)(1)(B).

A Participant must provide the Plan Administrator with a written request for a Hardship distribution. The Plan Administrator may require written documentation, as it deems necessary, to sufficiently document the existence of a proper Hardship event.

(2) Non-deemed immediate and heavy financial need. The Employer may elect under in the Profit Sharing/401(k) Plan Adoption Agreement to permit Participants to take a Hardship distribution without satisfying one of the needs in subsection (1) above by setting forth nondiscriminatory and objective standards under AA §10-3(f).

(3) Distribution necessary to satisfy financial need.

(i) Distribution may not exceed amount of need. A distribution is treated as necessary to satisfy an immediate and heavy financial need of an Employee only to the extent the amount of the distribution is not in excess of the amount required to satisfy the financial need (including any amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution).

(ii) No alternative means reasonably available. A distribution is not treated as necessary to satisfy an immediate and heavy financial need of an employee unless each of the following requirements is satisfied:

(A) The Employee has obtained all other currently available distributions (including distributions of ESOP dividends under Code §404(k), but not Hardship distributions) under the Plan and all other plans of deferred compensation, whether qualified or nonqualified, maintained by the Employer;

(B) The Employee has provided to the Plan Administrator a representation in writing (including an electronic medium as defined in Treas. Reg. §1.401(a)-1(e)(3)), or in such other form as may be prescribed by the IRS, that he or she has insufficient cash or other liquid assets reasonably available to satisfy the need; and

(C) The Plan Administrator does not have actual knowledge that is contrary to the representation.

(iii) Additional conditions. The Plan generally may provide for additional conditions to demonstrate that a distribution is necessary to satisfy an immediate and heavy financial need of an employee. For example, a plan may provide that, before a Hardship distribution may be made, an Employee must obtain all nontaxable loans (determined at the time a loan is made) available under the Plan and all other plans maintained by the Employer.

(iv) No suspensions allowed for Hardship distributions made on or after January 1, 2020. The Plan may not provide for a suspension of an Employee’s Salary Deferrals or After-Tax Employee Contributions under any plan described in Code §§401(a) or 403(a), any Code §403(b) plan, or any eligible governmental plan described in Treas. Reg. §1.457-2(f) as a condition of obtaining a Hardship distribution for Hardship distributions made on or after January 1, 2020.

(4) Sources for Hardship distributions. For Plan Years beginning after December 31, 2018 (or such later date specified under the AA §10-1 or under §HD-1(a) and/or (b) of the Elective Provisions, the Employer may permit Hardship distributions from the vested portion of a Participant’s Employer Contribution Account, Matching
Governmental Volume Submitter Defined Contribution Plan
Appendix F: Interim Amendment #5

Contribution Account, Pre-Tax Salary Deferral Account, Roth Deferral Account, Qualified Nonelective Employer Contribution (QNEC) Account, Qualified Matching Contribution (QMAC) Account, Safe Harbor Employer Contribution Account, Safe Harbor Matching Contribution Account, QACA Safe Harbor Contribution Account and QACA Safe Harbor Matching Contribution Account. The Hardship distribution may include earnings on these Accounts, regardless of when amounts were contributed or earned. The Employer may designate the Accounts (including earnings) from which a Participant may receive a Hardship distribution under §HD-1 of the Elective Provisions. The Plan Administrator may adopt distribution ordering rules consistent with the sources available for Hardship distributions under separate administrative procedures. This subsection (4) supersedes any contrary provisions under the Plan, including any provision that limits the sources for Hardship distribution.

(5) **Availability to terminated Employees.** If a Hardship distribution is permitted under AA §10-1 or AA §10-2 or under §HD-1 of the Elective Provisions, a Participant may take such a Hardship distribution after termination of employment to the extent no other distribution is available from the Plan.

(6) **Application of Hardship distributions rules with respect to primary beneficiaries.** If elected under AA §10-3(e) of the Profit Sharing/401(k) Plan, if the Plan otherwise permits Hardship distributions based on the deemed immediate and heavy needs under subsection 7.10(e)(i) (medical expenses), (1)(iii) (educational expenses) or (1)(v) (funeral expenses) above, the existence of an immediate and heavy financial need may be determined with respect to a primary beneficiary under the Plan. For this purpose, a primary beneficiary is an individual who is named as a beneficiary under the Plan and has an unconditional right to all or a portion of a Participant’s Account Balance upon the death of the Participant. Any Hardship distribution with respect to a primary beneficiary must satisfy all the other requirements applicable to Hardship distributions under Section 7.10(e) of the Plan, as amended by this Interim Amendment.

**F-3.01 Relief for Victims of Certain Qualified Natural Disasters.** Notwithstanding other provisions of the Plan, the Employer may operate the Plan to provide relief from certain qualification rules relating to Hardship distributions and loans for Participants who are victims of certain Qualified Natural Disasters, as set forth under applicable IRS or legislative guidance.

**F-3.02 Qualified Natural Disasters.** For purposes of this section, Qualified Natural Disasters, in addition to the Qualified Natural Disasters listed under the 2017 Pre-Approved Defined Contribution Plan Interim Amendment previously adopted by the Pre-Approved Plan Provider, include Hurricane Michael and Hurricane Florence, as provided under the preamble to the Final Regulations.

**F-3.03 General Rules.** If the Employer and the Plan Administrator make good-faith efforts to apply the Plan provisions in conformance with the relief provided under applicable guidance, the Plan will not be treated as failing to satisfy the requirements of the Code or regulations. In general, the following rules apply:

(a) In order to make a loan or distribution (including a Hardship distribution), the Plan must provide for loans or distributions, as applicable.

(b) Participants (victims) for whom the relief is available are determined under the appropriate IRS or legislative guidance.

(c) The amount available for Hardship distribution is limited to the maximum amount that would be available for a Hardship distribution under the Plan. However, the relief provided applies to any Hardship distribution of the Participant and no post-distribution contribution restrictions apply.

(d) To qualify for relief under this section, a Hardship distribution must be made on account of a Hardship resulting from the applicable Qualified Natural Disaster and within the time frame provided under the applicable guidance relating to the Qualified Natural Disaster.

(e) The Plan will not be treated as failing to follow Plan procedural requirements for loans or distributions during the periods provided under guidance relating to the applicable Qualified Natural Disaster, which for Hurricane Michael and Hurricane Florence ended on March 15, 2019.
Loan administration policy

Is this the correct form?
The following are guidelines associated with administering the loan provisions of the plan.
If there are any discrepancies between these guidelines and the plan document, the provisions of the plan document will prevail. Except as otherwise specified, these guidelines apply to loans initiated through the Lincoln Alliance® program only, serviced by Lincoln Retirement Services Company, LLC (LRSC) - not to loans granted or administered through other investment vehicles.

1 General information

Plan name
Kaweah Delta Health Care District Employees’ Deferral Plan
Plan ID
KWD-001
Effective date (mm/dd/yyyy)
01/01/2021
Plan loans can be initiated by all (select one):
☒ Actively employed participants or for plans subject to ERISA, Parties-in-Interest
☐ Participants regardless of employment status

2 Loan instructions

Participant's responsibilities:
In order for the loan to be processed, the participant must initiate the loan request online at LincolnFinancial.com. The participant shall be prompted to review the loan application paperwork which includes: the Loan Application, Loan Disclosure Statement, the Promissory Note and Security Agreement, and the Wage Deduction Authorization or ACH loan authorization as applicable. The participant will need to click the verification box online which will indicate that they accept the requirements of each document described in the loan paperwork. If the plan requires spousal signature, the participant will need to print and sign the necessary forms and obtain his/her spouse's signature/consent.

☐ Qualified Joint and Survivor Annuity (QJSA) applies
☐ QJSA does not apply; however, spousal consent to request a plan loan is required
☐ Neither option applies

3 Loan authorization responsibilities

If loan paperwork is not completed and returned within 45 days from the day it was requested, the loan request will expire and a new request will need to be completed. Indicate the responsible parties in the table below.

<table>
<thead>
<tr>
<th>LRSC</th>
<th>Plan sponsor</th>
<th>TPA</th>
<th>Other (describe)</th>
</tr>
</thead>
<tbody>
<tr>
<td>☒</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Verification review ☒</td>
<td>☒</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>2. Loan initiation checklist (multi-vendor) ✗</td>
<td>☒</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>3. Processing instruction ☒</td>
<td>☒</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

Please reference the administration manual for the details on the approval parties listed above.

Once received, all loan application paperwork shall be reviewed and approved or denied by the party selected above. If plan sponsor directs LRSC to perform the ministerial function of approving loans, LRSC will follow the review and processing steps as described in the administration manual.

Upon final approval, the loan interest rate will be the applicable rate listed below at the time the loan was requested.

☒ The rate shall be based on the quarterly prime interest rate adjusted by 1 %
☐ The initial rate shall be % (to be provided by plan sponsor)
Loan administration policy

4 Loan guidelines

• Loans will be granted for the following reasons:
  ☑ Residential (purchase of a primary residence)
  ☑ Non-residential (select one):
    ☑ General purpose
    ☑ Hardship reasons only
    ☐ Safe Harbor hardship reasons
    ☐ Facts and circumstances hardship reasons

• The minimum loan amount is (select one):
  ☐ $500  ☑ $1,000  ☐ Other $ [ ]

• The maximum loan amount outstanding across all plans of the plan sponsor is the lesser of:
  (a) $50,000 reduced by the excess, if any, of the participant’s highest outstanding balance of loans from the plan during the one-year period ending on the day before the date on which such loan is made, over the participant’s outstanding balance of loans from the plan as of the due date such loan is made, or
  (b) 50% of the participant’s vested account balance

• If the plan is NOT subject to ERISA, the plan will allow a participant loan of their entire vested account balance up to $10,000

• The maximum number of outstanding loans for a participant under the plan is [ ]
  □ If more than one loan is allowed, the plan will permit a new loan while a defaulted loan exists (not applicable to plans that do not use payroll deductions): ☐ Yes ☐ No

• The maximum number of Lincoln Alliance® program loans is [ ]

• The loan minimum payment period is [ ] months.

• The non-residential loan maximum payment period is five (5) years.

• The residential loan maximum payment period in years is (select one):
  ☐ Ten years  ☐ Fifteen years  ☐ Twenty years  ☑ Other [ ]

• LRSC will process loans daily. Loan proceeds will be withdrawn to fund the loan on a pro-rata basis across investments options (other than the Lincoln PathBuilder® Income investment option), subject to the limitations of the Lincoln Fixed Annuity or Lincoln Stable Value Account, if applicable. Loan proceeds will only be withdrawn from the Lincoln PathBuilder® Income investment option to fund the loan to the extent necessary after all other investment funds have been depleted.

• The plan sponsor may choose to treat loans with balances of $10 or less as fully paid.

• The plan sponsor has the authority to amend, modify or cancel this loan policy at any time. The plan sponsor may adopt any reasonable procedures necessary to properly administer the loan policy in a nondiscriminatory way.

• The participant must pledge his/her vested account balance as collateral for the loan.

• The loan is due and immediately payable if a final distribution to the participant is made as a result of or after a participant’s termination of employment for any reason, including death, unless plan sponsor elects to permit terminated participants to make loan payments via ACH.

• Direct rollovers of loans are not permitted.
## Loan administration policy

### 5 Loan amount determination

If there is a source hierarchy, please complete the table below:

<table>
<thead>
<tr>
<th>Account</th>
<th>Calculate a loan</th>
<th>Secure a loan</th>
<th>Secure using</th>
</tr>
</thead>
<tbody>
<tr>
<td>Select account(s) to be used to calculate available loan amount</td>
<td></td>
<td>Select account(s) to be used to secure a loan</td>
<td>X Pro-rata method</td>
</tr>
<tr>
<td>Employee pretax</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Employee Roth</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Employee pretax rollover</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Employee Roth rollover</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Employer match</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer non-elective</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer safe-harbor match</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer safe-harbor non-elective</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qualified non-elective contribution (QNEC)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Please note that loan amounts may be calculated and secured differently.
- For example, it may be possible to use all vested account balances when determining the available loan amount but only allow the loan to be secured from one account.
- If the plan limits hardship withdrawals to the employee’s pretax account, using the pretax account for loan purposes will limit future withdrawals.

### 6 Loan payments

- Loan payments are:
  - Payroll deductions based on the plan sponsor’s payroll frequency
    - Allow terminated participants to make loan payments via ACH. The terminated participant must contact LRSC and provide ACH information prior to their loan going to a default status. The terminated participant must contact LRSC a minimum of 14 days in advance of cure period end date to provide ACH information.
    - Plan sponsor payroll frequencies for loan payments (select all that apply)
      - Weekly
      - Biweekly
      - Semi-monthly
      - Monthly
      - Loan payments for ACH deductions will be made by ACH from the participant’s personal bank account for participant loan payments upon request by the participant in the form of a fully executed Loan Payment ACH Debit Authorization request form.
    - These funds will be placed in a Lincoln account and will be sent to Lincoln Financial Group Trust Company, Inc. (LFGTC) upon verification of receipt of the funds to be deposited into the plan’s account for processing. This may take from one to five business days. Late payment reminders and default notices will be issued as appropriate. Following termination of employment, ACH deductions will continue.
    - In the event an ACH is returned due to non-sufficient funds (NSF) and the payment amount has already been sent to LFGTC, Lincoln will discontinue the ACH schedule and future loan repayments must be made via check.
6 Loan payments (continued)

- Checks will always be accepted and participants can turn off ACH deductions at any time.
- ACH payments will be allowed on the following frequencies (select all that apply)
  - Weekly  ☐ Biweekly  ☐ Semi-monthly  ☒ Monthly  ☐ Quarterly
- A participant with an outstanding loan may suspend loan payments for up to 12 months for any period during which the participant is (a) on an unpaid leave of absence or (b) on paid leave of absence, if the participant's rate of pay during the paid leave of absence is less than the loan repayment amount. Upon the participant's return from leave or after the end of the 12-month period, if earlier, the participant's outstanding loan will resume as follows:
  - The outstanding loan balance may be reamortized over the remaining loan schedule, or over a period that does not exceed the maximum repayment period allowed.
  - It is a plan sponsor and/or participant's responsibility to notify Lincoln when the leave of absence ends and to make arrangements to restart payments.
- Loan payments are not tax deductible.
- All principal and interest loan payments are posted to the participant's account.
- If the loan payment or loan payoff is less than $25.00 over the outstanding loan balance, the amount will be processed as interest to the participant's account pro-rated across the sources the loan came from. If the loan payment or loan payoff is equal to or greater than $25.00 over the loan payoff amount, LRSC will issue a check back to the participant for the excess amount.
- Loan payments are posted to the participant's account and investment options based on current investment elections and the accounts in which they are drawn from.
- Loans will not be reamortized except for provisions related to leave of absence, military leave, in the event of a correction, or upon plan sponsor direction.
- After applying whole payment amounts, any amount left that is less than a whole payment will be applied first to interest and then to principal to the next outstanding payment according to the loan amortization schedule.
- Outstanding loan balances may be paid in full at any time.

7 Loan fees

Fee amounts

A $75 LRSC setup fee and a $25 LRSC annual maintenance fee will apply. ☒
  - Participant will pay for the LRSC setup and annual maintenance fee. These fees will be deducted as described in the Setup and maintenance fees section below.
- ☐ Plan sponsor will pay for the LRSC setup and annual maintenance fee from its general assets, billed quarterly.

A $ ________ TPA setup fee and a $ ________ TPA annual maintenance fee will apply. These fees will be paid by the participant as described in the Setup and maintenance fees section below.

Setup and maintenance fees

Setup fees applicable to participant shall be deducted from the participant's:
  - ☐ Account in addition to the requested loan amount (net) or
  - ☒ Loan proceeds amount (gross amortized)

Maintenance fees applicable to participant shall be deducted from the participant's account on a quarterly basis.

Additional fee information

- Lincoln reserves the right to assess fees for non-sufficient funds.
- Reamortization of loan payments occurs only when due to leave of absence, military leave, in the event of correction, or upon plan sponsor direction.
Loan administration policy

### Loan defaults and offsets

- **A loan is considered in a default status when a participant does not meet the repayment requirements and does not pay off the loan in full.** LRSC will tax report a defaulted loan as a deemed distribution or loan offset (as appropriate) for any loan which the participant has failed to pay all scheduled payments within the cure period, if any, described below. The Cure period is the amount of time that the participant is allowed to make a required loan installment payment following the payment due date to avoid a loan default.

- **Default cure period:** the plan sponsor hereby elects a cure period of the last day of the calendar quarter following the calendar quarter in which the required loan installment payment was due. By electing this cure period alternative, the participant will not be considered to have defaulted on his or her plan loan if the participant makes the required payment no later than the last day of the calendar quarter following the cure period in which the required loan installment payment was due.

  - **Instead of the default cure period,** The plan sponsor hereby elects a cure period of 90 days. If a participant makes the required loan installment payment no later than the end of the 90-day cure period, the participant will not be considered to have defaulted on his or her plan loan.

- **After LRSC processes a loan default, the amount (remaining principal balance plus the interest accrued up to the date of the last cure period)** will be reported on Form 1099-R to the participant and to the Internal Revenue Service as a taxable event for the year in which the loan default occurred. The Form 1099-R will be issued by January 31 of the following year.

- **Deemed distribution:** A deemed distribution occurs when a loan defaults and there is not a corresponding distributable event (e.g., attainment of age 59 ½ or severance from employment).
  
  - A deemed distribution is treated as a taxable distribution, but not a distribution for any other purpose under the plan. Therefore, a participant has a continuing obligation to repay the deemed loan until the loan is repaid or offset.
  
  - After a deemed loan is paid off or offset, the participant may request a new loan. If a participant has not paid off a deemed loan, they may request a new loan if the new loan payments are made via payroll deduction, subject to plan provisions. A participant may pay off a deemed loan by making a payment of the amount processed as a deemed distribution, plus interest, that has accrued through the date of repayment. The repayment of a deemed loan will be record kept as a separate source in order to provide the proper tax reporting when later distributed.

  - A loan that has been deemed, but not offset, is considered an outstanding loan.

- **Loan offset:** A loan offset occurs when there is a corresponding distributable event. In this situation, default may trigger simultaneous offset of the loan which is reported as an actual distribution. A deemed loan that later offsets will not result in any additional taxation or reporting.

  - A loan offset occurs when a final distribution is processed.
Military service exceptions

- If a participant is in Military Service (as defined below) while he/she has an outstanding participant loan, the applicable interest charged on such loan during the period while the participant is in Military Service will not exceed 6% per year provided the participant provides written notice and a copy of his/her call-up or extension orders to the plan sponsor within 180 days following the participant's termination or release from Military Service.

  For this purpose, "Military Service" is as defined in the Soldier's and Sailor's Civil Relief Act of 1940 as modified by the Service Members Civil Relief Act of 2003. The participant may voluntarily waive this 6% interest limitation and the plan sponsor may petition the court to retain the original interest rate if the ability to repay is not affected by the participant's military leave, without regard to the five (5) year maximum loan repayment period.

- A participant with an outstanding plan loan may suspend loan payments for any period such participant is on a Military Service leave. Loan repayments must resume upon completion of the Military Service leave and the loan must be repaid in full over a period that ends not later than the latest date permitted under Code Section 72(p)(2)(B), plus the period of Military Service leave up to a maximum of five years.

Signature

By signing below, you certify that you have read, understand and agree to this loan policy and the selections made.

Plan sponsor name

Plan sponsor signature

Today's date (mm/dd/yyyy)
RESOLUTION 2108
OF THE BOARD OF DIRECTORS OF
KAWEAH DELTA HEALTH CARE DISTRICT
AMENDING THE 457(b) DEFERRED COMPENSATION PLAN

WHEREAS, the Board of Directors (the “Board”) of the Kaweah Delta Health Care District (the “District”) adopted the Kaweah Delta Health Care District 457(b) Deferred Compensation Plan, as amended and restated effective January 1, 2020 (the “Plan”); and

WHEREAS, the District reserves the right to amend or restate the Plan in Section X. of the Plan’s Adoption Agreement Document;

WHEREAS, the District desires to restate the Plan document effective January 1, 2020, to reflect the following:

• Amend the Definition of Compensation to exclude any Contribution, Distribution or Accrual in the District’s 457(f) Plan

WHEREAS, the District desires to restate the Plan document effective January 1, 2021, to reflect the following:

• Amend the Plan to permit ROTH Contributions

NOW, THEREFORE, BE IT RESOLVED, that an authorized officer be and hereby is directed and authorized to sign the Restatement to the plan which is attached hereto.

This Resolution is adopted by the Board of Directors of Kaweah Delta Health Care District at a duly constituted meeting held on the 23rd day of November 2020.

KAWEAH DELTA HEALTH CARE DISTRICT

_____________________________
President, Kaweah Delta Health Care District

ATTEST:

_____________________________
Secretary/Treasurer
Kaweah Delta Health Care District
and of the Board of Directors, thereof
Kaweah Delta Health Care District 457(b) Deferred Compensation Plan

Effective Date of This Document December 31, 2020
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SUPERSEDED PROVISIONS ADDENDUM

The following provisions supersede other provisions in this Plan in the manner described below:

Effective January 1, 2021, a Participant is allowed to make Roth Contributions.

Section 1.1 Compensation shall be further clarified effective January 1, 2020 as follows: The Plan shall use the definition of compensation as defined in the Kaweah Delta Health Care District Employees' Salary Deferral Plan for salary deferrals.

Section 2.3, Commencement of Participation shall be further clarified by adding the following as the final sentence: If a new Employee does not elect to defer Compensation when he/she first becomes an Employee, such an Employee can elect to defer Compensation as of the first day of any pay period provided the participation agreement is completed before the first day of the month in which the Compensation is paid or made available.

Section 6.2, Benefit Distributions upon Severance of Employment shall be further clarified by replacing this section in its entirety with the following: No later than 30 days before the Participant’s Severance from Employment date, the Participant can elect to either (i) receive his/her Account Balance as soon as administratively possible following his/her Severance from Employment date payable in a form of payment as described under Section 6.5 or (ii) postpone receipt of his/her Account Balance until a later date as requested by the Participant but in no event later than a Participant’s “required beginning date”, as defined by Code Section 401(a)(9). A Participant is deemed to have elected to postpone receipt of his/her Account Balance if no election is made upon Severance of Employment.

Section 6.3(a), Distribution on Account of a Participant’s Death shall be further clarified by replacing the second paragraph with the following: If the designated Beneficiary does not make an election within 90 days after the district has been notified of the Participant’s death, the Participant’s Account Balance will distributed to the designated Beneficiary immediately. Such distribution will be made in the form of a lump sum.

Section 7.4, Permissive Service Credit Transfers shall be revised to state: Permissive service credit transfers are not allowed from the Plan.

Section 12.2, Domestic Relation Orders shall be further clarified by adding the following as the final paragraph: Payments from this Plan will be made to an alternate payee under a qualified domestic relations order, under the terms of Code Section 414(p), as applied by the Administrator. If so provided by the qualified domestic relations order, distribution of a portion or all of the Participant’s plan account will be made to the alternate payee (including an alternate payee who is the Participant’s registered domestic partner whom the Participant can claim as a dependent on the Participant’s federal income tax return) within a reasonable period of time following the date it is provided under the qualified domestic relations order. If the alternate payee is the Participant’s registered domestic partner, and the Participant cannot claim the registered domestic partner as a dependent on the Participant’s federal income tax return, payment to the registered domestic partner will be not made until the Participant has a Severance
from Employment. A “registered domestic partner” is the Participant’s domestic partner with whom the Participant and domestic partner have satisfied the requirements of California Family Code Section 297, and who have not terminated the domestic partnership in accordance with California Family Code Section 299.
Adoption of Plan

The Kaweah Delta Health Care District 457(b) Deferred Compensation Plan (hereinafter "the Plan"), an eligible deferred compensation plan within the meaning of Section 457(b) of the Internal Revenue Code of 1986, as amended (hereinafter the "Code"), of a State or local government as described in Code Section 457(e)(1)(A), that meets the requirements of Code Section 401(a)(37), originally adopted by Kaweah Delta Health Care District (hereinafter the "Employer") effective September 10, 1997 and hereby amended effective as of December 31, 2020.

Purpose of Plan

The primary purpose of this Plan is to permit Employees of the Employer to enter into an agreement which will provide for deferral of payment of a portion of his or her current compensation until death, retirement, Severance from Employment, or other event, in accordance with the provisions of the Code Section 457(b), with other applicable provisions of the Code, and in accordance with the General Statutes of the State.

Status of Plan

It is intended that the Plan shall qualify as an eligible deferred compensation plan within the meaning of Code Section 457(b) sponsored by an eligible employer within the meaning of Code Section 457(e)(1)(A), i.e., a State, political subdivision of a State, or agency or instrumentality of a State or political subdivision of a State.

Tax Consequences of Plan

The Employer does not and cannot represent or guarantee that any particular federal or State income, payroll, or other tax consequence will occur by reason of participation in this Plan. A Participant should consult with his or her own counsel or other representative regarding all tax or other consequences of participation in this Plan.
SECTION I
DEFINITIONS

1.1 Plan Definitions

For purposes of this Plan, the following words and phrases have the meaning set forth below, unless a different meaning is plainly required by the context:

An "Account Balance" means the bookkeeping account maintained with respect to each Participant which reflects the value of the deferred Compensation credited to the Participant, including the Participant’s Annual Deferrals, the earnings or loss of the Trust Fund (net of Trust Fund expenses) allocable to the Participant, any transfers for the Participant’s benefit, and any distribution made to the Participant or the Participant’s Beneficiary. If a Participant has more than one Beneficiary at the time of the Participant’s death, then a separate Account Balance shall be maintained for each Beneficiary. The Account Balance includes any account established under Section VII for rollover contributions and plan-to-plan transfers made for a Participant, the account established for a Beneficiary after a Participant’s death, and any account or accounts established for an alternate payee (as defined in Code Section 414(p)(8)).

The "Administrator" means the Employer. The term Administrator includes any person or persons, committee, or organization appointed by the Employer to administer the Plan.

An "Annual Deferral" means the amount of Compensation deferred in any calendar year.

The "Beneficiary" of a Participant means the person or persons (or, if none, the Participant’s surviving spouse, or if the Participant has no surviving spouse, the Participant’s surviving children in equal shares, or if there are no surviving children, the Participant’s estate) who is entitled under the provisions of the Plan to receive a distribution in the event the Participant dies before receiving distribution of his or her entire interest under the Plan. If a married Participant designates his or her spouse as Beneficiary under the Plan, such designation shall automatically become null and void as of the date of any final divorce or similar decree or order; except that the Participant may re-designate such former spouse as his or her Beneficiary after the date of the final decree or order.

The "Code" means the Internal Revenue Code of 1986, as now in effect or as hereafter amended from time to time. Reference to a Code Section includes such section and any comparable section or sections of any future legislation that amends, supplements, or supersedes such section.

The "Compensation" of a Participant means all cash compensation for services to the Employer that is includible in the Employee’s gross income for the calendar year, including, as applicable, compensation attributable to services as an independent contractor, plus amounts that would be cash compensation for services to the Employer includible in the Employee’s gross income for the calendar year but for a compensation reduction election under Code Section 125, 132(f), 401(k), 403(b), or 457(b) (including an election to defer compensation under Section II).
Any payments described below made to a Participant after a Severance from Employment shall qualify as Compensation for purposes of the Plan, but only if the payments are made by the later of (a) the end of the calendar year in which the Severance from Employment occurred or (b) within 2 1/2 months of such Severance from Employment:

(a) Compensation that, absent a Severance from Employment, would have been paid to the Participant while the Participant continued in employment with the Employer, but only if such payments constitute regular compensation for services during the Participant's regular working hours, compensation for services outside the Participant's regular working hours (such as overtime or a shift differential), commissions, bonuses or other similar payments that would otherwise be included in determining Compensation under the Plan.

Any payment that is not described above shall not be considered Compensation if it is paid after the date of the Participant's Severance from Employment, even if it is paid within 2 1/2 months of such date. Thus, for example, Compensation does not include severance pay.

For years beginning after December 31, 2008, (a) a Participant receiving a differential wage payment, as defined by Code Section 3401(h)(2), by reason of qualified military service (within the meaning of Code Section 414(u)), is treated as an Employee of the Employer making the payment and (b) the differential wage payment is treated as Compensation.

An "Employee" means each natural person who is employed by the Employer as a common law employee on a full time basis and any employee in an elected or appointed position; provided, however, that the term Employee shall not include a leased employee or any employee who is included in a unit of employees covered by a collective bargaining agreement that does not specifically provide for participation in the Plan.

Any individual who is not treated by the Employer as a common law employee of the Employer shall be excluded from Plan participation even if a court or administrative agency determines that such individual is a common law employee of the Employer, unless the Employer has included the individual in Plan participation as an independent contractor.

An "Employer" means the eligible employer (within the meaning of Code Section 457(e)(1)) that has adopted the Plan. In the case of an eligible employer that is an agency or instrumentality of a political subdivision of a State within the meaning of Code Section 457(e)(1)(A), the term Employer shall include any other agency or instrumentality of the same political subdivision that has adopted the Plan.

An "Employer Contribution" means Annual Deferrals made to the Account Balance of a Participant by the Employer on a non-elective basis.

"Includible Compensation" means, with respect to a taxable year, the Participant's compensation as defined in Code Section 415(c)(3) and the regulations thereunder, for services performed for the Employer. The amount of Includible Compensation is determined without regard to any community property laws.
"Normal Retirement Age" means age 65.

A Participant's Normal Retirement Age must be the same as his or her Normal Retirement Age under any other eligible deferred compensation plan or plans sponsored by the Employer. The designation of a Normal Retirement Age under the Plan does not compel retirement with the Employer.

The "Participant" means an individual who is currently deferring Compensation, or who has previously deferred Compensation under the Plan by salary reduction and who has not received a distribution of his or her entire benefit under the Plan. Only individuals who perform services for the Employer as an Employee may defer Compensation under the Plan.

A "Plan Year" means the calendar year.

"Roth Contributions" means the amount of any Annual Deferral elected by a Participant that is irrevocably designated by the Participant as being made pursuant to, and intended to comply with, Code Section 402A. Roth Contributions are includable in the Participant’s taxable gross income at the time they are contributed to the Plan and have been irrevocably designated as Roth Annual Deferrals by the Participant in their deferral agreement. The Administrator shall establish and maintain for the Employee a separate account for any Roth Contributions made to the Plan, to which only Roth Contributions and the income attributable thereto shall be allocated. Roth Contributions also include any contributions made to another eligible retirement plan that are rolled over to the Plan in accordance with the provisions of Section 7.1 and that the Participant designated as Roth contributions at the time they were contributed to such other plan.

"Severance from Employment" means the date that the Employee dies, retires, or otherwise has a severance from employment with the Employer, as determined by the Administrator (and taking into account guidance issued under the Code).

The "State" means the State that is the Employer or of which the Employer is a political subdivision, agency, or instrumentality, including any agency or instrumentality of a political subdivision of the State, or the State in which the Employer is located.

The "Trust Fund" means the trust fund created under and subject to a trust agreement or a custodial account or contract described in Code Section 401(f) held on behalf of the Plan.

The "Valuation Date" means each business day.
SECTION II
PARTICIPATION AND CONTRIBUTIONS

2.1 Eligibility

Each Employee shall be eligible to participate in the Plan and defer Compensation hereunder immediately upon becoming employed by the Employer.

2.2 Election

An Employee may elect to become a Participant by executing an election to defer a portion of his or her Compensation (and to have that amount contributed as an Annual Deferral on his or her behalf) and filing such election with the Administrator. This participation election shall be made on the deferral agreement provided by the Administrator under which the Employee agrees to be bound by all the terms and conditions of the Plan. Any such election shall remain in effect until a new election is filed. The Administrator may establish a minimum deferral amount, and may change such minimums from time to time. The deferral agreement shall also include designation of investment funds and a designation of Beneficiary. The deferral agreement may also include a Participant's designation that all or a portion of the Annual Deferral elected by the Participant shall be treated as Roth Contributions.

2.3 Commencement of Participation

An Employee shall become a Participant as soon as administratively practicable following the date the Employee files an election pursuant to Section 2.2. Such election shall become effective no earlier than the calendar month following the month in which the election is made. A new Employee may defer Compensation payable in the calendar month during which the Participant first becomes an Employee if an agreement providing for the deferral is entered into on or before the first day on which the Participant performs services for the Employer.

2.4 Amendment of Annual Deferral Election, Investment Direction, or Beneficiary Designation

Subject to other provisions of the Plan, a Participant may at any time revise his or her participation election, including a change of the amount of his or her Annual Deferrals, his or her investment direction and his or her designated Beneficiary. The revised participation election may also include a change in the Participant's designation of the amount of the Annual Deferral elected by the Participant that is to be treated as Roth Contributions. Unless the election specifies a later effective date, a change in the amount of the Annual Deferrals shall take effect as of the first day of the next following month or as soon as administratively practicable if later. A change in the investment direction shall take effect as of the date provided by the Administrator on a uniform basis for all Employees. A change in the Beneficiary designation shall take effect when the election is accepted by the Administrator.
2.5 Information Provided by the Participant

Each Employee enrolling in the Plan should provide to the Administrator at the time of initial enrollment, and later if there are any changes, any information necessary or advisable for the Administrator to administer the Plan, including, without limitation, whether the Employee is a participant in any other eligible plan under Code Section 457(b).

2.6 Contributions Made Promptly

Annual Deferrals by the Participant under the Plan shall be transferred to the Trust Fund within a period that is not longer than is reasonable for the proper administration of the Participant's Account Balance. For this purpose, Annual Deferrals shall be treated as contributed within a period that is not longer than is reasonable for the proper administration if the contribution is made to the Trust Fund within 15 business days following the end of the month in which the amount would otherwise have been paid to the Participant, or earlier if required by law.

2.7 Employer Contributions

Nothing in this Plan prohibits the Employer from making Employer Contributions to the Account Balance of a Participant on a non-elective basis, including but not limited to Employer matching contributions, subject to the Participant's contribution limits in Section III.

2.8 Leave of Absence

Unless an election is otherwise revised, if a Participant is absent from work by leave of absence, Annual Deferrals under the Plan shall continue to the extent that Compensation continues.

2.9 Disability

A disabled Participant (as determined by the Administrator) may elect Annual Deferrals during any portion of the period of his or her disability to the extent that he or she has actual Compensation (not imputed Compensation and not disability benefits) from which to make contributions to the Plan and has not had a Severance from Employment.

2.10 Protection of Persons Who Serve in a Uniformed Service

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 elect to make additional Annual Deferrals upon resumption of employment with the Employer equal to the maximum Annual Deferrals that the Employee could have elected during that period if the Employee's employment with the Employer had continued (at the same level of Compensation) without the interruption or leave, reduced by the Annual Deferrals, if any, actually made for the Employee 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).
A reemployed Employee shall also be entitled to an allocation of any additional Employer Contributions, if applicable, that such Employee would have received under the Plan had the Employee continued to be employed as an eligible Employee during the period of qualified military service. Such restorative Employer Contributions (without interest), if applicable, shall be remitted by the Employer to the Plan on behalf of the Employee within 90 days after the date of the Employee’s reemployment or, if later, as of the date the contributions are otherwise due for the year in which the applicable qualified military service was performed.

2.11 Corrective Measures

In the event that an otherwise eligible Employee is erroneously omitted from Plan participation, or an otherwise ineligible individual is erroneously included in the Plan, the Employer shall take such corrective measures as may be permitted by applicable law. Such measures may include, in the case of an erroneously omitted Employee, contributions made by the Employer to the Plan on behalf of such Employee equal to the missed deferral opportunity, subject to the Participant’s contribution limits in Section III, and, in the case of an erroneously included individual, a payment by the Employer to such individual of additional Compensation in an amount equal to the amount of the individual’s elective deferrals under the Plan.

2.12 Vesting of Account Balance

A Participant’s vested interest in his Account Balance shall be at all times 100%.
SECTION III
LIMITATIONS ON AMOUNTS DEFERRED

3.1 Basic Annual Limitation

(a) The maximum amount of the Annual Deferral and, if applicable, Employer Contributions under the Plan for any calendar year shall not exceed the lesser of:

(i) The "applicable dollar amount" (as defined in paragraph (b) below); or

(ii) The Participant’s Includible Compensation (as defined in Code Section 415(c)(3)) for the calendar year.

(b) The "applicable dollar amount" means the amount established under Code Section 401(k)(15), as indexed.

(c) Rollover amounts received by the Plan under Treasury Regulation Section 1.401(k)-10(e) and any plan-to-plan transfer into the Plan made pursuant to Section 7.2 shall not be applied against the Annual Deferral limit.

3.2 Age 50 Catch-up Annual Deferral Contributions

A Participant who will attain age 50 or more by the end of a calendar year is permitted to elect an additional amount of Annual Deferral for the calendar year, up to the maximum age 50 catch-up Annual Deferral limit under §414(v)(2), as indexed.

The amount of the age 50 catch-up Annual Deferral for any calendar year cannot exceed the amount of the Participant’s Compensation, reduced by the amount of the elective deferred compensation, or other elective deferrals, made by the Participant under the Plan.

The age 50 catch-up Annual Deferral limit is not available to a Participant for any calendar year for which the Special Section 401(k) Catch-up limitation described in Section 3.3 is available and applied.

3.3 Special Rules

For purposes of this Section III, the following rules shall apply:

(a) Participant Covered By More Than One Eligible Plan. If the Participant is or has been a participant in one or more other eligible plans within the meaning of Code Section 401(k), then this Plan and all such other plans shall be considered as one plan for purposes of applying the foregoing limitations of this Section III. For this purpose, the Administrator shall take into account any other such eligible plan maintained by the Employer and shall also take into account any other such eligible plan for which the Administrator receives from the Participant sufficient information concerning his or her participation in such other plan.
(b) **Disregard Excess Deferral.** For purposes of Sections 3.1 and 3.2, an individual is treated as not having deferred compensation under a plan for a prior taxable year if excess deferrals under the plan are distributed, as described in Section 3.4. To the extent that the combined deferrals for pre-2002 years exceeded the maximum deferral limitations, the amount is treated as an excess deferral for those prior years.

### 3.4 Correction of Excess Deferrals

If the Annual Deferral on behalf of a Participant for any calendar year exceeds the limitations described above, or the Annual Deferral on behalf of a Participant for any calendar year exceeds the limitations described above when combined with other amounts deferred by the Participant under another eligible deferred compensation plan under Code Section 457(b) for which the Participant provides information that is accepted by the Administrator, then the Annual Deferral, to the extent in excess of the applicable limitation (adjusted for any income or loss in value, if any, allocable thereto), shall be distributed to the Participant as soon as administratively practicable after the Administrator determines that the amount is an excess deferral. If a Participant to whom distribution must be made in accordance with the preceding sentence has made Roth Contributions for the year, the amount distributed as an excess deferral shall be made first from pre-tax Annual Deferrals, then from Roth Contributions for the year unless otherwise specified.
SECTION IV
INVESTMENT RESPONSIBILITIES

4.1 Investment of Deferred Amount

Each Participant or Beneficiary shall direct the investment of amounts held in his or her Account Balance under the Plan among the investment options of the Trust Fund. The investment of amounts segregated on behalf of an alternate payee pursuant to a Plan qualified domestic relations order (as defined under Code Section 414(p)) may be directed by such alternate payee to the extent provided in such order. In the absence of such direction, such amounts shall be invested in the same manner as they were immediately before such segregation was made on account of such order. Each Account Balance shall share in any gains or losses of the investment(s) in which such account is invested.

4.2 Investment Election for Future Contributions

A Participant may amend his or her investment election at such times and by such manner and form as prescribed by the Administrator. Such election will, unless specifically stated otherwise, apply only to future amounts contributed under the Plan.

4.3 Investment Changes for an Existing Account Balance

The Participant, Beneficiary, alternate payee, or Administrator may elect to transfer amounts in his Account Balance among and between those investments available under the Trust Fund at such times and by such manner and form prescribed by the Administrator, subject further to any restrictions or limitations placed on any investment by the Administrator to be uniformly applied to all Participants.

4.4 Investment Responsibility

To the extent that a Participant, Beneficiary, or alternate payee exercises control over the investment of amounts credited to his Account Balance, the Employer, the Administrator, and any other fiduciary of the Plan shall not be liable for any losses that are the direct and necessary result of investment instructions given by a Participant, Beneficiary or an alternate payee.

4.5 Default Investment Fund

The Employer may designate a default investment fund. Any Participant who does not make an investment election on the deferral agreement provided by the Administrator will have his contributions invested in the default investment fund until such time he provides investment direction under Sections 4.2 and 4.3.

4.6 Statements

The Administrator will cause statements to be issued periodically to reflect the contributions and actual earnings posted to the Account Balances.
SECTION V
LOANS

5.1 No Loans

There shall be no loans made to Participants from the Plan.
SECTION VI
DISTRIBUTIONS

6.1 Distributions from the Plan

(a) Earliest Distribution Date. Payments from a Participant’s Account Balance shall not be made earlier than:

(i) the Participant’s Severance from Employment pursuant to Section 6.2
(ii) the Participant’s death pursuant to Section 6.3
(iii) Plan termination under Section 10.3
(iv) an unforeseeable emergency withdrawal pursuant to Section 6.10(a), if permitted under the Plan
(v) a de minimis Account Balance distribution pursuant to Section 6.10(b), if permitted under the Plan
(vi) a rollover account withdrawal pursuant to Section 6.10(c), if permitted under the Plan
(vii) attainment of age 70 1/2 withdrawal pursuant to Section 6.10(d), if permitted under the Plan
(viii) Qualified Military Service Deemed Severance withdrawal pursuant to Section 6.10(e), if permitted under the Plan
(ix) Qualified Distributions for Retired Public Safety Officers pursuant to Section 6.11, if permitted under the Plan

(b) Latest Distribution Date. In no event shall any distribution under this Section VI begin later than the Participant’s “required beginning date”. Such required minimum distributions must be made in accordance with Section 6.6.

(c) Amount of Account Balance. Except as provided in Section 6.3, the amount of any payment under this Section VI shall be based on the amount of the Account Balance as of the Valuation Date.

6.2 Benefit Distributions Upon Severance from Employment

Distributions required to commence under this section shall be made in the form of benefit provided under Section 6.5. Distributions postponed until the Participant’s “required beginning date” will be made in a manner that meets the requirements of Section 6.6.
6.3 Distributions on Account of Participant's Death

Upon receipt of satisfactory proof of the Participant’s death, the designated Beneficiary may file a request with the Administrator to elect a form of benefit provided under Section 6.5 and made in a manner that meets the requirements of Section 6.6.

(a) **Death of Participant Before Distributions Begin.** If the Participant dies before his or her distributions begin, the designated Beneficiary may elect to have distributions to be made (i) in full within 5 years of the Participant’s death (5-year rule) or (ii) in installments over the designated Beneficiary’s "life expectancy" (life expectancy rule).

If the designated Beneficiary does not make an election by September 30 of the year following the year of the Participant's death, the Participant's Account Balance will be distributed in a lump sum payment by December 31 of the calendar year containing the fifth anniversary of the Participant's death or if the Participant's spouse is the sole designated Beneficiary by December 31 of the year the Participant would have attained age 70 1/2.

(b) **Death of Participant On or After Date Distributions Begin.** If the Participant dies on or after his or her distributions began, the Participant's Account Balance shall be paid to the Beneficiary at least as rapidly as under the payment option used before the Participant's death.

For purposes of this Section, a Participant who dies on or after January 1, 2007, while performing qualified military service (as defined in Code Section 414(u)) will be deemed to have resumed employment in accordance with the Participant's reemployment rights under chapter 43 of title 38, United States Code, on the day preceding death and to have terminated employment on the actual date of death for purposes of determining the entitlement of the Participant's survivors to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan, in accordance with the provisions of Code Sections 401(a)(37), 414(u)(9), and 457(g)(4).

6.4 Distribution of Small Account Balances Without Participant's Consent

Notwithstanding any other provision of the Plan to the contrary, if the amount of a Participant's or Beneficiary's Account Balance is not in excess of the amount specified below on the date that payments commence under Section 6.2 or on the date the Administrator is notified of the Participant's death, the Administrator may direct payment without the Participant's or Beneficiary's consent as soon as practicable following the Participant's retirement, death, or other Severance from Employment.

(a) **If the Participant's or Beneficiary's Account Balance** (including the rollover contribution separate account) does not exceed $5,000 (or the dollar limit under Code Section 411(a)(11), if greater), distribution shall be made through a direct rollover to an individual retirement account selected by the Administrator, unless the Participant or Beneficiary affirmatively elects rollover to a different "eligible retirement plan" (as defined under Section 6.9(b)) or distribution in a lump sum payment.
6.5 Forms of Distribution

In an election to commence benefits under Section 6.2, a Participant entitled to a distribution of benefits under this Section VI may elect to receive payment in any of the forms of distribution offered under the Plan. Such election may be made or modified by the date 30 days prior to commencement of payment. If the Participant fails to elect a distribution option then the benefit shall be paid in the form of a lump sum payment to the Participant or Beneficiary. The forms of distribution available under the Plan are as follows:

(a) a lump sum payment of the Participant’s total Account Balance.

(b) partial distribution of the Participant’s Account Balance in a lump sum payment.

(c) in a series of installments over a period of years (payable on a monthly, quarterly, semiannual or annual basis) which extends no longer than the life expectancy of the Participant as permitted under Code Section 401(a)(9).

6.6 Minimum Distribution Requirements

(a) General Rules.

Notwithstanding anything in this Plan to the contrary, distributions from this Plan shall commence and be made in accordance with Code Section 401(a)(9) and the regulations promulgated thereunder. Additionally, the requirements of this Section 6.6 will take precedence over any inconsistent provisions of the Plan.

(b) Time and Manner of Distribution.

(i) Required Beginning Date. The Participant’s entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant’s "required beginning date".

(ii) Death of Participant Before Distributions Begin. If the Participant dies before distributions begin, the Participant’s entire interest will be distributed, or begin to be distributed, no later than as follows:

(A) If the Participant’s surviving spouse is the Participant’s sole "designated Beneficiary", then distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant dies, or by December 31 of the calendar year in which the Participant would have attained age 70 ½, if later.

(B) If the Participant’s surviving spouse is not the Participant’s sole "designated Beneficiary" (i.e., multiple beneficiaries), then distributions to the "designated Beneficiaries" will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.
(C) If the Participant's sole "designated Beneficiary" is not the Participant's spouse, then distributions to the "designated Beneficiary" will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(D) If there is no "designated Beneficiary" as of September 30 of the year following the year of the Participant's death, the Participant's Account Balance will be distributed in a lump sum payment by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(E) 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 subparagraph (b)(ii), other than subsection (b)(ii)(A), will apply as if the surviving spouse were the Participant.

For purposes of this subparagraph (ii) and paragraph (d), unless subsection (b)(ii)(D) applies, distributions are considered to begin on the Participant's "required beginning date". If subsection (b)(ii)(E) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under subsection (b)(ii)(A). 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 subsection (b)(ii)(A)), the date distributions are considered to begin is the date distributions actually commence.

(iii) Death of Participant On or After Distributions Begin. If the Participant dies on or after distributions begin and before depleting his or her Account Balance, distributions must commence to the "designated Beneficiary" by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(iv) Forms of Distribution. Unless the Participant's Account Balance is distributed in the form of an annuity contract or in a lump sum on or before the Participant's "required beginning date", as of the first distribution calendar year, distributions will be made in accordance with paragraphs (c) and (d). If the Participant's interest is distributed in the form of an annuity contract, distributions thereunder will be made in accordance with the requirements of Code Section 401(a)(9).

(c) Required Minimum Distributions During the Participant's Lifetime.

(i) Amount of Required Minimum Distribution For Each "Distribution Calendar Year". During the Participant's lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:
(A) The quotient obtained by dividing the "Participant's Account Balance" by
the distribution period in the Uniform Lifetime Table set forth in Treasury
Regulation Section 1.401(a)(9)-9, Q&A-2 using the Participant's age as of
the Participant's birthday in the "distribution calendar year"; or

(B) if the Participant's sole "designated Beneficiary" for the "distribution
calendar year" is the Participant's spouse and the spouse is more than 10
years younger than the Participant, the quotient obtained by dividing the
"Participant's Account Balance" by the distribution period in the Joint and
Last Survivor Table set forth in Treasury Regulation Section 1.401(a)(9)-
9, Q&A-3 using the Participant's and spouse's attained ages as of the
Participant's and spouse's birthdays in the "distribution calendar year".

(ii) Lifetime Required Minimum Distributions Continue Through Year of
Participant's Death. Required minimum distributions will be determined under
this paragraph (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) Required Minimum Distributions After Participant's Death.

For purposes of this Section 6.6(d), the Participant's and Beneficiary's "life expectancy"
determination will use the Single Life Table set forth in Treasury Regulation Section
1.401(a)(9)-9, Q&A-1.

(i) Death On or After Date Distributions Begin.

(A) Participant Survived by Designated Beneficiary.

If the Participant dies on or after the date distributions begin and there is a
"designated Beneficiary", the minimum amount that will 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:

(1) 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.

(2) 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.

(3) If the Participant's surviving spouse is not the Participant's sole "designated Beneficiary" (i.e., multiple beneficiaries), the "designated Beneficiary's" remaining "life expectancy" is calculated using the age of the oldest Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(4) If the Participant's sole "designated Beneficiary" is not the Participant's spouse, 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.

(B) No Designated Beneficiary.

If the Participant dies on or after the date distributions begin and there is no "designated Beneficiary" as of September 30 of the year after the year of the Participant's death, the minimum amount that will 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.

(ii) Death Before Date Distributions Begin.

(A) Participant Survived by Designated Beneficiary.

Except as provided in this Section, if the Participant dies before the date distributions begin and there is a "designated Beneficiary", the minimum amount that will 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 follows:

(1) 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.
(2) If the Participant's surviving spouse is not the Participant's sole "designated Beneficiary" (i.e., multiple beneficiaries), the "designated Beneficiary's" remaining "life expectancy" is calculated using the age of the oldest Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(3) If the Participant's sole "designated beneficiary" is not the Participant's spouse, 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.

(B) No Designated Beneficiary.

If the Participant dies before the date distributions begin and there is no "designated Beneficiary" as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(C) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin.

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 subsection (b)(ii)(A), this subparagraph (d)(ii) will apply as if the surviving spouse were the Participant.

(e) Definitions.

(i) A Participant’s "required beginning date" is April 1 of the year that follows the later of (1) the calendar year the Participant attains age 70 ½ or (2) retires due to Severance from Employment. If the Participant postpones the required distribution due in calendar year he or she attains age 70 ½ or severs employment, to the "required beginning date", the second required minimum distribution must be taken by the end of that year.

(ii) Participant’s "designated Beneficiary" means the individual who is designated as the Beneficiary under Section 8.1 and is the designated Beneficiary under Code Section 401(a)(9) and Treasury Regulation Section 1.401(a)(9)-4.

(iii) A "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 the Participant attains age 70 ½ or retires, if later. 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 subparagraph (b)(ii).

The required minimum distribution for the Participant's first "distribution calendar year" will 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, will be made on or before December 31 of that "distribution calendar year".

(iv) A married Participant's "life expectancy", whose spouse is the sole Beneficiary and is more than 10 years younger than the Participant, means the Participant's and spouse Beneficiary's life expectancy as computed by use of the Joint and Last Survivor Life Table under Treasury Regulation Section 1.401(a)(9)-9, Q&A 3. All other Participants will have his or her life expectancy computed by use of the Uniform Lifetime Table under Treasury Regulation Section 1.401(a)(9)-9, Q&A 2. A deceased Participant's or Beneficiary's "life expectancy" means his or her life expectancy as computed by use of the Single Life Table under Treasury Regulation Section 1.401(a)(9)-9, Q&A 1.

(v) A "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.

(f) Special Provision Applicable to 2009 Required Minimum Distributions.

A Participant who would otherwise be required to receive a minimum distribution from the Plan in accordance with Code Section 401(a)(9) for the 2009 "distribution calendar year" will not receive any such distribution that is payable with respect to the 2009 "distribution calendar year" unless the Participant elects otherwise.

A Participant who receives a minimum distribution from the Plan for the 2009 "distribution calendar year" is subject to the provisions of Section 6.9(b)(iii) and may not elect to directly rollover such distribution to an "eligible retirement plan".

The provisions of this Section 6.6(f) are effective for minimum payments made for the 2009 "distribution calendar year" and do not include any minimum payment that is made in 2009, but is attributable to a different year (i.e., the Participant reached his required beginning date in 2008, but payment of the 2008 minimum is not made until 2009).
6.7 Payments to Minors and Incompetents

If a Participant or Beneficiary entitled to receive any benefits hereunder is a minor or is adjudged to be legally incapable of giving valid receipt and discharge for such benefits, or is deemed so by the Administrator, benefits will be paid to such person as the Administrator or a court of competent jurisdiction may designate for the benefit of such Participant or Beneficiary. Such payments shall be considered a payment to such Participant or Beneficiary and shall, to the extent made, be deemed a complete discharge of any liability for such payments under the Plan.

6.8 Procedure When Distributee Cannot Be Located

The Administrator shall make all reasonable attempts to determine the identity and address of a Participant or a Participant's Beneficiary entitled to benefits under the Plan. For this purpose, a reasonable attempt means (a) the mailing by certified mail of a notice to the last known address shown in the Administrator's records; (b) use of a commercial locator service, the internet or other general search method; (c) use such other methods as the Administrator believes prudent.

If the Participant or Beneficiary has not responded within 6 months, the Plan shall continue to hold the benefits due such person until, in the Administrator's discretion, the Plan is required to take other action under applicable law.

Notwithstanding the foregoing, if the Administrator is unable to locate a person entitled to benefits hereunder after applying the search methods set forth above, then the Administrator, in its sole discretion, may pay an amount that is immediately distributable to such person in a direct rollover to an individual retirement plan designated by the Administrator.

6.9 Direct Rollover

(a) A Participant or spouse Beneficiary (or a Participant's spouse or former spouse who is the alternate payee under a domestic relations order, as defined in Code Section 414(p)) who is entitled to an "eligible rollover distribution" may elect, at the time and in the manner prescribed by the Administrator, to have all or any portion of the distribution paid directly to an "eligible retirement plan" specified by the Participant or spouse Beneficiary in a direct rollover.

(b) For purposes of this Section 6.9, an "eligible rollover distribution" means any distribution of all or any portion of a Participant's Account Balance, except that an eligible rollover distribution does not include (i) any distribution that is one of a series of substantially equal periodic payment made not less frequently than annually for the life or life expectancy of the Participant or the joint lives or life expectancies of the Participant and the Participant's designated Beneficiary, or for a specified period of ten years or more (ii) any distribution made as a result of an unforeseeable emergency, or (iii) any distribution that is a required minimum distribution under Code Section 401(a)(9).

In addition, an "eligible retirement plan" with respect to the Participant, the Participant's spouse, or the Participant's spouse or former spouse who is an alternate payee under a domestic relations order as defined in Code Section 414(p) means any of the following:

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(i) an individual retirement account described in Code Section 408(a), (ii) an individual retirement annuity described in Code Section 408(b), (iii) an annuity plan described in Code Section 403(a), (iv) a qualified defined contribution plan described in Code Section 401(a), (v) an annuity contract described in Code Section 403(b), (vi) an eligible deferred compensation plan described in Code Section 457(b) that is maintained by a State, political subdivision of a State, or any agency or instrumentality of a State or political subdivision of a State, or (vii) effective for distributions made on or after January 1, 2008, a Roth IRA, as described in Code Section 408A, provided, that for distributions made before January 1, 2010, such rollover shall be subject to the limitations contained in Code Section 408A(c)(3)(B).

Notwithstanding any other provision of this Section 6.9(b), a plan or contract described in clause (iii), (iv), (v), or (vi) above shall not constitute an "eligible retirement plan" with respect to a distribution of Roth Contributions unless such plan or contract separately accounts for such distribution, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

(c) A Beneficiary who is not the spouse of the deceased Participant may elect a direct rollover of a distribution to an individual retirement account described in Code Section 408(b) or to a Roth individual retirement account described in Code Section 408A(b) ("IRA"), provided that the distributed amount satisfies all the requirements to be an eligible rollover distribution. The direct rollover must be made to an IRA established on behalf of the designated nonspouse Beneficiary that will be treated as an inherited IRA pursuant to the provisions of Code Section 402(c)(11). The IRA must be established in a manner that identifies it as an IRA with respect to a deceased Participant and also identifies the deceased Participant and the nonspouse Beneficiary. This Section applies to distributions made after the last day of the 2009 Plan Year.

6.10 Inservice Distributions

(a) Unforeseeable Emergency Distributions. If the Participant who has not incurred a Severance from Employment or Beneficiary has an unforeseeable emergency, the Administrator may approve a single sum distribution of the amount requested or, if less, the maximum amount determined by the Administrator to be permitted to be distributed under this Section 6.10(a), Treasury Regulation Section 1.457-6(c) or other regulatory guidance. The Administrator shall determine whether an unforeseeable emergency exists based on relevant facts and circumstances, and Treasury Regulation Section 1.457-6(c) or other regulatory guidance.

(i) An unforeseeable emergency is defined as a severe financial hardship resulting from the following:

(A) an illness or accident of the Participant or Beneficiary, the Participant's or Beneficiary's spouse, or the Participant's or Beneficiary's dependent or the Participant's "primary Beneficiary";
(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);

(C) the need to pay for the funeral expenses of a Participant's or Beneficiary's spouse, Participant's or Beneficiary's dependent or "primary Beneficiary" of the Participant;

(D) the need to pay for medical expenses of the Participant or Beneficiary, the Participant's or Beneficiary's spouse, Participant's or Beneficiary's dependent or the Participant's "primary Beneficiary" which are not reimbursed or compensated by insurance or otherwise, including non-refundable deductibles, as well as for the cost of prescription drug medication;

(E) the imminent foreclosure of or eviction from the Participant's or Beneficiary's primary residence; or

(F) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant or Beneficiary.

For purposes of this paragraph, if the Participant is not deceased, a "primary Beneficiary" shall be limited to a primary Beneficiary under the Plan, which is an individual who is named as a Beneficiary pursuant to Section 8.1 and has an unconditional right to all or a portion of the Participant's Account Balance upon the death of the Participant, and which shall not include a contingent Beneficiary. Additionally, dependent shall be limited to the definition under Code Section 152(a), and, for taxable years beginning on or after January 1, 2005, without regard to Code Sections 152(b)(1), (b)(2) and (d)(1)(B).

(ii) Unforeseeable emergency distribution standard. A distribution on account of 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 if the cessation of deferrals would alleviate the financial need.

(iii) Distribution necessary to satisfy emergency need. Distributions because of an unforeseeable emergency may not exceed the amount reasonably necessary to satisfy the emergency need (which may include any amounts necessary to pay any
federal, State, or local income taxes or penalties reasonably anticipated to result from the distribution).

(b) **De minimis Account Balance Distributions.** The Plan does not permit de minimis Account Balance distributions.

(c) **Rollover Account Distributions.** If a Participant has a separate account attributable to rollover contributions under the Plan, the Participant before Severance of Employment may at any time elect to receive an in-service distribution of all or any portion of the amount held in the rollover separate account. Any designated Roth contributions rolled over to the Plan are treated as Roth Contributions and not rollover contributions for Plan purposes.

(d) **Age 70 ½ Distributions.** Prior to Severance from Employment, a Participant may withdraw all or a portion of his or her Account Balance on or after the first day of the calendar year in which the Participant shall attain age 70½.

(e) **Qualified Military Service Deemed Severance Distributions.** The Plan does not permit "qualified military service deemed severance withdrawals".

(f) **Inservice Distribution of Roth Contributions.** Roth Contributions are eligible for all in-service distributions and withdrawals.

6.11 **Qualified Distributions for Retired Public Safety Officers**

The Plan does not permit qualified distributions for retired public safety officers.
SECTION VII
ROLLOVERS AND PLAN TRANSFERS

7.1 Eligible Rollover Contributions to the Plan

(a) A Participant who is an Employee and who is entitled to receive an eligible rollover distribution from another "eligible retirement plan", as defined in 6.9(b) excluding the direct rollover of after-tax contributions, may request to have all or a portion of the eligible rollover distribution paid to the Plan. The Administrator may require such documentation from the distributing plan as it deems necessary to effectuate the rollover in accordance with Code Section 402 and to confirm that such plan is an "eligible retirement plan" within the meaning of Code Section 402(c)(8)(B).

(b) If an Employee makes a rollover contribution to the Plan of amounts that have previously been distributed to him or her, the Employee must deliver to the Administrator the cash that constitutes his or her rollover contribution within 60 days of receipt of the distribution from the distributing "eligible retirement plan". Such delivery must be made in the manner prescribed by the Administrator.

(c) The Plan shall establish and maintain for the Participant a separate account for any eligible rollover distribution paid to the Plan from any "eligible retirement plan" that is an eligible governmental plan under Code Section 457(b). In addition, the Plan shall establish and maintain for the Participant a separate account for any eligible rollover distribution paid to the Plan from any "eligible retirement plan" that is not an eligible governmental plan under Code Section 457(b).

(d) To the extent that the Plan accepts rollover contributions attributable to Roth Contributions, the Administrator shall account for such contributions separately from other rollover contributions. In administering rollover contributions attributable to Roth Contributions, the Administrator shall be entitled to rely on a statement from the distributing plan's administrator identifying (i) the Participant's basis in the rolled over amounts and (ii) the date on which the Participant's 5-taxable-year period of participation (as required under Code Section 402A(d)(2) for a qualified distribution of Roth Contributions) started under the distributing plan. If the 5-taxable-year period of participation under the distributing plan would end sooner than the Participant's 5-taxable-year period of participation under the Plan, the 5-taxable-year period of participation applicable under the distributing plan shall continue to apply with respect to the Roth Contributions included in the rollover contribution. Roth Contributions that are rolled over to the Plan shall be subject to the provisions of the Plan applicable to Roth Contributions rather than the provisions of the Plan applicable to rollover contributions.

7.2 Plan-to-Plan Transfers to the Plan

At the direction of the Employer, the Administrator may permit Participants or Beneficiaries who are participants or Beneficiaries in another eligible governmental plan under Code Section 457(b) to transfer assets to the Plan as provided in this Section 7.2. Such a transfer is permitted
only if the other plan provides for the direct transfer of each Participant's or Beneficiary's interest therein to the Plan. The Administrator may require in its sole discretion that the transfer be in cash or other property acceptable to the Administrator. The Administrator may require such documentation from the other plan as it deems necessary to effectuate the transfer in accordance with Code Section 457(e)(10) and Treasury Regulation Section 1.457-10(b) and to confirm that the other plan is an eligible governmental plan as defined in Treasury Regulation Section 1.457-2(f). The amount so transferred shall be credited to the Participant's Account Balance and shall be held, accounted for, administered and otherwise treated in the same manner as an Annual Deferral by the Participant under the Plan, except that the transferred amount shall not be considered an Annual Deferral under the Plan in determining the maximum deferral under Section III.

7.3 Plan-to-Plan Transfers from the Plan

(a) At the direction of the Employer, the Administrator may permit Participants or Beneficiaries to elect to have his or her Account Balance transferred to another eligible governmental plan within the meaning of Treasury Regulation Section 1.457-2(f), if the other eligible governmental plan provides for the receipt of transfers, the Participant or Beneficiary whose amounts deferred are being transferred will 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 the conditions of subparagraph (i), (ii), or (iii) are met.

(i) A transfer from the Plan to another eligible governmental plan is permitted in the case of a transfer for a Participant if the Participant has had a Severance from Employment with the Employer and is performing services for the entity maintaining the other eligible governmental plan.

(ii) A transfer from the Plan to another eligible governmental plan is permitted if:

(A) The transfer is to another eligible governmental plan within the same State as the Plan;

(B) All the assets held by the Plan are transferred; and

(C) A Participant or Beneficiary whose amounts deferred are being transferred is not eligible for additional annual deferrals in the other eligible governmental plan unless he or she is performing services for the entity maintaining the other eligible governmental plan.

(iii) A transfer from the Plan to another eligible governmental plan of the Employer is permitted if:

(A) The transfer is to another eligible governmental plan of the Employer (and, for this purpose, an employer is not treated as the Employer if the Participant's compensation is paid by a different entity); and
(B) A Participant or Beneficiary whose deferred amounts are being transferred is not eligible for additional annual deferrals in the other eligible governmental plan unless he or she is performing services for the entity maintaining the other eligible governmental plan.

(b) Upon the transfer of assets under this Section 7.3(b), 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. The Administrator may require such documentation from the receiving plan as it deems appropriate or necessary to comply with this Section 7.3(b) (for example, to confirm that the receiving plan is an eligible governmental plan under paragraph (a) of this Section 7.3(b), and to assure that the transfer is permitted under the receiving plan) or to effectuate the transfer pursuant to Treasury Regulation Section 1.457-10(b).

7.4 Permissive Service Credit Transfers

(a) 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 Balance transferred to the defined benefit governmental plan. A transfer under this Section 7.4(a) may be made before the Participant has had a Severance from Employment and without regard to whether the defined benefit governmental plan is maintained by the Employer. The distribution rules applicable to the defined benefit governmental plan to which any amounts are transferred under this Section 7.4(a) shall apply to the transferred amounts and any benefits attributable to the transferred amounts.

(b) A transfer may be made under Section 7.4(a) 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, including service credit for periods for which there is no performance of services, service credited in order to provide an increased benefit for service credit which a participant is receiving under the plan, and service (including parental, medical, sabbatical, and similar leave) as an employee (other than as an employee described in Code Section 415(n)(3)(C)(i)) of an educational organization described in Code Section 170(b)(1)(A)(ii) which is a public, private, or sectarian school which provides elementary or secondary education (through grade 12) or a comparable level of education, as determined under the applicable law of the jurisdiction in which the service was performed, without application of the limitations of Code Section 415(n)(3)(B) in determining whether the transfer is for the purchase of permissive service credit, or a repayment to which Code Section 415 does not apply by reason of Code Section 415(k)(3).
SECTION VIII
BENEFICIARY

8.1 Beneficiary Designation

A Participant has the right, by written notice filed with the Administrator, to designate one or more Beneficiaries to receive any benefits payable under the Plan in the event of the Participant’s death prior to the complete distribution of benefits. The Participant accepts and acknowledges that he or she has the burden for executing and filing, with the Administrator, a proper Beneficiary designation form.

The form for this purpose shall be provided by the Administrator. The form is not valid until it is signed, filed with the Administrator by the Participant, and accepted by the Administrator. Upon the Participant filing the form and acceptance by the Administrator, the form revokes all Beneficiary designations filed prior to that date by the Participant. If a married Participant designates his or her spouse a Beneficiary under the Plan, such designation shall automatically become null and void as of the date of any final divorce or similar decree or order; except that the Participant may re-designate such former spouse or his or her Beneficiary after the date of the final decree or order.

If no such designation is in effect upon the Participant’s death, or if no designated Beneficiary survives the Participant, the Beneficiary shall be the Participant’s surviving spouse, or if the Participant has no surviving spouse, the Participant’s surviving children in equal shares, or if there are no surviving children, the Participant’s estate. If a Beneficiary dies after becoming entitled to receive a distribution under the Plan but before distribution is made to him or her in full, the estate of the deceased Beneficiary shall be the Beneficiary as to the balance of the distribution.
SECTION IX
ADMINISTRATION AND ACCOUNTING

9.1 Administrator

The Administrator shall have the responsibility and authority to control the operation and administration of the Plan in accordance with the terms of the Plan, the Code and regulations thereunder, and any State law as applicable.

The Administrator may contract with a financially responsible independent contractor to administer and coordinate the Plan under the direction of the Administrator. The Administrator shall have the right to designate a plan coordinator or other party of its choice to perform such services under this agreement as may be mutually agreed to between the Administrator and the plan coordinator or other party.

The Administrator has full and complete discretionary authority to determine all questions of Plan interpretation, policy, participation, or benefit eligibility in a manner consistent with the Plan's documents; such determinations shall be conclusive and binding on all persons except as otherwise provided by law.

9.2 Administrative Costs

All reasonable expenses of administration may be paid out of the Plan assets unless paid (or reimbursed) by the Employer. Such expenses shall include any expenses incident to the functioning of the Administrator, or any person or persons retained or appointed by the Administrator or the Employer incident to the exercise of his or her duties under the Plan, including, but not limited to, fees of accountants, counsel, investment managers, agents (including nonfiduciary agents) appointed for the purpose of assisting the Administrator in carrying out the instructions of Participants as to the directed investment of his or her accounts and other specialists and his or her agents, and other costs of administering the Plan. In addition, unless specifically prohibited under statute, regulation or other guidance of general applicability, the Administrator may charge to the Account Balance of an individual a reasonable charge to offset the cost of making a distribution to the Participant, Beneficiary, or alternate payee. If liquid assets of the Plan are insufficient to cover the fees of the Administrator, then Plan assets shall be liquidated to the extent necessary for such fees. In the event any part of the Plan assets becomes subject to tax, all taxes incurred will be paid from the Plan assets. Until paid, the expenses shall constitute a liability of the Trust Fund described in Section 11.1.

9.3 Paperless Administration

The Administrator may use telephonic or electronic media to satisfy any notice requirements required by this Plan, to the extent permissible under regulations (or other generally applicable guidance). In addition, a Participant's consent to immediate distribution may be provided through telephonic or electronic means, to the extent permissible under regulations (or other generally applicable guidance). The Administrator also may use telephonic or electronic media to conduct plan transactions such as enrolling Participants, making (and changing) salary reduction
elections, electing (and changing) investment allocations, and other transactions, to the extent permissible under regulations (or other generally applicable guidance).
SECTION X
AMENDMENTS

10.1 Amendment

The Employer may at any time either prospectively or retroactively amend the Plan. The Employer shall not have the right to reduce or affect the value of any Participant’s Account Balance or any rights accrued under the Plan prior to amendment.

10.2 Conformation

The Employer shall amend and interpret the Plan to the extent necessary to conform to the requirements of Code Section 457 and any other applicable law, regulation or ruling, including amendments that are retroactive. In the event the Plan is deemed by the Internal Revenue Service to be administered in a manner inconsistent with Code Section 457, the Employer shall correct such inconsistency within the period provided in Code Section 457(b).

10.3 Plan Termination

In the event of the termination of the Plan, all Account Balances shall be disposed to or for the benefit of each Participant or Beneficiary in accordance with the provisions of Section VI or Section VII as soon as reasonably practicable following the Plan’s termination. The Employer shall not have the right to reduce or affect the value of any Participant’s account or any rights accrued under the Plan prior to termination of the Plan. The Participant’s or Beneficiary’s written consent to the commencement of distribution shall not be required regardless of the value of his or her Account Balance.

The distribution in the event of termination of the Plan may, at the discretion of the Employer, be made in the form of a lump sum payment of the Participant’s total Account Balance, without regard to the form of distribution elected by the Participant.
SECTION XI
TRUST FUND

11.1 Trust Fund

All amounts in a Participant’s or Beneficiary’s Account Balance, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights shall be held and invested in the Trust Fund in accordance with this Plan. The Trust Fund, and any subtrust established under the Plan, shall be established pursuant to a written agreement that constitutes a valid trust, custodial agreement, annuity contract, or similar agreement under the laws of the State of residence of the Employer, to the extent not superseded by federal law. All investments, amounts, property, and rights held under the Trust Fund shall be held in trust for the exclusive benefit of Participants and their Beneficiaries and defraying reasonable expenses of the Plan and of the Trust Fund. Prior to the satisfaction of all liabilities with respect to Participants and their Beneficiaries, no part of the assets and income of the Trust Fund may be used for, or diverted to, for purposes other than for the exclusive benefit of Participants and their Beneficiaries. The Employer has no beneficial interest in the Trust Fund and no part of the Trust Fund shall ever revert to the Employer, directly or indirectly, provided, however, that a contribution or any portion thereof made by the Employer through a mistake of fact under Section 12.4 shall upon written request of the Employer, reduced by losses attributable thereto, shall be returned to the Employer.
SECTION XII
MISCELLANEOUS

12.1 Non-Assignability

Except as provided in Sections 12.2 and 12.3, no benefit under the Plan at any time shall be subject in any manner to anticipation, alienation, assignment (either at law or in equity), encumbrance, garnishment, levy, execution, or other legal or equitable process; and no person shall have power in any manner to anticipate, transfer, assign (either law or in equity), alienate or subject to attachment, garnishment, levy, execution, or other legal or equitable process, or in any way encumber his or her benefits under the Plan, or any part thereof, and any attempt to do so shall be void except to such extent as may be required by law.

12.2 Domestic Relation Orders

The Employer shall establish reasonable procedures to determine the status of domestic relations orders and to administer distributions under domestic relations orders which are deemed to be qualified orders. Such procedures shall be in writing and shall comply with the provisions of Code Section 414(p) and regulations issued thereunder.

Notwithstanding Section 12.1, the Administrator may affect a Participant's Account Balance for a "qualified domestic relations order" as defined in Code Section 414(p), and those other domestic relations orders permitted to be so treated by the Administrator under the provisions of the Retirement Equity Act of 1984. The amount of the Participant's Account Balance shall be paid in the manner and to the person or persons so directed in the qualified domestic relations order. Such payment shall be made without regard to whether the Participant is eligible for a distribution of benefits under the Plan.

12.3 IRS Levy

Notwithstanding Section 12.1, the Administrator may pay from a Participant's or Beneficiary's Account Balance the amount that the Administrator finds is lawfully demanded under a levy issued by the Internal Revenue Service to the Plan with respect to that Participant or Beneficiary or is sought to be collected by the United States Government under a judgment resulting from an unpaid tax assessment against the Participant or Beneficiary.

12.4 Mistaken Contributions

Notwithstanding any other provision of the Plan or the Trust Fund to the contrary, in the event any contribution of an Employer is made under a mistake of fact (and not a Plan operational error), such contribution may be returned to the Employer within one year after the payment of the contribution. Earnings attributable to the excess contribution may not be returned to the Employer (and instead shall be applied otherwise as determined by the Administrator), but losses attributable thereto must reduce the amount to be so returned.
12.5 Employment

Neither the establishment of the Plan nor any modification thereof, nor the establishment of any account, nor the payment of any benefits, shall be construed as giving to any Participant or other person any legal or equitable right against the Employer except as herein provided; and, in no event, shall the terms or employment of any Employee be modified or in any way affected hereby.

12.6 Successors and Assigns

The Plan shall be binding upon and shall inure to the benefit of the Employer, its successors and assigns, all Participants and Beneficiaries and their heirs and legal representatives.

12.7 Written Notice

Any notice or other communication required or permitted under the Plan shall be in writing, and if directed to the Administrator shall be sent to the designated office of the Administrator, and, if directed to a Participant or to a Beneficiary, shall be sent to such Participant or Beneficiary at his or her last known address as it appears on the Administrator’s record. To the extent permitted by law, regulation or other guidance from an appropriate regulatory agency, the Administrator, Employer or any other party may provide any notice or disclosure, obtain any authorization or consent, or satisfy any other obligation under the Plan through the use of any other medium acceptable to the Administrator. Such other medium may include, but is not necessarily limited to, electronic or telephonic medium. In addition, any communication or disclosure to or from Participants or Beneficiaries that is required under the terms of the Plan to be made in writing may be provided in any other medium (electronic, telephonic, or otherwise) that is acceptable to the Administrator and permitted under applicable law. The Administrator shall be entitled to reliance on any such communication from a Participant or Beneficiary, including any data or consent included in such communication, provided in any such manner.

12.8 Total Agreement

This Plan and Participant deferral election, and any subsequently adopted Plan amendment thereof, shall constitute the total agreement or contract between the Employer and the Participant regarding the Plan. No oral statement regarding the Plan may be relied upon by the Participant.

12.9 Gender

As used herein the masculine shall include the neuter and the feminine where appropriate.

12.10 Controlling Law

This Plan is created and shall be construed, administered and interpreted in accordance with Code Section 457 and the regulations thereunder, and under laws of the State of residence of the Employer, to the extent not superseded by federal law as the same shall be at the time any dispute or issue is raised. If any portion of this Plan is held illegal, invalid or unenforceable, the legality, validity and enforceability of the remainder shall be unaffected.
IN WITNESS WHEREOF, the Employer has executed this Plan document this _______ day of ______________.__________.

Kaweah Delta Health Care District

SEAL

By ____________________________

Name ____________________________

Title ____________________________

Attest: ____________________________

______________________________

Title ____________________________

(Witness)

Employer Address: 400 West Mineral King Avenue

Visalia, CA 93291-6263

Employer EIN: 94-1534475

Contract Number: KWD-002

This plan document is a specimen plan document only. Unlike 401(a)/(k) and 403(b) plans, the Internal Revenue Service does not offer a preapproved program for 457(b) plan documents and does not generally provide any determination or advisory letter regarding a 457(b) plan's compliance in form with applicable rules. As such, this plan document has not been reviewed by the Internal Revenue Service for compliance with applicable sections of the Internal Revenue Code of 1986, as amended. The Lincoln National Life Insurance Company and its affiliates (Lincoln) make no guarantees or warranties, expressed or implied, regarding the tax effects of the specimen plan document. Employers are strongly encouraged to consult with their legal and/or tax advisor regarding the adoption of this plan document.

Specimen 457(b) Plan Document
Deferred Compensation Plan

541/604
MEMORANDUM

To: Kaweah Delta Health Care District (KDHCD) Board of Directors

From: Dianne Cox, Vice President Human Resources

Subject: Committee Charter

Kaweah Delta Health Care District Employees’ Salary Deferral Plan (401(k))
Kaweah Delta Health Care District 457(b) Deferred Compensation Plan
Kaweah Delta Health Care District Employees’ Retirement Plan (defined benefit pension)

DATE: November 11, 2020

Each year, Kaweah Delta Health Care District (KDHCD) reviews our retirement plans and makes several updates to follow industry best practices in the management of these plans. These Committee Charters reflect industry best practices to manage these plans. This Memorandum is an overview of the Committee Charters that are proposed for our retirement plans at this time.

Committee Charters

A committee charter outlines the committee’s structure and responsibilities, and describes how it operates and makes decisions. The committee charter:

- Establishes the committee and its responsibility to the plan.
- Defines how members are appointed and the process for resignation.
- Outlines powers and duties, such as appointing, monitoring, removing or replacing service professionals.
- Identifies meeting and reporting guidelines for actions taken, and retention requirements of decision documentation.
- States requirement to develop and maintain an investment policy statement for the plan.

The current 401(k), 457(b) and defined benefit pension plan have the same Committee Members. There will be a Committee Charter for the 401(k) and 457(b) plans, which are defined contribution plans, and another Committee Charter for the pension plan, which is a defined benefit plan. Both Committee Charters are identical, except for the first paragraph, which outlines the plan names. The Committee Charters can be amended at any time.
KAWEAH DELTA HEALTH CARE DISTRICT

RETIREMENT PLAN COMMITTEE CHARTER

Effective October 1, 2020

Kaweah Delta Health Care District (the "Company") adopts this Charter of the Retirement Plan Committee (the "Committee") with respect to the Kaweah Delta Health Care District Employees’ Salary Deferral Plan [401(k)] and the Kaweah Delta Health Care District 457(b) Deferred Compensation Plan (the "Plan").

The Company has delegated certain powers, rights, duties, obligations and responsibilities for the administration and interpretation of the Plan to the Committee.

ARTICLE 1. ESTABLISHMENT

The Company has established the Committee as an administrative committee to administer, interpret and review the Plan, to the extent such activities require the exercise of any discretionary authority or discretionary control respecting the management or administration of the Plan and the management and disposition of Plan assets, and such other federal or state laws or regulations applicable to the Plan. The CEO, as the Employer, delegates duties to the Chair of the Committee to have the authority to amend the Plan, including as required to comply applicable laws, where such amendments do not materially increase the cost of the Plan to the Company.

ARTICLE 2. MEMBERSHIP

2.1 Appointment of Committee Members. The Committee shall be an administrative committee of three or more persons. Membership of the Committee shall consist of the following:

   Chief Financial Officer
   Director of Finance
   VP, Human Resources
   Director of Human Resources
   Board Member
   Kaweah Delta Operational Leaders (optional)

2.2 A member of the Committee may resign at any time by giving prior written notice to the Committee or will be deemed to have resigned automatically upon the termination of employment with the Company or a related entity. Until any such vacancy is filled, the remaining members may exercise all the powers, rights and duties conferred on the Committee or otherwise required by law.

2.3 Chair and Secretary. The Committee shall designate its initial Chair and may at any time agree to designate a subsequent Chair. The Chair, or in his/her absence, another member designated by the Chair, shall preside at all meetings of the Committee.

   (a) The Chair shall designate a Secretary who shall keep minutes and other necessary or appropriate records of actions taken by the Committee.

2.4 Compensation. No compensation will be paid to any person for performing his/her duties as a member of the Committee. No other bond or security will be required of the Committee except as provided by law.
ARTICLE 3. POWERS AND DUTIES

3.1 Named Fiduciary. The Committee, and each member of the Committee, is a "named fiduciary" with respect to the Plan. The Committee shall discharge its duties with respect to the Plan, any other applicable laws, or by the terms of the Plan or related trusts, solely in the interests of the participants and their beneficiaries and-

(a) for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Plan;

(b) with the care, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;

(c) by diversifying the investments of the Plan so as to minimize the risk of loss, unless under the circumstances it is clearly not prudent to do so, to the extent the Committee is not otherwise relieved of this duty; and

(d) in accordance with the provisions of the Plan and related trusts, insofar as the Plan and related trusts are consistent with the provisions of any applicable laws.

3.2 Powers and Duties. The Committee has all discretionary authority which is necessary or appropriate for the operation and administration of the Plan, including the following:

(a) To delegate to individuals, which may or may not include the Committee members, with the powers and duties described in this Section 3.2, whether discretionary or otherwise, as the Committee shall determine, consistent with the terms of the Plan. No such delegation of such powers and duties shall absolve the Committee members from any residual fiduciary duties, including with respect to the ongoing oversight of such individuals. The Committee is an appointed investment subcommittee to fulfill all the obligations and duties set forth in this Charter that pertain to investment of the assets of the Plan.

(b) To control the operation and administration of the Plan in accordance with the terms of the instruments and resolutions governing the Plan and any related trust and any applicable laws, rules or regulations, to maintain all necessary records for the administration of the Plan and to communicate with participants, as necessary, in order to meet applicable legal requirements.

(c) To appoint, remove or replace any trustee, investment manager, investment advisor or any other fiduciary or named fiduciary of the Plan, in accordance with the instruments governing the Plan and the provisions below and to conduct periodic performance reviews of the investment managers under the Plan.

(i) The trustee shall be charged with the responsibility of safekeeping the assets, collection and disbursement of the Plan's assets and periodic accounting statements in accordance with the terms of the operative trust agreement.

(ii) Each investment manager must either be (A) registered under the Investment Company Act of 1940, (B) registered under the Investment Advisors Act of 1940, (C) a bank, as defined in that Act, (D) an insurance company qualified under

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the laws of more than one state to perform the services of managing, acquiring or disposing of retirement plan assets, or (E) such other person or organization authorized by applicable law or regulation to function as an investment manager.

(iii) The investment advisor, if employed, shall be charged with the responsibility of advising the Committee on investment policy, the selection of investment managers and funds and providing performance analysis and monitoring services. The Committee may rely on the advice provided by the investment advisor in carrying out its fiduciary duties.

(d) To develop and maintain an investment policy for the Plan for the purposes of the following: defining and assigning the responsibilities of all involved parties; establishing and communicating to all involved parties the objectives of an investment program suitable to the long-term goals and investment objectives of the Plan; formulating policies for selecting investment management and investment accounts within the investment program; establishing objectives for prudently monitoring and evaluating the performance of the investment program; periodically evaluating the Plan’s investment performance and recommending investment and investment option changes; and providing investment education and communication to Plan’s participants, to the extent deemed appropriate.

(e) To determine the investment options to be made available under the Plan (determination of investment options may only be made by a majority of the such committee) and to direct such plan's trustee and recordkeeper with respect to such investment options, to sign investment-related documents on behalf of such committee or the Company and take such other actions with respect to investments as permitted to be taken by the Company under the Plan document until they resign or their respective successors are appointed.

(f) To compute and certify to the Company and to the trustee, from time to time, the sums of money necessary or desirable to be contributed to the Plan.

(g) To adopt and enforce administrative rules and procedures and to designate the manner for participants to make elections as are necessary for the operation and the administration of the Plan and investment of participant accounts, consistent with such Plan’s provisions. When designating procedures, the Committee shall consider all of the substantive legal requirements, such as requirements that an election be "in writing" or meet electronic media criteria and shall designate procedures reasonably calculated to satisfy such requirements.

(h) To determine all questions relating to eligibility, benefits and other rights of employees, participants and beneficiaries under the Plan, and to certify such eligibility, benefits and other rights to any other fiduciaries.

(i) To administer the claims and appeals review process under the Plan in compliance with applicable laws.

(j) To interpret the provisions of the Plan. The Committee shall, in its sole and complete discretion, be the sole judge of the standard of proof required in any case and the application and interpretation of the Plan, and decisions of the Committee shall be final and
binding on all parties. All questions or controversies of whatsoever character arising in any manner or between any parties or persons in connection with the Plan or their operation, whether as to any claim for benefits as to the construction of the language of the Plan or any rules and regulations adopted by the Committee, or as to any writing, decision, instrument or account in connection with the operation of the Plan, shall be submitted to the Committee (or to an agent of the Committee) for decision. Any decision by the Committee on review of a denied claim shall be binding on all persons dealing with the Plan or claiming any benefit hereunder.

(k) To authorize and direct all payments made under the Plan and to determine whether to pay reasonable administrative expenses with assets, to the extent permitted by the terms of such Plan.

(l) To determine the validity of, and take appropriate action with respect to, any qualified domestic relations order received by it with respect to the Plan.

(m) To perform due diligence, as necessary and appropriate, with respect to transactions involving the Plan.

(n) To delegate or employ agents, advisors and counsel (who may also be persons employed by the Company), direct them to exercise the powers of the Committee and monitor their continued performance and, as the Committee deems appropriate, terminate the services of such agents, advisers and counsel.

(o) To amend the Plan, including as required to comply with applicable laws, where such amendments do not materially increase the cost of the Plan to the Company.

(p) The Investment Committee authorizes the Plan's third-party administrator to vote on behalf of the Plan, in accordance with the Plan's Trust Agreement.

(q) Additional Powers and Duties. The Committee shall have such other duties and responsibilities as the Company may from time to time delegate to it, subject to any restrictions on such authority as may be imposed by applicable law or regulation or the limited liability company agreement of the Company.

The Committee shall have, except as otherwise provided herein or as otherwise required by law, all powers necessary to carry out the provisions of the Plan.

3.3 Delegation. Any power delegated to the Committee pursuant to this Charter may be delegated or allocated by the Committee to another employee or agent of the Company, including any person who is a member of the Committee. To the extent that the Company designates any other person or entity to serve as a fiduciary under the Plan, such other person or entity also shall be deemed to be a "named fiduciary" to the extent of their fiduciary responsibility.

To the extent that there shall be more than one named fiduciary of the Plan, it is the intention of the Company and the Committee to allocate to each named fiduciary the individual responsibility for the prudent execution of the functions assigned to him/her, and none of such responsibilities or any other responsibility shall be shared by two or more of such named fiduciaries unless such sharing shall be provided by a specific provision of the Plan, other governing instrument, or resolution assigning such responsibility to follow the directions of another fiduciary.

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The two named fiduciaries shall not be deemed to have been assigned a shared responsibility, but the responsibility of the named fiduciary giving the directions shall be deemed his/her sole responsibility, and the responsibility of the named fiduciary receiving such directions shall be to follow them insofar as such directions are on their face proper under applicable law.

ARTICLE 4. MEETINGS

4.1 Meetings. The Committee shall from time to time hold whatever meetings it deems necessary for the proper performance of its duties, but not less frequently than annually. Such meetings shall be convened by the Chair and may be conducted in person, by telephone, by video conferencing or such similar means by which all members in attendance can communicate with each other simultaneously. Any member may request of the Chair that a meeting be convened and, in the event the Chair refuses, a majority of the members of the Committee may convene a meeting and transact any necessary business.

4.2 Action without a Meeting. The Committee may also act without a meeting if all members of the Committee consent to such action in writing and the writing is filed with the minutes of proceedings of the Committee. Any member of the Committee may initiate such a writing. The memorandum shall be retained with the records of the Committee.

4.3 Action by Meeting; Quorum; Voting. A majority of the number of members of the Committee shall constitute a quorum at all meetings of the Committee, and the vote of a majority of the members present at a reasonably convened meeting at which a quorum is present shall be the act of the Committee. Any member dissenting with respect to such action shall have the right to have such dissent and the reasons therefore recorded in the minutes and retained with the records of the Committee. A dissenting member may also furnish the Chair of the Committee, in writing, the dissent and reasons therefore and such materials shall be retained with the minutes and records of the Committee. In the event of a tie vote (including a tie vote on a motion which would fail for lack of a majority), the Chair shall have a second vote that shall be controlling.

4.4 Minutes of Meetings, Actions. The Committee shall maintain or cause to be maintained regular minutes of each meeting, and such other records and accounts as shall be necessary or appropriate. The Committee shall issue a report of its activities to the officers of the Company when required or requested by such officers.

4.5 Procedural Rules. The Committee may adopt such procedural rules as it may deem necessary or appropriate, provided that such rules may not expand or contract the Committee’s authority or otherwise be inconsistent with this Charter, the certificate of incorporation or bylaws of the Company or applicable law.

ARTICLE 5. REPORTS

5.1 Committee Reports. The Committee shall report to the Company’s officers as needed or requested regarding the operation of the Plan and any significant problems encountered and recommended changes.

5.2 Reliance on Reports. The Committee may rely on any certificate, statement, report or other representation made on behalf of the Company, which the Committee believes in good faith to be genuine and on any certificate, statement, report or other representation made to it by any
agent, attorney, accountant or other expert retained by the Committee or the Company in connection with the operation and administration of the Plan.

ARTICLE 6. EXECUTION OF INSTRUMENTS

The members of the Committee shall have the power to execute and deliver on behalf of and in the name of the Committee any instruments relating to the administration of the Plan, including instruments requiring the signature of an officer of the Company with respect to the Plan, except as otherwise provided in this Charter or when the execution and delivery of the instrument shall be expressly delegated by the Company to some other officer, agent or committee of the Company.

ARTICLE 7. INDEMNITY & INSURANCE

The Company shall indemnify and hold harmless each member of the Committee from and against any and all liability, loss, costs, charges, expenses, claims and demands of every kind and character arising out of, or in any way resulting from, the acts, omissions or conduct of any such person in the management, operation and administration of the Plan which any of them may suffer, incur or sustain, except that the Company shall not indemnify and hold harmless any such person, who, with respect to such acts, omissions or conduct, is guilty of gross negligence or willful misconduct.

In addition, the Plan, the Company or any employer participating in the Plan may purchase fiduciary liability insurance for the Committee and its members; provided, however, that if such fiduciary liability insurance is purchased by the Plan such insurance shall, permit recourse by the insurer against the fiduciary in case of a breach of fiduciary obligations by such fiduciary.

ARTICLE 8. AMENDMENTS

The Company shall have the right, at any time and from time to time, to modify, alter, or amend this Charter, in whole or in part, provided any such amendment shall be consistent with the terms of the Plan.

ARTICLE 9. CONFLICTS OF INTEREST

If the Committee is considering whether to offer or continue to offer for participant-directed investment an investment option with respect to which a Committee member (the "Interested Person") has, directly or through an affiliate, a significant or material financial relationship, this relationship (the "Conflict of Interest") must be disclosed to the Committee.

After disclosure of the Conflict of Interest and all material facts to the Committee, and after the Interested Person responds to any questions that the Committee may have, the Interested Person shall be recused from the Committee meeting while selection and monitoring of the fund is discussed and voted upon. An Interested Person may not vote on the issue to which the Conflict of Interest relates, but may be counted in determining the presence of a quorum for purposes of the vote. An Interested Person shall not influence any decision of the Committee.
ACCEPTANCE OF APPOINTMENT AND ACKNOWLEDGEMENT OF FIDUCIARY STATUS

I, ___________________________________________________________________, hereby accept my appointment by Kaweah Delta Health Care District (the "Company") as a member of the Company's Committee for the Kaweah Delta Health Care District Employees' Salary Deferral Plan [401(k)] and the Kaweah Delta Health Care District 457(b) Deferred Compensation Plan and acknowledge that I am a named fiduciary under such Plan and agree to act in such capacity in accordance with applicable laws and the Charter of the Committee, as amended from time to time.

I acknowledge that I have been apprised of my individual and co-fiduciary liabilities and obligations in such capacity and my rights and obligations under the Charter of the Committee and the Plan.

By: _____________________________________________________________________ Date: __________________________
KAWEAH DELTA HEALTH CARE DISTRICT
RETIREMENT PLAN COMMITTEE CHARTER
Effective October 1, 2020

Kaweah Delta Health Care District (the "Company") adopts this Charter of the Retirement Plan Committee (the "Committee") with respect to the Kaweah Delta Health Care District Employees’ Retirement Plan (the "Plan").

The Company has delegated certain powers, rights, duties, obligations and responsibilities for the administration and interpretation of the Plan to the Committee.

ARTICLE 1. ESTABLISHMENT

The Company has established the Committee as an administrative committee to administer, interpret and review the Plan, to the extent such activities require the exercise of any discretionary authority or discretionary control respecting the management or administration of the Plan and the management and disposition of Plan assets, and such other federal or state laws or regulations applicable to the Plan. The CEO, as the Employer, delegates duties to the Chair of the Committee to have the authority to amend the Plan, including as required to comply applicable laws, where such amendments do not materially increase the cost of the Plan to the Company.

ARTICLE 2. MEMBERSHIP

2.1 Appointment of Committee Members. The Committee shall be an administrative committee of three or more persons. Membership of the Committee shall consist of the following:
   - Chief Financial Officer
   - Director of Finance
   - VP, Human Resources
   - Director of Human Resources
   - Board Member
   - Kaweah Delta Operational Leaders (optional)

2.2 A member of the Committee may resign at any time by giving prior written notice to the Committee or will be deemed to have resigned automatically upon the termination of employment with the Company or a related entity. Until any such vacancy is filled, the remaining members may exercise all the powers, rights and duties conferred on the Committee or otherwise required by law.

2.3 Chair and Secretary. The Committee shall designate its initial Chair and may at any time agree to designate a subsequent Chair. The Chair, or in his/her absence, another member designated by the Chair, shall preside at all meetings of the Committee.

   (a) The Chair shall designate a Secretary who shall keep minutes and other necessary or appropriate records of actions taken by the Committee.

2.4 Compensation. No compensation will be paid to any person for performing his/her duties as a member of the Committee. No other bond or security will be required of the Committee except as provided by law.

ARTICLE 3. POWERS AND DUTIES
3.1 **Named Fiduciary.** The Committee, and each member of the Committee, is a "named fiduciary" with respect to the Plan. The Committee shall discharge its duties with respect to the Plan, any other applicable laws, or by the terms of the Plan or related trusts, solely in the interests of the participants and their beneficiaries and-

(a) for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Plan;

(b) with the care, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;

(c) by diversifying the investments of the Plan so as to minimize the risk of loss, unless under the circumstances it is clearly not prudent to do so, to the extent the Committee is not otherwise relieved of this duty; and

(d) in accordance with the provisions of the Plan and related trusts, insofar as the Plan and related trusts are consistent with the provisions of any applicable laws.

3.2 **Powers and Duties.** The Committee has all discretionary authority which is necessary or appropriate for the operation and administration of the Plan, including the following:

(a) To delegate to individuals, which may or may not include the Committee members, with the powers and duties described in this Section 3.2, whether discretionary or otherwise, as the Committee shall determine, consistent with the terms of the Plan. No such delegation of such powers and duties shall absolve the Committee members from any residual fiduciary duties, including with respect to the ongoing oversight of such individuals. The Committee is an appointed investment subcommittee to fulfill all the obligations and duties set forth in this Charter that pertain to investment of the assets of the Plan.

(b) To control the operation and administration of the Plan in accordance with the terms of the instruments and resolutions governing the Plan and any related trust and any applicable laws, rules or regulations, to maintain all necessary records for the administration of the Plan and to communicate with participants, as necessary, in order to meet applicable legal requirements.

(c) To appoint, remove or replace any trustee, investment manager, investment advisor or any other fiduciary or named fiduciary of the Plan, in accordance with the instruments governing the Plan and the provisions below and to conduct periodic performance reviews of the investment managers under the Plan.

(i) The trustee shall be charged with the responsibility of safekeeping the assets, collection and disbursement of the Plan’s assets and periodic accounting statements in accordance with the terms of the operative trust agreement.

(ii) Each investment manager must either be (A) registered under the Investment Company Act of 1940, (B) registered under the Investment Advisors Act of 1940, (C) a bank, as defined in that Act, (D) an insurance company qualified under the laws of more than one state to perform the services of managing, acquiring or

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disposing of retirement plan assets, or (E) such other person or organization authorized by applicable law or regulation to function as an investment manager.

(iii) The investment advisor, if employed, shall be charged with the responsibility of advising the Committee on investment policy, the selection of investment managers and funds and providing performance analysis and monitoring services. The Committee may rely on the advice provided by the investment advisor in carrying out its fiduciary duties.

(d) To develop and maintain an investment policy for the Plan for the purposes of the following: defining and assigning the responsibilities of all involved parties; establishing and communicating to all involved parties the objectives of an investment program suitable to the long-term goals and investment objectives of the Plan; formulating policies for selecting investment management and investment accounts within the investment program; establishing objectives for prudently monitoring and evaluating the performance of the investment program; periodically evaluating the Plan’s investment performance and recommending investment and investment option changes; and providing investment education and communication to Plan’s participants, to the extent deemed appropriate.

(e) To determine the investment options to be made available under the Plan (determination of investment options may only be made by a majority of the such committee) and to direct such plan’s trustee and recordkeeper with respect to such investment options, to sign investment-related documents on behalf of such committee or the Company and take such other actions with respect to investments as permitted to be taken by the Company under the Plan document until they resign or their respective successors are appointed.

(f) To compute and certify to the Company and to the trustee, from time to time, the sums of money necessary or desirable to be contributed to the Plan.

(g) To adopt and enforce administrative rules and procedures and to designate the manner for participants to make elections as are necessary for the operation and the administration of the Plan and investment of participant accounts, consistent with such Plan’s provisions. When designating procedures, the Committee shall consider all of the substantive legal requirements, such as requirements that an election be "in writing" or meet electronic media criteria and shall designate procedures reasonably calculated to satisfy such requirements.

(h) To determine all questions relating to eligibility, benefits and other rights of employees, participants and beneficiaries under the Plan, and to certify such eligibility, benefits and other rights to any other fiduciaries.

(i) To administer the claims and appeals review process under the Plan in compliance with applicable laws.

(j) To interpret the provisions of the Plan. The Committee shall, in its sole and complete discretion, be the sole judge of the standard of proof required in any case and the application and interpretation of the Plan, and decisions of the Committee shall be final and binding on all parties. All questions or controversies of whatsoever character arising in any

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manner or between any parties or persons in connection with the Plan or their operation, whether as to any claim for benefits as to the construction of the language of the Plan or any rules and regulations adopted by the Committee, or as to any writing, decision, instrument or account in connection with the operation of the Plan, shall be submitted to the Committee (or to an agent of the Committee) for decision. Any decision by the Committee on review of a denied claim shall be binding on all persons dealing with the Plan or claiming any benefit hereunder.

(k) To authorize and direct all payments made under the Plan and to determine whether to pay reasonable administrative expenses with assets, to the extent permitted by the terms of such Plan.

(l) To determine the validity of, and take appropriate action with respect to, any qualified domestic relations order received by it with respect to the Plan.

(m) To perform due diligence, as necessary and appropriate, with respect to transactions involving the Plan.

(n) To delegate or employ agents, advisors and counsel (who may also be persons employed by the Company), direct them to exercise the powers of the Committee and monitor their continued performance and, as the Committee deems appropriate, terminate the services of such agents, advisers and counsel.

(o) To amend the Plan, including as required to comply with applicable laws, where such amendments do not materially increase the cost of the Plan to the Company.

(p) The Investment Committee authorizes the Plan's third-party administrator to vote on behalf of the Plan, in accordance with the Plan's Trust Agreement.

(q) Additional Powers and Duties. The Committee shall have such other duties and responsibilities as the Company may from time to time delegate to it, subject to any restrictions on such authority as may be imposed by applicable law or regulation or the limited liability company agreement of the Company.

The Committee shall have, except as otherwise provided herein or as otherwise required by law, all powers necessary to carry out the provisions of the Plan.

3.3 Delegation. Any power delegated to the Committee pursuant to this Charter may be delegated or allocated by the Committee to another employee or agent of the Company, including any person who is a member of the Committee. To the extent that the Company designates any other person or entity to serve as a fiduciary under the Plan, such other person or entity also shall be deemed to be a "named fiduciary" to the extent of their fiduciary responsibility.

To the extent that there shall be more than one named fiduciary of the Plan, it is the intention of the Company and the Committee to allocate to each named fiduciary the individual responsibility for the prudent execution of the functions assigned to him/her, and none of such responsibilities or any other responsibility shall be shared by two or more of such named fiduciaries unless such sharing shall be provided by a specific provision of the Plan, other governing instrument, or resolution assigning such responsibility to follow the directions of another fiduciary. The two named fiduciaries shall not be deemed to have been assigned a shared responsibility, but

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the responsibility of the named fiduciary giving the directions shall be deemed his/her sole responsibility, and the responsibility of the named fiduciary receiving such directions shall be to follow them insofar as such directions are on their face proper under applicable law.

ARTICLE 4. MEETINGS

4.1 Meetings. The Committee shall from time to time hold whatever meetings it deems necessary for the proper performance of its duties, but not less frequently than annually. Such meetings shall be convened by the Chair and may be conducted in person, by telephone, by video conferencing or such similar means by which all members in attendance can communicate with each other simultaneously. Any member may request of the Chair that a meeting be convened and, in the event the Chair refuses, a majority of the members of the Committee may convene a meeting and transact any necessary business.

4.2 Action without a Meeting. The Committee may also act without a meeting if all members of the Committee consent to such action in writing and the writing is filed with the minutes of proceedings of the Committee. Any member of the Committee may initiate such a writing. The memorandum shall be retained with the records of the Committee.

4.3 Action by Meeting; Quorum; Voting. A majority of the number of members of the Committee shall constitute a quorum at all meetings of the Committee, and the vote of a majority of the members present at a reasonably convened meeting at which a quorum is present shall be the act of the Committee. Any member dissenting with respect to such action shall have the right to have such dissent and the reasons therefore recorded in the minutes and retained with the records of the Committee. A dissenting member may also furnish the Chair of the Committee, in writing, the dissent and reasons therefore and such materials shall be retained with the minutes and records of the Committee. In the event of a tie vote (including a tie vote on a motion which would fail for lack of a majority), the Chair shall have a second vote that shall be controlling.

4.4 Minutes of Meetings, Actions. The Committee shall maintain or cause to be maintained regular minutes of each meeting, and such other records and accounts as shall be necessary or appropriate. The Committee shall issue a report of its activities to the officers of the Company when required or requested by such officers.

4.5 Procedural Rules. The Committee may adopt such procedural rules as it may deem necessary or appropriate, provided that such rules may not expand or contract the Committee’s authority or otherwise be inconsistent with this Charter, the certificate of incorporation or bylaws of the Company or applicable law.

ARTICLE 5. REPORTS

5.1 Committee Reports. The Committee shall report to the Company’s officers as needed or requested regarding the operation of the Plan and any significant problems encountered and recommended changes.

5.2 Reliance on Reports. The Committee may rely on any certificate, statement, report or other representation made on behalf of the Company, which the Committee believes in good faith to be genuine and on any certificate, statement, report or other representation made to it by any agent, attorney, accountant or other expert retained by the Committee or the Company in connection
with the operation and administration of the Plan.

**ARTICLE 6. EXECUTION OF INSTRUMENTS**

The members of the Committee shall have the power to execute and deliver on behalf of and in the name of the Committee any instruments relating to the administration of the Plan, including instruments requiring the signature of an officer of the Company with respect to the Plan, except as otherwise provided in this Charter or when the execution and delivery of the instrument shall be expressly delegated by the Company to some other officer, agent or committee of the Company.

**ARTICLE 7. INDEMNITY & INSURANCE**

The Company shall indemnify and hold harmless each member of the Committee from and against any and all liability, loss, costs, charges, expenses, claims and demands of every kind and character arising out of, or in any way resulting from, the acts, omissions or conduct of any such person in the management, operation and administration of the Plan which any of them may suffer, incur or sustain, except that the Company shall not indemnify and hold harmless any such person, who, with respect to such acts, omissions or conduct, is guilty of gross negligence or willful misconduct.

In addition, the Plan, the Company or any employer participating in the Plan may purchase fiduciary liability insurance for the Committee and its members; provided, however, that if such fiduciary liability insurance is purchased by the Plan such insurance shall, permit recourse by the insurer against the fiduciary in case of a breach of fiduciary obligations by such fiduciary.

**ARTICLE 8. AMENDMENTS**

The Company shall have the right, at any time and from time to time, to modify, alter, or amend this Charter, in whole or in part, provided any such amendment shall be consistent with the terms of the Plan.

**ARTICLE 9. CONFLICTS OF INTEREST**

If the Committee is considering whether to offer or continue to offer for participant-directed investment an investment option with respect to which a Committee member (the "Interested Person") has, directly or through an affiliate, a significant or material financial relationship, this relationship (the "Conflict of Interest") must be disclosed to the Committee.

After disclosure of the Conflict of Interest and all material facts to the Committee, and after the Interested Person responds to any questions that the Committee may have, the Interested Person shall be recused from the Committee meeting while selection and monitoring of the fund is discussed and voted upon. An Interested Person may not vote on the issue to which the Conflict of Interest relates, but may be counted in determining the presence of a quorum for purposes of the vote. An Interested Person shall not influence any decision of the Committee.
ACCEPTANCE OF APPOINTMENT AND ACKNOWLEDGEMENT OF FIDUCIARY STATUS

I, ____________________________________________, hereby accept my appointment by Kaweah Delta Health Care District (the "Company") as a member of the Company's Committee for the Kaweah Delta Health Care District Employees' Retirement Plan and acknowledge that I am a named fiduciary under such Plan and agree to act in such capacity in accordance with applicable laws and the Charter of the Committee, as amended from time to time.

I acknowledge that I have been apprised of my individual and co-fiduciary liabilities and obligations in such capacity and my rights and obligations under the Charter of the Committee and the Plan.

By: __________________________________________ Date: __________________________
Length of Stay
Resource Effectiveness Committee
Purpose 2019

• Ensure implementation and provide oversight and support of performance improvement goals impacting patient flow, population management, and cost savings initiatives throughout the Kaweah Delta continuum.

• Assist in providing necessary resources and removing barriers to REC teams to ensure success of the team’s goals.

• Ensure REC and subcommittees are aligned with the strategic plan goals of the organization.
Service Changes Made – FY 2020

**Interventional Radiology**
- Available for emergent cases on weekends
- Non-emergent cases hold until Monday/Tuesday (opportunity)

**CV/IR**
- Cath Lab Block Time changes
- Only in house cases in the evenings (1730-1930)
- More availability for multiple cases at one time
- Pulling patients from units using rounding notes real time
- Same day discharges for PCI patients

**Discharge Management**
- Possible discharges identified and communicated at 1600 for earlier preparation
- Case managers, charge nurses, hospitalists involved in early identification
- Morning discharges, goal for each hospitalist (VHMG & FHCN) to discharge 1-2 pts by 11am
- Escalating challenges to leadership for immediate involvement
- Collecting discharge and barriers data daily
- Manager presence in daily rounds to facilitate movement of patients
Service Changes Made – FY 2020

• **Post Acute Care**
  • All intake post-acute liaisons seeing patients at the hospital (faster screening)
  • Improved intake process, elimination of steps that created more time to decision for liaisons and providers
  • Improving availability of TCS for weekend admissions, intake liaisons working new admissions to TCS

• **Hospice Services – Improving capacity**
  • Opening new cases and seeing patients on weekends.

• **PICC line insertion**
  • PICC nurses available Saturdays

• **Advanced Wound Care Planning**
  • Wound nurses available Saturdays
LOS Committee Purpose – FY 2021

• Implement improvement strategies to impact patient throughput, discharge efficiency and length of stay.

• Identify barriers to improvement strategies, implement action plans related to the barriers with engagement from both Kaweah Delta staff and medical staff.

• Provide resources and remove barriers to teams to facilitate success of the identified goals and improvement strategies.

• Ensure LOS Committee and subcommittees are aligned with the strategic plan goals of the organization.
LOS & DC Management Committee

LOS Goal
ALOS < 0.75 Days of GMLOS

Physician Standard Work
- % of discharge orders completed by 1000.
- Establish visual LOS daily worklist.
- Utilization of New TRT tool and dashboards.
- Discharge and LOS data monthly feedback.

Case Management
- Standardize DC rounds.
- Utilization of new TRT tool. Barriers entered for each acute inpatient unit.
- Discharge placement – SNF, Long Term Care, Behavioral

Leadership Standard Work
- Barrier follow up.
- Utilization of TRT tool data.
- Patient Flow and Throughput daily management.

Transportation
- Pick up by noon.
- Non-family transportation barriers.
- % of discharges leaving the floor by noon.

DME
- Equipment present on day of discharge before transportation.
- Streamline access with payer authorization.
Metrics

• Physician Standard Work
  • Percent discharge orders by 1000 (weekly).
    • By service line and provider.
  • Discharge order to discharge time (weekly).
    • By service line and acute inpatient department.

• Case Management
  • Barriers reported daily for each acute care unit.
  • Non-case management barriers escalated same day.
    • % of barriers closed same day (weekly by unit).
    • # of barriers open and closed (weekly by unit).
  • Discharge order to discharge time (weekly).
    • By service line and acute inpatient department.
Metrics

• Leadership Standard Work
  • Escalated barriers are addressed same day and closed.
  • % of barriers closed same day (weekly by unit).
  • # of barriers open and closed (weekly by unit).
• Transportation
  • Non-family transportation barriers identified day before discharge and escalated.
  • Decrease in number of transportation barriers (monthly).
  • % of discharges home by noon (weekly).
  • Discharge order to discharge time (weekly).
    • By service line and acute inpatient department

• DME
  • DME needs identified day before and orders obtained.
  • Decrease in number of DME discharge barriers.
  • Discussed daily discharge rounds.
  • Discharge order to discharge time (weekly).
    • By service line and acute inpatient department
Reporting/Accountability

- Team leaders report to the LOS Committee every month
- Teams from each area present documentation, audits and reports

Data Alerts and Reports
- TRT provides daily escalation e-mails to leadership and providers
- Daily alerts and lists of patients exceeding LOS.
- Monthly committee dashboard.
- Weekly team reports as stated above.
- Review of Higher LOS outlier patients

Critical High Risk patients (≥7 days) are discussed with CM Manager weekly. Referrals made to complex CM team based on these weekly discussions.
Plan Development

- Identify barriers using TRT data.
  - DME
  - Transportation
  - Insurance Authorization Delays
  - Consults
- Adjust focus groups and committees to continue to address new barriers.
- Build proficiency and processes that are sustainable, move to next barrier with the teams
Kaweah Care Culture:
FY21 Strategic Initiative Update
### Strategic Initiative
**Organizational Efficiency and Effectiveness**  
*Increase the efficiency and the effectiveness of the organization to reduce costs, lower length of stay, and improve outcomes.*

<table>
<thead>
<tr>
<th>Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• ALOS within 0.75 days of GMLOS</td>
</tr>
<tr>
<td>• Surgical implant standardization - 5% reduction</td>
</tr>
<tr>
<td>• Staffing metrics - at budget/mandated staffing ratios</td>
</tr>
<tr>
<td>• OR patient-outpatient-in within 28 minutes</td>
</tr>
<tr>
<td>• Spending per beneficiary score &lt; 0.97</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategies/ Tactics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Utilize the updated Resource Effectiveness Committee (REC) structure to improve patient throughput and remove discharge barriers</td>
</tr>
<tr>
<td>• Better align staffing levels with patient volumes/units of service.</td>
</tr>
<tr>
<td>• Standardize surgical (ortho/spine) implants</td>
</tr>
<tr>
<td>• Improve OR efficiency and block utilization</td>
</tr>
</tbody>
</table>

### Kaweah Care Culture
*Recruit, develop, and retain the best staff and physicians to create an ideal work environment and ensure that patients receive excellent compassionate care.*

<table>
<thead>
<tr>
<th>Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• EE Engagement survey - 4.19 engagement score (65th ptile)</td>
</tr>
<tr>
<td>• Physician Engagement survey - 3.68 alignment score</td>
</tr>
<tr>
<td>• SAQ Teamwork: 66%; Safety 73%</td>
</tr>
<tr>
<td>• HCAHPS Overall Rating: 76.5% 9s and 10s during FY21</td>
</tr>
<tr>
<td>• ED Patient experience: Overall Rating: 70% during FY21</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategies/ Tactics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Pulse &amp; Employee Engagement Survey and action planning</td>
</tr>
<tr>
<td>• Leadership Development programs</td>
</tr>
<tr>
<td>• Just Culture Commitment – Staff awareness</td>
</tr>
<tr>
<td>• GME faculty and Medical Staff Leader Development</td>
</tr>
<tr>
<td>• Physician Engagement Committee work</td>
</tr>
<tr>
<td>• Operation Always - Patient engagement</td>
</tr>
<tr>
<td>• Safety attitudes questionnaire (SAQ) and action planning</td>
</tr>
<tr>
<td>• Increase Kaweah Care recognitions and celebrations</td>
</tr>
<tr>
<td>• Develop performance scorecards for leaders, physicians, medical directors and department chairs</td>
</tr>
</tbody>
</table>

### Outstanding Health Outcomes
*Demonstrate that we are a high-quality provider so that patients and payers choose Kaweah Delta.*

<table>
<thead>
<tr>
<th>Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Leapfrog B</td>
</tr>
<tr>
<td>• CAUTI ≤ 0.774</td>
</tr>
<tr>
<td>• CLABSI ≤ 0.687</td>
</tr>
<tr>
<td>• MRSA ≤ 0.763</td>
</tr>
<tr>
<td>• Sepsis bundle ≥70%</td>
</tr>
<tr>
<td>• 100% of Leapfrog/NQP Safe Practices points</td>
</tr>
<tr>
<td>• Zero Defect performance - 100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategies/ Tactics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Quality focus teams</td>
</tr>
<tr>
<td>• Daily catheter and central line Gemba rounds</td>
</tr>
<tr>
<td>• Improve compliance with sepsis bundle</td>
</tr>
<tr>
<td>• Create diagnosis-specific committees to address mortality and readmissions</td>
</tr>
<tr>
<td>• Infection prevention hand hygiene program</td>
</tr>
<tr>
<td>• Expand adoption and compliance with Cleveland Clinic quality metrics and best practices</td>
</tr>
</tbody>
</table>

### Strategic Growth and Innovation
*Grow intelligently by expanding existing services, adding new services, and serving new communities.*

<table>
<thead>
<tr>
<th>Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 2% growth in market share (FPSA)</td>
</tr>
<tr>
<td>• 11.2% increase in IP surgical volume</td>
</tr>
<tr>
<td>• Net 30 increase in the number of physicians in the market</td>
</tr>
<tr>
<td>• Retain 11 KD residents (40%) in the Central Valley</td>
</tr>
<tr>
<td>• Two new ambulatory locations</td>
</tr>
<tr>
<td>• Increased total OR capacity (available hours/minutes)</td>
</tr>
<tr>
<td>• Launch telehealth services</td>
</tr>
<tr>
<td>• Introduce new branding</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategies/ Tactics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Develop a comprehensive and coordinated ambulatory network strategy</td>
</tr>
<tr>
<td>• Better monitor and manage patient referrals to ensure continuity of care</td>
</tr>
<tr>
<td>• Enhance physician relations capabilities to improve recruitment, onboarding, and retention of physicians</td>
</tr>
<tr>
<td>• Promote key service lines to a broader geographic market (e.g. Fresno and Kern Counties)</td>
</tr>
<tr>
<td>• Continue work with community advisory groups and use public perception data to improve community relations</td>
</tr>
<tr>
<td>• Refresh of organization branding and naming strategy</td>
</tr>
<tr>
<td>• Complete master facility plan to modernize and expand facilities</td>
</tr>
</tbody>
</table>

### High Performing OP Delivery Network
*Improve the performance of our ambulatory services to provide greater access to care and keep people healthy.*

<table>
<thead>
<tr>
<th>Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Employee engagement ≥ 50th percentile</td>
</tr>
<tr>
<td>• OP patient satisfaction score ≥ 50th percentile</td>
</tr>
<tr>
<td>• OP Outcome measures (A1c &lt; 9), blood pressure, depression screening, flu vaccine) at target</td>
</tr>
<tr>
<td>• Clinic visits ≥ 100% of budget</td>
</tr>
<tr>
<td>• Net income ≥ 100% of budget</td>
</tr>
<tr>
<td>• Labor productivity ≥ 100% of budget</td>
</tr>
<tr>
<td>• Provider deficiencies 0%</td>
</tr>
<tr>
<td>• RAF score of 1.2, resulting in $750,000 increase in revenue</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategies/ Tactics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• People: Leadership rounding with staff and physicians</td>
</tr>
<tr>
<td>• Service: Leadership rounding with patients</td>
</tr>
<tr>
<td>• Population health: Improve documentation/coding/billing processes for clinical documentation</td>
</tr>
<tr>
<td>• Growth: Develop existing provider productivity/opportunity reports and identify new primary/specialty care opportunities</td>
</tr>
<tr>
<td>• Finance: Monthly accountability meetings around operational measures</td>
</tr>
</tbody>
</table>

---

**Note:** Blue bolded font indicates organizational goals.
**STRATEGIC INITIATIVE CHARTER: KAWEAH CARE CULTURE**

**Objective**
Recruit, develop, and retain the best staff and physicians to create an ideal work environment and ensure that patients receive excellent compassionate care.

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Baseline</th>
<th>FY21 Goal</th>
<th>FY22 Goal</th>
<th>FY23 Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Engagement</td>
<td>4.12 (51st ptile)</td>
<td>4.19 (65th ptile)</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>Physician Engagement</td>
<td>3.55 alignment score</td>
<td>3.68 alignment score</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>Patient Engagement</td>
<td>July 19-March 20</td>
<td>73.8% HCAHPS 64.5% ED PEC</td>
<td>76.5% HCAHPS 70% ED PEC</td>
<td>78.0% HCAHPS 72% ED PEC</td>
</tr>
<tr>
<td>Safety Culture</td>
<td>SAQ Teamwork: 63% Safety: 69%</td>
<td>SAQ Teamwork: 66% Safety: 73%</td>
<td>TBD</td>
<td>TBD</td>
</tr>
</tbody>
</table>

**Strategies (Tactics)**

<table>
<thead>
<tr>
<th>Net Annual Impact ($)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Engagement</td>
</tr>
<tr>
<td>Physician Engagement</td>
</tr>
<tr>
<td>Patient Engagement</td>
</tr>
<tr>
<td>Safety Culture (Safety Climate &amp; Teamwork Climate)</td>
</tr>
</tbody>
</table>

*Average annual impact over 3 years*

**Chair**
Laura Goddard

**ET Sponsor**
Dianne Cox

**Team Members**
Teresa Boyce
Ed Largoza
Keri Noeske
Brittany Taylor
Sandy Volchko
Anu Banerjee
FOCUSED STRATEGIES AND METRICS

Employee Engagement

Physician Engagement

Patient Engagement

Safety Culture
**Objective**

Create an inspiring and supportive culture to attract, engage, develop and retain the best people to provide personal, professional and compassionate care.

**Key Components**

- Employee Engagement Survey and Action Planning
- Kaweah Care Recognition and Celebrations
- Leadership Development and Emerging Leaders Programs
- Kaweah Care Culture Virtual Community (intranet launch)
- Kaweah Care University
- Compensation/PTO/Benefits Review
- Employee Performance/Retention Review
- Employee Wellness and Well-being

**Financial Impact**

<table>
<thead>
<tr>
<th>Financial Impact</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Requirements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution Margin</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Outcomes**

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Engagement Survey</td>
<td>4.19</td>
<td>TBD</td>
<td>TBD</td>
</tr>
</tbody>
</table>

**Team Members**

Laura Goddard, Dianne Cox, Teresa Boyce, Ed Largoza, Keri Noeske, Brittany Taylor, Sandy Volchko
EMPLOYEE ENGAGEMENT

- Pulse Survey action-planning and Stoplight Reports
- Recognition and celebrations
  - Kaweah Care Recognition programs on Kaweah Compass
  - National recognition days/weeks
  - Holiday and ET rounding celebrations
- Leadership and Staff Development
  - Just Culture GME faculty training
  - LinkedIn Learning
  - Career ladders and Essential Skills
- Employee Wellness
  - EAP Connection Newsletter
- HR Initiatives
  - Compensation/Benefits and Retention

Pulse Survey
Goal: ≥ 50% Tier 2 Team Index
Current: 68% Tier 2 or above
STRATEGY SUMMARY FOR: PHYSICIAN ENGAGEMENT

Strategic Initiative: Kaweah Care Culture

Objective

Create an inspiring and supportive culture to attract, engage, develop and retain the best people to provide personal, professional and compassionate care.

Key Components

- Promote provider participation in 2019 survey action plans
- Promote 2021 Physician Engagement survey participation
- Establish and communicate 2021 action plans to Medical Staff, leadership and Board of Directors
- Exit Interviews to inform better Physician retention
- GME engagement and retention events
- Promote and empower Physician Engagement Committee

Outcomes

<table>
<thead>
<tr>
<th>Outcome</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physician Engagement Survey</td>
<td>3.68</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>Patient Throughput Improvement</td>
<td>ALOS +0.75 of GMLOS</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>GME Retention</td>
<td>40%</td>
<td>TBD</td>
<td>TBD</td>
</tr>
</tbody>
</table>

Financial Impact

<table>
<thead>
<tr>
<th></th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Requirements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue (ALOS goal)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td>No additional</td>
<td>No additional</td>
<td>No additional</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
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<tr>
<td>Other</td>
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<td></td>
</tr>
<tr>
<td>Total Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution Margin</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Team Members

Laura Goddard, Dianne Cox, Teresa Boyce, Ed Largoza, Keri Noeske, Brittany Taylor, Sandy Volchko

11/19/2020
PHYSICIAN ENGAGEMENT

- GME engagement and retention events
- Physician Engagement Committee (Chair: Dr. Carstens)

**Connection**  
Chair: Brittany Taylor
- Foster relationship building between physicians, resident physicians, and nursing
- Identify opportunities for more spouse/family involvement

**Resources**  
Chair: Dr. Cassaro
- Identify opportunities to enhance workplace experience for providers and hospital staff
- Brainstorm for economical solutions
- Recommend improvements, advocate for resources to Physician Engagement Committee, MEC, Hospital Administration

**Communication**  
Chair: Dr. Zappa
- Identify communication barriers: Physician to Physician; Physician to Resident; Provider to Nurse; Provider to Patient/Family
- Recommend solutions to Physician Engagement Committee, MEC, Hospital Administration
- Assist in implementation of solutions
STRATEGY SUMMARY FOR: PATIENT ENGAGEMENT

Strategic Initiative: Kaweah Care Culture

Objective

Promote a patient-centered focus in all of our work.

Key Components

- Operation Always commitments and tracking
  - Leader Rounding
  - Communication Boards/Medicine Guide/Patient Guide
- Communicate monthly survey results to leadership, Board of Directors, providers and organization
- Support increased communication amongst physicians for better coordinated plan of care
- Work with underperforming areas to implement strategies to improve patient experience
- Develop scorecards to drive improvement by increasing visibility of performance data and requiring accountability

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
</tr>
</thead>
<tbody>
<tr>
<td>HCAHPS Overall Rating</td>
<td>76.5% (75th)</td>
<td>78.0 (75th)</td>
<td>80.0 (83rd)</td>
</tr>
<tr>
<td>ED PEC Overall Rating</td>
<td>70% (50th)</td>
<td>72% (75th)</td>
<td>75% (90th)</td>
</tr>
</tbody>
</table>

Financial Impact

<table>
<thead>
<tr>
<th></th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Requirements</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Revenue (Domain Earnback)</td>
<td>$574,212</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>Expenses [1]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor</td>
<td>$231,384</td>
<td>$237,860</td>
<td>$244,520</td>
</tr>
<tr>
<td>Supplies</td>
<td>$8,000</td>
<td>$8,000</td>
<td>$8,000</td>
</tr>
<tr>
<td>Other</td>
<td>$150,000</td>
<td>$150,000</td>
<td>$150,000</td>
</tr>
<tr>
<td>Total Costs</td>
<td>$389,384</td>
<td>$395,860</td>
<td>$402,520</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$184,828</td>
<td>TBD</td>
<td>TBD</td>
</tr>
</tbody>
</table>

Team Members

Laura Goddard, Ed Largoza, Dianne Cox

[1] Already included in FY21 budget
PATIENT ENGAGEMENT

- Operation Always
  - Leader rounding - Recognition and Assessment of Standards
  - Nursing Communication - Communication Boards
  - Physician Communication - Introductions and explaining
  - Patient Experience Board Committee
  - Management of belongings
  - Discharge outcomes calls
  - Kaweah Care classes

<table>
<thead>
<tr>
<th>HCAHPS Performance</th>
<th>ED PEC Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current 74.4%</td>
<td>Current 69.1%</td>
</tr>
<tr>
<td>Goal 76.5%</td>
<td>Goal 70.0%</td>
</tr>
</tbody>
</table>

More than medicine. Life.
STRATEGY SUMMARY FOR: SAFETY CULTURE

Strategic Initiative: Kaweah Care Culture

Objective

Support an ever-improving safety culture to promote trust, encourage transparency and examination of patient safety to prevent errors and injuries.

Key Components

- Safety Attitudes Questionnaire (SAQ) and action planning
- CUSP team support and expansion
- TeamSTEPPS leadership training cohort and tool implementation
- Just Culture staff awareness
- Safety recognition and awards

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAQ – Teamwork Climate score</td>
<td>66%</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>SAQ – Safety Climate score</td>
<td>73%</td>
<td>TBD</td>
<td>TBD</td>
</tr>
</tbody>
</table>

Financial Impact

<table>
<thead>
<tr>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Requirements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
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<tr>
<td>Labor</td>
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<tr>
<td>Supplies</td>
<td></td>
<td></td>
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<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution Margin</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Team Members

Laura Goddard, Dianne Cox, Teresa Boyce, Ed Largoza, Keri Noeske, Brittany Taylor, Sandy Volchko, Anu Banerjee

11/19/2020
SAFETY CULTURE

- Safety Attitudes Questionnaire (SAQ)
  - Survey November 30 – December 18
  - Goal: 80% response rate
- CUSP team update
  - Program revisions under evaluation
- Daily Safety Huddle
- TeamStepps training
  - November/December 2020 for targeted leaders
  - Staff simulation version early 2021
- Just Culture staff awareness
  - Just Culture Commitment video and discussions
  - Staff meetings and new employee orientation
  - GME and new physician on-boarding
More than medicine. Life.
Rebranding
November 2020
Our Current Branding

Feedback from Focus Groups

• In the Fall of 2018, a series of focus groups were formed to review Kaweah Delta’s Mission and Vision Statements and to update the annual strategic plan. Participants included staff, leaders, medical staff, Board members, and the community.
• In addition to providing input on our Mission, Vision, and Strategic Plan, the participants (unsolicited) urged us to consider changing our name and branding/logo.
• So we formed new focus groups to consider our branding
  • The focus groups came up with top three aspirational words they wanted to describe Kaweah Delta: Innovative, Compassionate, and Renowned
  • We then showed the groups our current name and logo, and the groups felt that they did not reflect these words
  • We tested three new logo/branding ideas, and the groups did not like those, either
Design of the New Branding

Our Marketing Department then worked with an outside firm, Creative Butter, to develop new branding ideas.

• For inspiration, the team considered the Native American origin of the word Kaweah. Patterns and colors used by the Yokuts were combined with modern design and colors to develop multiple logo and branding options.

• The inspiration for the new logos is not intended to be communicated to the public as an explanation for the design, it is simply the approach that we took to develop the logos.

• The options were shared with several focus groups and more than 115 people voted on the branding they liked the best.
Results

• The results overwhelmingly favored one design, including the color and font.
• People suggested that the logo reflects warmth, diversity, and a modern feel.
• People see different things in the logo: a delta, our five pillars, three rivers, a mountain, grasped hands, etc. All are correct!
Examples

Kaweah Health

Medical Center

Emblem

Service line name

Primary Brand

Kaweah Health

Primary with service line - building wayfinding

Primary with tagline

Primary with descriptor

Retail with independent trademark system font and color guide

FOHC with independent trademark system font and color

Partnership with independent trademark system font and color

Lifestyle

Sequoia Health & Wellness Centers

Sequoia Regional Cancer Center

Radiation Oncology - A division of Kaweah Health
Why Now?

• Financially, it is a challenging time to commit to a rebranding.
• However, the current name and brand has been in use since the 1960s and is in need of modernization to better reflect the values of our organization.
• Kaweah Delta is not the same organization we were 50 years ago, or even 15 years ago. We offer a significantly broader scope of services and significantly higher quality of care and patient experience.
• Our current branding and naming is inconsistent and does not adequately convey our scope of services or locations to the community.
• Many of our current signs are in need of replacement.
• Improving our branding and the consistency of our naming will increase awareness and, most likely, volumes.
• Perhaps most importantly, in 2020 Kaweah Delta has demonstrated that it truly is dedicated to the health of our community. Health is our Passion. The name Kaweah Health better reflects who we are and what we aspire to be.
What are Others Doing?

Many other healthcare organizations are updating their name and logo. Many choose to incorporate “health” into their name, including CVS.
Signage Changes

• The most significant expense associated with the proposed rebranding is related to signage.
• Kaweah Delta has more than 50 buildings, most of which have Kaweah Delta signs. Many of these signs are quite old and in need of repair. The style of these signs is not consistent.
• Kaweah Delta’s campuses can be confusing for visitors, and we lack adequate wayfinding signs for both vehicles and visitors in our facilities.
• Many prominent buildings have no signage, including the Support Services Building and the Willow building. Adding signs to these buildings will improve visibility from 198, and properly convey the scope of the Kaweah Delta campus.
Sign Examples

- The Marketing and Facilities Departments worked with A-Plus Signs to assess every one of our facilities and the signage. Together, we have developed recommendations for improved and additional signage.
Monument Wayfinding Sign Example
Example of Campus Monument Signs
Example of Campus Monument Signs
KDMF becomes Kaweah Health Medical Group
Example of Urgent Care Signage
## Signage Changes

To lessen the financial impact on FY2021, we are recommending that signage be addressed in two phases:

<table>
<thead>
<tr>
<th>Phase One</th>
<th>Phase Two</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replace current Kaweah Delta signs with consistently styled Kaweah Health signs</td>
<td>Add new signs on SSB, Willow, and other prominent locations</td>
</tr>
<tr>
<td>Update naming to increase consistency and public awareness (e.g. VMC becomes Kaweah Health Medical Group)</td>
<td>Install new monument signs to mark the boundaries of all of our campuses</td>
</tr>
<tr>
<td>Add one large sign on SSB facing highway 198</td>
<td>Replace old sign infrastructure</td>
</tr>
<tr>
<td></td>
<td>Add wayfinding signage on all campuses</td>
</tr>
<tr>
<td><strong>Estimated Cost: $575,000 ($463,000 is in the FY21 capital budget)</strong></td>
<td><strong>Estimated Cost: $600,000</strong></td>
</tr>
</tbody>
</table>

All costs include signage, design, installation, OSHPD fees (when required), and contingency.
Operating Expenses

One-time Costs

• In addition to the capital costs for the signage, there will be operational expenses for communication (internal and external), advertising, supplies (e.g. forms, stationary, badges, etc.), tents, banners, uniforms, and other branded items.
  • Examples of internal and external communications are included in the appendix of this document.
• The Kaweah Delta FY2021 operational budget includes $164,779 for these items. In addition, due to COVID-19, the Marketing budget has additional funds available, if necessary.
Communication Plan

Internal Communication to Employees

• Messaging topics
  • We understand the concern about the timing- we would question it, too
  • Modernization is necessary and common in the healthcare industry
  • The new brand better reflects the great work we all do/ scope of services
  • New brand will help us grow public awareness and to increase volumes- which will improve our financial performance
  • The FY21 costs are approximately 4% of our annual capital budget and 0.02% of our annual operating budget
  • First comprehensive rebrand in our history- this one will last for decades
  • We solicited public donations and support to offset the expenses
• Examples of communications are provided in the Appendix
Communication Plan

External Communications The Public

• We will want to communicate with patients, the general public, physicians, other public entities, and the media

• Message topics include:
  • We are committed to the health of our community
  • We have greatly expanded and enhanced our services, and the new branding reflects our commitment to remaining modern
  • Our naming of services was inconsistent
  • The FY21 costs are approximately 4% of our annual capital budget and 0.02% of our annual operating budget
  • First comprehensive rebrand in our history - this one will last for decades
Potential Fundraising Campaign

Support for the Effort

• This campaign has not been presented to the Hospital Foundation Board for consideration and is shared only as an example of a potential campaign.

• Campaign overview
  • As we approach a new year, KDHCD has survived a historic moment in time by handling the COVID-19 pandemic. While our resources were directed toward modifying our facility and treating our seriously ill pandemic patients, our district continues to deliver babies (4,500 per year), treat cardiac patients, and treat other illnesses on a daily basis in our large service area. As 2021 approaches, the pandemic will continue to impact our daily lives and strain healthcare resources across our nation. We must move toward the future to continue our quest for World-Class Healthcare. As such the Foundation is proposing a “modernization” themed capital campaign for the 2021 -2022 fiscal year.
**“Enhancing Health: Excellence in Care”**

**Possible 1 Year Campaign vs. 2 Year Campaign**

<table>
<thead>
<tr>
<th>1 Year</th>
<th>2 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Halo Bassinet: A new bassinet system to replace our well-worn bassinets in the mother-baby unit. This will be a key talking point for the campaign.</td>
<td>Rosa Robotic System: Our orthopedic surgeons are using more and more robotic techniques to improve patient outcomes and speed recovery from routine orthopedic procedures</td>
</tr>
<tr>
<td>Ambrosia Remodel: The success of the Siren Grill during the remodel of the Emergency Department indicates there is a need for a full grill when the Ambrosia Café reopens in 2021. In addition, much of the equipment is in need of upgrade to serve the visitors and staff as volumes increase and we open the new Emergency Department.</td>
<td></td>
</tr>
<tr>
<td>Signage: A portion of the campaign will be directed toward offsetting the cost of new signage throughout the organization. This will include signage for our Kaweah Health rebranding, and (if approved) a new donor recognition wall in the Acequia Wing and Emergency Department.</td>
<td></td>
</tr>
<tr>
<td>Potential additional equipment to be fully or partially funded by this campaign: Pediatric friendly furnishings and décor for the new emergency department, ventilators for subacute unit, upgrade our aging endoscopy ultrasound, replacement of walk-in refrigerator for food services, replacement of bladder scanners throughout the medical center.</td>
<td></td>
</tr>
<tr>
<td><strong>Total Campaign Goal: $1,400,000</strong></td>
<td><strong>Total Campaign Goal: $2,400,000</strong></td>
</tr>
</tbody>
</table>

“Enhancing Health: Excellence in Care”

More than medicine. Life.
Recommended Timeframe

- Construction in the ED expansion and the Tulare Clinic will both be completed in January. Both will likely open in March/April, depending on licensing.
- OSHPD must approve any sign that is attached to the acute Medical Center or our licensed facilities on the Court Street and Akers campuses. Approval will likely require 30 to 45 days.
- Construction and installation of the new signs will require 3 to 4 months.
- If we want to proceed with the rebrand, the recommendation is to start the process as soon as possible to coincide the launch with the opening of the ED and Tulare Clinic.
Appendix
Examples of Communication Talking Points

Modernization is necessary and common in the healthcare industry

INTERNAL: People and communities evolve, and so must we. Kaweah Health brings us closer to the world-class healthcare organization we strive to be.

EXTERNAL: People and communities evolve, and so must we to meet the needs of you, your family, and our growing community. Kaweah Health brings us closer to the world-class healthcare organization we strive to be – your world-class healthcare choice, for life.

We understand the concern about the timing- we would question it, too

INTERNAL: No matter what time we’re living in or situation we’re facing, there will always be reasons to pause – but life only moves forward. Kaweah Health is our future, and there is no better time than the present to be all that we can be.

EXTERNAL: No matter what time we’re living in or situation we’re facing, there will always be reasons to pause – but life only moves forward. The pandemic has revived a passion for health in our world. Now is the time to breathe life into Kaweah Health – the future of healthcare in the Central Valley.

The new brand better reflects the great work we all do/ scope of services

INTERNAL: We are not the same organization we were 60, 30, or even 10 years ago. The new brand reflects who we are today and brings attention to the advances we’ve made along the way (Acequia Wing, ED Expansion, Cleveland Clinic and USC affiliations, SHWC, etc.)

EXTERNAL: We are not the same organization we were 60, 30, or even 10 years ago. Kaweah Health reflects who we are today and the strides we’ve made on our journey to providing you with the world-class care you deserve (Acequia Wing, ED Expansion, Cleveland Clinic and USC affiliations, SHWC, etc.).
Examples of Communication Talking Points

*First rebrand in our history- this one will last for decades*

**INTERNAL:** We have been a place of healing for nearly 60 years, caring for the entire community including you and the family and friends you love. Your history is written here. Kaweah Health is our next chapter and you get to be part of the story.

**INTERNAL:** We have been a place of healing for nearly 60 years, caring for the entire community including you and the family and friends you love. Your history is written here. Kaweah Health is our next chapter and generations of your family will be part of the story. This is your hospital, your health, your home. This is your story.

**New brand will help us grow public awareness and to increase volumes- which will improve our financial performance / The FY21 costs are approximately 4% of our annual capital budget and 0.02% of our annual operating budget**

**INTERNAL:** Excellence is what we do, and experts is who we are. We are the Central Valley’s most awarded hospital and it’s time to shed our old identity and take a giant step closer to world-class care. What we spend on the new brand is less than the price we pay for poor memories of who we used to be. Investing in Kaweah Health is an investment in our future.

**EXTERNAL:** Excellence is what we do, and experts is who we are. We are the Central Valley’s most awarded hospital, not the hospital of years long past. Investing in Kaweah Health is an investment in our community’s future. The small percentage we spend on the new brand will help us take a giant step closer towards world-class care.

**We solicited public donations and support to offset the expenses**

**INTERNAL:** We are responsible stewards of the community’s investment and have harnessed the power of the spirit of giving. Kaweah Health belongs to the community and we have invited them to join us on this journey.

**EXTERNAL:** We are responsible stewards of your investment and immensely grateful for your generous spirit of giving. Kaweah Health belongs to you, and your support on this history-making journey is priceless.