

ADDENDUM - A
Update: Pension Plan

TO: PPH Board of Directors

MEETING DATE: December 12, 2005

FROM: Human Resources Committee: December 6, 2005

BACKGROUND: The HR Committee reviewed the revisions to the plan documents for the pension 401(a) plan and the deferred comp 457 plan. Both of these plans were revised to include language required by recent legislation. While the plans were being modified, we took the opportunity to incorporate all previous amendments into the plan documents. Changes to the eligibility listing for the 415(m) amendment in the pension plan have also been included with these updates. Severance pay will also now be excluded as eligible compensation for pension contributions. The new plan documents are current and complete for a January 1, 2006 reinstatement.

BUDGET IMPACT: None

STAFF RECOMMENDATION: Adoption of the revised/restated plan documents for the pension and deferred compensation plans.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action: X

Information:

Required Time:

**PALOMAR POMERADO HEALTH
MONEY PURCHASE PENSION PLAN**

2005 Restatement

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FOREWORD

Effective as of July 1, 1980, Palomar Pomerado Health (the "Company") adopted the Palomar Pomerado Health Money Purchase Pension Plan (the "Plan") to provide retirement income for its eligible employees and funds for their beneficiaries upon the death of employees, and to encourage savings on the part of employees to supplement their retirement income.

The Plan subsequently was amended and restated effective as of July 1, 1985 and July 1, 1989. The Plan was further amended and restated to conform to the requirements of the Tax Reform Act of 1986, effective as of July 1, 1989 and such other dates as were stated herein. The Plan was further amended and restated to conform to the requirements of the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), effective December 12, 1994; the Small Business Job Protection Act of 1996 (SBJPA), generally effective for Plan Years beginning after December 31, 1996; the Taxpayer Relief Act of 1997 (TRA '97), generally effective for Plan Years beginning after December 31, 1997; the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA '98), effective July 1, 1999; and the Community Renewal Tax Relief Act of 2000, effective July 1, 2001; or such other dates as are specified herein or are required by applicable law. Such amendment and restatement also reflected certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), which provisions are intended as good faith compliance with the requirements of EGTRRA, are to be construed in accordance with EGTRRA and guidance issued thereunder, and, except as otherwise provided herein, are effective as of July 1, 2002.

This amendment and restatement incorporates all amendments to the Plan since the previous amendment and restatement and conforms the Plan to the minimum required distribution provisions under Section 401(a)(9) of the Code, and, except as otherwise provided herein, is effective as of July 1, 2005.

The terms and provisions of the Plan as hereinafter set forth and as it hereinafter may be amended from time to time, establish the rights and obligations with respect to Participants (as defined herein) employed on and after the effective date of the applicable provision. Except to the extent otherwise provided herein, or required by applicable laws, the terms and provisions of the Plan as in effect prior to the effective date of the applicable provision establish the rights and

obligations with respect to Participants whose employment terminated prior to such effective date.

1. DEFINITIONS

As used herein, the following terms shall have the following respective meanings, unless a different meaning is required by the context:

- 1.1 “Account” or “Accounts” means a Participant’s Employee Contributions Account, Employer Contributions Account and Rollover Account, collectively or singly as the context requires.
- 1.2 “Administrator” means the person or persons who manage and administer the Plan in accordance with the provisions of Section 10 hereof.
- 1.3 “Annual Addition” means that term as defined in Subsection 3.4.
- 1.4 “Appropriate Form” means the printed or electronic form (including a voice response) provided or prescribed by the Administrator for the particular purpose.
- 1.5 “Beneficiary” means the person or persons designated or determined pursuant to Subsection 9.2.
- 1.6 “Board of Directors” means the Board of Directors of the Company.
- 1.7 “Code” means the Internal Revenue Code of 1986, as amended from time to time. Reference to a specific Code provision shall include such provision, any valid regulation or ruling promulgated thereunder and any comparable provision of future law that amends, supplements or supersedes such provision.
- 1.8 “Company” means Palomar Pomerado Health and any successor by merger, purchase, reorganization or otherwise that is a Governmental Entity.
- 1.9 “Compensation” means the total wages, salaries or other cash payments paid by the Employer to a Participant, including any overtime, bonuses, and commissions and excluding the amount of any reductions in the Participant’s otherwise payable

compensation under any deferred compensation program maintained by the Employer under Code Section 457, and excluding imputed income, reimbursed expenses, severance payments, any Employer contributions or benefits arising in connection with this Plan or in connection with any other employee benefit or welfare plan of the Employer.

Effective January 1, 2001, Compensation shall include elective amounts that are not includible in the gross income of the Participant by reason of Code Section 132(f)(4).

For Plan Years beginning on or after July 1, 1994 but before July 1, 2002, the annual Compensation of each Participant shall not exceed the OBRA '93 annual compensation limit. The OBRA '93 annual compensation limit is \$150,000, as adjusted for increases in the cost of living in accordance with Code Section 401(a)(17)(B). The cost-of-living adjustment in effect for a calendar year applies to the Plan Year beginning in such calendar year. With respect to any Participant who became a Participant prior to July 1, 1996, such dollar limit shall not be less than \$235,840.

For Plan Years beginning on or after July 1, 2002, the annual Compensation of each Participant shall not exceed the annual compensation limit pursuant to Section 401(a)(17) of the Code, as amended by EGTRRA.

- 1.10 “Contract Administrator” means the entity, if any, with which the Company contracts to provide administrative services to the Plan.
- 1.11 “Effective Date” means July 1, 1980, which is the original effective date of this Plan. This 2005 restatement is effective as of the various dates specified herein or required by applicable law.
- 1.12 “Eligible Employee” means an Employee who has completed three years of “Eligibility Service” (as described below). Effective as of January 1, 2004, “Eligible Employee” means an Employee who has completed one year of “Eligibility Service” (as described below), or any Employee who is classified by the Employer as a member of the Employer’s Executive Management Team (EMT Employee). An Eligible Employee shall participate in the Plan as set forth in Section 2.

An Employee shall have completed a year of "Eligibility Service" upon the first and subsequent anniversaries of his or her date of hire if he or she completed 1,000 or more Hours of Service during the consecutive 12-month period ending on such anniversary date.

The term "Eligible Employee" shall not include (a) an Employee who is represented by any collective bargaining agent, included in any collective bargaining unit, recognized by the Employer if the applicable Memorandum of Understanding does not provide for participation in the Plan; or (b) effective September 15, 1990, an Employee who is classified by the Employer as employed in a "per diem," "casual" or "temporary" employment classification.

1.13 "Employee" means an individual who renders services to the Employer as a common law employee or officer (i.e., a person whose wages from the Employer are subject to federal income tax withholding), except as provided below.

- (a) A person rendering services to the Employer purportedly as (1) an independent contractor, or (2) the employee of a company providing services to the Employer, shall not be treated as an Employee eligible to participate in this Plan (even if the individual is determined to be a common law employee of the Employer entitled to service credits for eligibility or vesting purposes of the Plan).
- (b) Effective July 1, 1997, to the extent required by Code Section 414(n), a "leased" worker shall be treated as an Employee but shall not be eligible to participate in this Plan. To the extent required by Code Section 414(o), individuals who are not otherwise Employees shall be treated as Employees but shall not be eligible to participate in this Plan. The term "leased employee" means any person (other than an employee of the recipient) who, pursuant to an agreement between the recipient and any other person ("leasing organization"), has performed services for the recipient (or for the recipient and related persons determined in accordance with Code Section 414 (n)(6)) 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. Contributions or benefits provided a leased employee by

the leasing organization which are attributable to services performed for the recipient employer shall be treated as provided by the recipient employer. A leased employee shall not be an Employee if (a) such leased employee is covered by a money purchase pension plan providing (i) a nonintegrated employer contribution rate of at least 10 percent of compensation, as defined in Code Section 415(c)(3), but including amounts contributed pursuant to a salary reduction agreement which are excludable from the employee's gross income under Code Sections 125, 402(e)(3), 402(h)(1)(B) or 403(b) of the Code; (ii) immediate participation; and (iii) full and immediate vesting; and (b) leased employees do not constitute more than 20 percent of the recipient's nonhighly compensated workforce.

1.14 "Employee Contributions" means those contributions made by a Participant pursuant to Subsection 3.2 of the Plan.

1.15 "Employee Contributions Account" means the separate account maintained for each Participant to hold the Participant's Employee contributions.

1.16 "Employer" shall mean:

- (a) Adopting Employers: The Company or any other Governmental Entity that adopts the Plan; and
- (b) Non-Adopting Employers: Companies that have not adopted the Plan but which are related to the adopting Employers. A company is a "related company" while it and the Employer are members of a controlled group of corporations, a group of trades or businesses under common control or an affiliated service group (within the meaning of Sections 414(b), 414(c) and 414(m) of the Code), or required to be aggregated pursuant to Treasury Regulations under Section 414(o) of the Code. For purposes of determining a Participant's maximum permissible annual addition, Code Sections 414(b) and (c) shall be applied as modified by Code Section 415(h) with respect to parent-subsidary groups only.

- (c) To the extent an adopting Employer has not extended Plan participation to designated job classifications or locations (e.g., hourly workers or a specific plant), it shall be treated as a non-adopting Employer. Schedules to the Plan shall be used to establish the positions or locations covered by the Plan, to the extent not otherwise reflected in Section 2.
- (d) All Employees of adopting and non-adopting Employers shall be treated as employed by a single company for all Plan purposes, including Hours of Service crediting, except that:
 - (1) no person shall become a Participant except while employed by an adopting Employer,
 - (2) a Participant shall cease to be an active Participant if he or she transfers to a non-adopting Employer and ceases to be employed by an adopting Employer, and
 - (3) amounts paid by non-adopting Employers shall be ignored for all benefit calculation purposes, but such amounts shall be counted for Code Section 415 purposes.
- (e) In contexts in which actions are required or permitted to be taken or notice is to be given, "Employer" shall mean the Company.

1.17 "Employer Contributions" means those contributions made by the Employer pursuant to Subsection 3.1 or 3.7 of the Plan.

1.18 "Employer Contributions Account" means the separate account maintained for each Participant to hold the Employer Contributions made on his or her behalf.

1.19 "Governmental Entity" means the Government of the United States, the government of any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing.

1.20 “Highly Compensated Employee” means an individual described in Section 414(q) of the Code.

Effective July 1, 1997, “Highly Compensated Employee” includes highly compensated active employees and highly compensated former Employees. An Employee is a highly compensated active Employee for a Plan Year if he or she

- (a) was a 5-percent owner (as defined in Code Section 416(i)(1)) of the Employer at any time during the Plan Year in question or the immediately preceding Plan Year, or
- (b) had compensation (as defined below) for the immediately preceding Plan Year in excess of \$80,000 (as adjusted by the Secretary of the Treasury pursuant to Code Section 415(d), except that the base period shall be the calendar quarter ending September 30, 1996).

A former employee shall be treated as a Highly Compensated Employee if (1) such Employee was a Highly Compensated Employee when such Employee separated from service with the Employer, or (2) such Employee was a Highly Compensated Employee at any time after attaining age 55. Determination of who is a Highly Compensated Employee will be made in accordance with Code Section 414(q) and Treasury regulations thereunder.

For purposes of determining who is a Highly Compensated Employee, the term “compensation” means compensation within the meaning of Code Section 415(c)(3). The determination will be made without regard to Code Sections 125, 402(e)(3), 402(h)(1)(B) and, in the case of Employer contributions made pursuant to a salary reduction agreement, without regard to Code Section 403(b). For Plan Years beginning after December 31, 1997, the term “compensation” means compensation within the meaning of Code Section 415(c)(3).

1.21 “Hours of Service” means each hour for which an Employee is directly or indirectly paid, or entitled to payment, by the Employer for the performance of duties as an Employee, including each such hour for which back pay is allowed. A Participant shall be deemed

to have completed 45 Hours of Service for each week of leave of absence approved by the Employer for military service or other purposes. Leaves of absence are to be granted to Employees on a uniform basis in accordance with established practices of the Employer. A Participant shall be credited with one Hour of Service for each hour not otherwise credited for which the Participant is directly or indirectly paid, or entitled to payment, by the Employer for reasons (such as vacation, sickness, and disability) other than the performance of duties. Provided, however, that no more than 501 Hours of Service shall be credited for any single period of absence except as may otherwise be required by applicable law. Notwithstanding any provision of the Plan to the contrary, effective December 12, 1994, contributions, benefits and service credits with respect to qualified military service shall be provided in accordance with Code Section 414(u).

1.22 “Normal Retirement Date” means the date a Participant attains age 65.

1.23 “One-Year Break in Service” means a Plan Year during which an Employee completes no more than 500 Hours of Service. Hours of Service shall be recognized for a “permitted leave of absence” or a “maternity or paternity leave of absence” (each defined below) solely for purposes of determining whether a Participant has incurred a One-Year Break in Service.

A “permitted leave of absence” means an unpaid, temporary cessation from active employment with the Employer pursuant to a nondiscriminatory policy established by the Employer.

A “maternity or paternity leave of absence” means an absence from work for any period by reason of the Employee’s pregnancy, birth of the Employee’s child, placement of a child with the Employee in connection with the adoption of such child, or any absence for the purpose of caring for such child for a period immediately following such birth or placement. For this purpose, Hours of Service shall be credited for the Plan Year in which the absence from work begins, only if such credit is necessary to prevent the Employee from incurring a One-Year Break in Service, or, in any other case, in the immediately following Plan Year. The Hours of Service credited for a “maternity or paternity leave of absence” shall be those which would normally have been credited but

for such absence, or, in any case in which the Committee is unable to determine such hours normally credited, eight Hours of Service per day. No more than 501 Hours of Service shall be credited for any maternity or paternity leave of absence.

Solely for purposes of determining whether an Employee has incurred a One-Year Break in Service, a person who is on an unpaid leave required by the Family and Medical Leave Act of 1993 shall be considered to be working in his or her regular position with the Employer and earning Hours of Service as if he or she were not on such unpaid leave.

- 1.24 “Participant” means an Employee who is included in the Plan as provided in Section 2 hereof or a former Employee whose Accounts have not been fully distributed.
- 1.25 “Plan” means the Palomar Pomerado Health Money Purchase Pension Plan as herein set forth, or as it may be amended from time to time.
- 1.26 “Plan Year” means each consecutive 12-month period beginning on July 1 and ending on June 30.
- 1.27 “Retirement” means termination of employment at or after attainment of age 65.
- 1.28 “Rollover Account” means the separate Account maintained for each Participant to hold amounts transferred or rolled over from another qualified plan or individual retirement account pursuant to Subsection 6.4.
- 1.29 “Spouse” or “Surviving Spouse” means the person to whom a Participant is legally married at the time in question under the laws of the state in which the Participant then resides (excluding a common-law spouse). A person shall cease to be a Spouse when his or her marriage to the Participant is deemed dissolved or annulled under the laws of the state in which the Participant then resides. To the extent provided under a qualified domestic relations order as defined in Section 414(p) of the Code, the terms shall include a former spouse.
- 1.30 “Total Disability” shall mean the mental or physical inability of a Participant to perform his or her normal job with the Employer, as evidenced by the certificate of a medical

examiner satisfactory to the Administrator, certifying such inability and further certifying that such condition is likely to be permanent.

- 1.31 “Transaction Date” means the first day of each payroll period (or such other date as the Administrator may prescribe).
- 1.32 “Trust Agreement” means the agreement entered into between the Company and the Trustee, as provided for in Section 11, as the same may be amended from time to time.
- 1.33 “Trust Fund” means all the assets at any time held under the Plan by the Trustee as provided for in Section 11.
- 1.34 “Trustee” means the trustee or trustees selected by the Board of Directors who may at any time be acting as Trustee under the Trust Agreement.
- 1.35 “Valuation Date” means each business day of the Plan Year.
- 1.36 “Year of Service” means the first and all subsequent consecutive 12-month periods ending on the anniversaries of an Employee’s date of hire, whether before or after the Effective Date, during which an Employee completes at least 1,000 Hours of Service.

In the case of a Participant who does not have any vested right to his or her Employer Contributions Account, any Hours and Years of Service completed before he or she incurs a One-Year Break in Service shall not be taken into account if the number of consecutive One-Year Breaks in Service equals or exceeds five. Hours and Years of Service completed before a One-Year Break in Service shall not include any Hours and Years of Service disregarded because of a prior One-Year Break in Service.

2. ELIGIBILITY AND PARTICIPATION

2.1 Eligibility for Participation

Each Employee who is not already a Participant shall be eligible to become a Participant in the Plan on the first Transaction Date coincident with or next following his or her satisfaction of the requirements to become an Eligible Employee as defined in Subsection 1.12.

2.2 Enrollment in the Plan

- (a) Prior to July 1, 2002, in order to be a Participant in the Plan, an Eligible Employee must complete and return the Appropriate Form to the Administrator at least 5 days (or such other period as the Administrator may determine) prior to the applicable Transaction Date. Participation in the Plan will not commence until such forms have been completed and returned to the Administrator.
- (b) Effective July 1, 2002, an Eligible Employee shall automatically become a Participant for Employer Contributions purposes as of the Transaction Date determined under Subsection 2.1 and completion of the Appropriate Form shall not be required.
- (c) When an Eligible Employee becomes a Participant, he or she shall be given the Appropriate Form by which the Participant may:
 - (1) designate a Beneficiary or Beneficiaries pursuant to Subsection 9.2 to receive any benefits payable under the Plan subsequent to his or her death;
 - (2) authorize the deduction by the Employer of his or her Employee Contributions from his or her Compensation; and
 - (3) make such investment elections regarding the monies credited to his or her Accounts as may be permitted on such forms.

Any such Employee Contributions authorization shall be deemed to be a continuing authorization as to current and succeeding Plan Years until changed by notice to the Administrator on the Appropriate Form.

2.3 Suspension of Participation

- (a) If a Participant who ceases to be an Eligible Employee remains an Employee, his or her participation in the Plan shall be suspended until the resumption of his or her status as an Eligible Employee but shall not be terminated as long as he or she remains an Employee.
- (b) During the period of such suspension, the period of the Participant's employment referred to in (a) above shall be counted in determining his or her Years of Service, but the Participant shall not be entitled to share in any allocation of Employer Contributions. If during the period of such suspension the Participant's employment with the Employer terminates, such Participant's Accounts shall be distributed in accordance with the provisions of Sections 8 and 9.

3. **CONTRIBUTIONS**

3.1 Employer Contributions

- (a) For each payroll period, the Employer shall make Employer Contributions for each Participant who is an Eligible Employee during such payroll period in an amount equal to six percent of the Participant's Compensation for such payroll period, to be allocated to such Participants' Accounts.
- (b) The amount of otherwise payable Employer Contributions shall be reduced by the amount of any forfeitures under Subsection 5.3, and shall be increased by the amount necessary to restore previous forfeitures pursuant to Subsection 5.4.
- (c) Notwithstanding any provision of the Plan to the contrary, individuals listed on Appendix A shall be "Eligible Participants" as of their first day of employment. These individuals only shall be eligible for Employer contributions under Section 3.1 as if they had been enrolled in the plan as of their first day of employment

(except as noted below) and will remain eligible for these contributions until they otherwise satisfy the Plan's eligibility and participation requirements or terminate employment (whichever first occurs), at which time this subsection shall cease to apply. These individuals shall not be eligible for any other form of contributions (e.g., they are not eligible to make Employee Contributions under Section 3.2). Individuals listed in part I of Appendix A shall receive full Employer Contributions under Section 3.1(a). Individuals listed in part II of Appendix A shall be eligible to receive 50% of the Employer Contributions described in Section 3.1(a). Individuals listed on Appendix A shall be entitled to regular Employer Contributions under Section 3.1(a) once they otherwise satisfy the Plan's eligibility and participation requirements.

- (d) Employer Contributions under subsection (c) shall be 100% vested. Employer Contributions not made pursuant to subsection (c) shall remain subject to the vesting requirements of Section 5.2.
- (e) The Employer shall make the Employer Contributions described in subsection (c) (plus interest based on rates available for like maturity U.S. Government Treasury Bond rates as published in the Federal Reserve Statistical Release, H.15) as soon as practicable, taking into account the limitations prescribed by Section 3.4. Retroactive earnings shall be calculated based on the date the Employer Contributions would have been contributed had this amendment always been in effect. Any amounts not contributed prior to December 31, 2003 because of Section 3.4 shall be credited with interest at the rate of 3% interest per year after December 31, 2003, until contributed.

3.2 Employee Contributions

Subject to any limitations prescribed herein and in Subsection 3.4, a Participant may elect to make Employee Contributions to the Plan in an amount equal to any whole percentage between 1% and 12% (or such other percentage as may be prescribed by the Administrator) of his or her Compensation, as he or she shall have designated on the

Appropriate Form filed with the Administrator in accordance with Subsection 2.2 within such time period as is prescribed by the Administrator.

The Employer shall deduct each Participant's Employee Contributions pursuant to this Subsection 3.2 at such time in each payroll period as it may deem appropriate and shall pay them to the Administrator as soon as practicable to be credited to the Participant's Employee Contributions Account.

3.3 Election to Change Rate of Employee Contributions

Effective as of any Transaction Date, a Participant may elect to change, suspend, or resume the rate of his or her Employee Contributions pursuant to Subsection 3.2 to any other rate permitted under Subsection 3.2 (subject to the applicable limitations). Such election shall be made by filing the Appropriate Form with the Administrator at least 15 days in advance of such dates (or within such other period as may be prescribed by the Administrator).

3.4 Contribution Limitations – Code Section 415

- (a) Notwithstanding any provision of the Plan to the contrary, in no event in any limitation year shall the "Annual Addition" (as hereinafter defined) on behalf of any Participant exceed the lesser of:
- (1) 25% (100% effective July 1, 2002) of the Participant's compensation (as defined in Treas. Reg. Section 1.415-2(d), including, for Plan Years beginning on or after July 1, 1998, elective amounts that are not includible in the Participant's gross income under Code Section 125, 402(e)(3), 402(h) or 457) for the limitation year (as defined in subsection (e) below);
or
 - (2) \$40,000 (effective July 1, 2002), as adjusted for cost-of-living increases pursuant to Code Section 415(d).
- (b) "Annual Addition" means the sum for any limitation year of (i) Employer Contributions to defined contribution plans (combining, for this purpose, all

defined contribution plans of the Employer, (ii) forfeitures allocated under all such plans, (iii) the amount of employee after-tax contributions under such plans (disregarding the repayment of any prior distributions made upon the exercise of any reinstatement rights), and (iv) amounts allocated to an individual medical account, as defined in Section 415(l).

- (c) If the limitations applicable to any Participant in accordance with this Subsection 3.4 will be exceeded, the contributions made on behalf of a Participant under the Plan shall be reduced to the extent necessary to prevent disqualification of the Plan under the provisions of Section 415 of the Code in the following order, but only to the extent necessary to meet the limitations: (i) Employee Contributions; and (ii) Employer Contributions.
- (d) If a Participant in this Plan is a participant in any other tax-qualified defined contribution plan maintained by the Employer, the contributions made on behalf of a Participant under the other Plan shall be reduced prior to any reductions under this Plan.
- (e) For periods prior to July 1, 2005, the limitation year shall be the Plan Year. Notwithstanding anything contained in this Section 3.4 of the Plan to the contrary, the provisions set forth in Appendix D attached hereto shall apply for purposes of the limitation period resulting from such change, which limitation period commences July 1, 2005 and ends December 31, 2005. For periods following December 31, 2005, the limitation year shall be the calendar year.

3.5 Return of Contributions

Notwithstanding any provision of the Plan to the contrary, a contribution made to the Plan by the Employer may be returned to it if:

- (a) the contribution is conditioned on the initial tax qualification of the Plan and the Plan receives an adverse determination; or

- (b) the contribution is made by reason of mistake of fact (for example, incorrect information as to eligibility or Compensation of an Employee, or a mathematical error);

provided such return of contribution is made within one year of (1) the receipt of an adverse determination letter (provided that timely application therefor is made with the Internal Revenue Service, or (2) the mistaken payment of the contribution, as the case may be.

In any event, the amount which may be returned shall never be greater than an amount equal to the excess of (i) the amount contributed over (ii) the amount that would have been contributed had there not occurred a mistake of fact. Earnings attributable to the excess contribution may not be returned to the Employer, but losses attributable thereto shall reduce the amount to be returned. If the withdrawal of the amount attributable to the mistaken contribution would cause the balance of the individual account of any Participant to be reduced to less than the balance which would have been in the account had the mistaken amount not been contributed, then the amount to be returned to the Employer shall be limited so as to avoid such reduction.

3.6 Supplemental Employer Contributions

- (a) With respect to the Plan Year ending on June 30, 2004, the Employer shall make a supplemental Employer Contribution for each Participant who is employed by the Employer and holds one of the titles listed on Appendix B attached hereto on June 30, 2004 in an amount equal to 50% of such percentage of the Participant's Compensation for the Plan Year ending on June 30, 2004 as is set forth opposite the title held by such Participant on Appendix B attached hereto, and such Employer Contributions shall be allocated to such Participant's Employer Contributions Account.
- (b) With respect to the Plan Year beginning on July 1, 2004 and each Plan Year thereafter (unless otherwise provided on Appendix B attached hereto), for each payroll period the Employer shall make supplemental Employer Contributions for

each Participant who holds one of the titles listed on Appendix B during such payroll period in an amount equal to such percentage of the Participant's Compensation for such payroll period as is set forth opposite the title held by such Participant on Appendix B attached hereto and such Employer Contributions shall be allocated to such Participant's Employer Contributions Account.

4. INVESTMENT OF CONTRIBUTIONS

4.1 Investment Options

- (a) Effective January 1, 1993, Participants shall be required to direct the Trustee as to the investment of both Employee and Employer Contributions (both vested and nonvested) allocated to their Accounts, in any of the investment vehicles designated by the Administrator from time to time for this purpose.

Notwithstanding this investment authority, Participants shall not be authorized to invest that portion of the Trust Fund allocable to any guaranteed annuity contracts held by the Trustee pending their surrender and/or liquidation. Participants' Accounts shall be charged or credited with earnings, gains, losses or expenses, as the case may be.

- (b) The Administrator shall establish procedures governing the manner in which investment decisions are made by Participants. To the extent a Participant does not make a proper election under this subsection, the affected portion of a Participant's Account shall be invested in the manner determined by the Administrator.

4.2 Changing Investment Elections

A Participant may change his or her investment allocations as often as permitted by the Contract Administrator (except as overridden by the Administrator). Any such change shall be effective on the date the change is processed and implemented by the Contract Administrator.

5. VESTING

5.1 Vesting in Employee Contributions and Rollover Accounts

A Participant shall always be 100% vested in the value of his or her Employee Contributions and Rollover Accounts.

5.2 Vesting in Employer Contributions Account

A Participant's Employer Contributions Account shall vest on the basis of Years of Service, in accordance with the following schedule:

<u>Years of Service</u>	<u>Vested Percentage</u>
Less than 3	0%
3 but less than 4	40%
4 but less than 5	60%
5 but less than 6	80%
6 or more	100%

Effective January 1, 2004, a Participant's Employer Contributions Account shall vest on the basis of Years of Service, in accordance with the following schedule:

<u>Years of Service After Becoming a Participant</u>	<u>Vested Percentage</u>
Less than 2	0%
2 but less than 3	20%
3 but less than 4	40%
4 but less than 5	60%
5 but less than 6	80%
6 or more	100%

Effective January 1, 2004, an EMT Employee Participant's Employer Contributions Account shall vest on the basis of Years of Service, in accordance with the following schedule:

Years of Service After

<u>Becoming a Participant</u>	<u>Vested Percentage</u>
Less than 1	0%
1 but less than 2	20%
2 but less than 3	40%
3 but less than 4	60%
4 but less than 5	80%
5 or more	100%

A Participant's Employer Contributions Account shall be 100% vested upon (a) the termination of the Plan or the complete discontinuance of Employer Contributions if the Participant is affected by the termination or discontinuance, or (b) upon the occurrence, while an Employee, of the Participant's Normal Retirement Date, Total Disability or death.

5.3 Forfeiture of Non-Vested Interest

Any portion of a Participant's Employer Contributions Account in which he or she does not have a vested interest at the time of his or her termination of employment shall be forfeited. All forfeitures shall be applied to reduce Employer Contributions in accordance with Subsection 3.1.

5.4 Repayment and Restoration of Forfeitures

If a former Participant whose termination resulted in a forfeiture pursuant to Subsection 5.3 again becomes an Eligible Employee prior to incurring five consecutive One-Year Breaks in Service, he or she may elect (upon giving 5 days' advance notice or within such other period as may be prescribed by the Administrator) to repay the Trustee in cash within the period specified below, the full amount distributed to him or her in accordance with Section 9, and such repayment shall be allocated to his or her Accounts and the amount forfeited (without adjustment for gains or losses) shall be restored to his or her Accounts. Repayment must be made before the earlier of (a) five years after the first date on which the Participant is subsequently reemployed as an Eligible Employee, or (b) the

close of the first period of five consecutive One-Year Breaks in Service commencing the day after the distribution.

6. ACCOUNTS

6.1 Separate Accounts to Reflect Contributions

The Administrator shall maintain a separate Employer Contributions Account, Employee Contributions Account and Rollover Account (if applicable) for each Participant which shall reflect the portion of the Participant's interest in the Trust Fund which is attributable to such Accounts.

6.2 Valuation of Accounts

As of each Valuation Date, the Administrator shall adjust the Accounts of each Participant to reflect contributions, distributions, income earned or losses applicable to the Participant's Accounts, increases or decreases in value of the Participant's Accounts, or expenses payable from the Trust Fund not otherwise paid by the Company since the preceding Valuation Date.

6.3 Statements to Participants

At least once each Plan Year, the Administrator shall furnish each Participant with a written statement of his or her Accounts.

6.4 Transfers From Other Plans

(a) Transfers From Other Qualified Plans. Any portion of an Eligible Employee's interest in a plan meeting the requirements of Section 401(a) of the Code (the "Other Plan") which has been or is eligible to be distributed to him or her may, in accordance with procedures of the Administrator, be transferred to the Trustee of this Plan, provided the following conditions are met:

- (1) If the transfer is made after the Eligible Employee receives the distribution from the Other Plan, the transfer occurs on or before the sixtieth (60th)

day after he or she receives the distribution;

- (2) The distribution from the Other Plan qualifies as an eligible rollover distribution within the meaning of Section 402(c)(4) of the Code; and
- (3) The amount transferred does not exceed the portion of the distribution includible in the Eligible Employee's gross income, unless the transfer is made on or after January 1, 2002 in a direct trustee-to-Trustee transfer from the Other Plan to this Plan, in which instance the portion not includible in gross income may also be transferred and the Plan shall separately account for the portion includible in gross income and the portion that is not.

Such a transfer may be made before the Eligible Employee becomes a Participant and regardless of whether the Eligible Employee has satisfied the service requirements of Subsection 1.12. Amounts transferred pursuant to this paragraph and any gains or losses allocable thereto shall be accounted for separately from amounts otherwise allocable to the Eligible Employee under the Plan.

- (b) Transfers From Individual Retirement Accounts. An Eligible Employee who receives a distribution from an individual retirement account described in Section 408(a) of the Code or an individual retirement annuity described in Section 408(b) of the Code may, in accordance with procedures of the Administrator, transfer to the Trustee within sixty (60) days after receiving the distribution the entire amount of such distribution, except that the maximum amount of the distribution that may be transferred to this Plan shall not exceed the portion of the distribution that would be includible in the Eligible Employee's gross income but for the transfer. Transfers pursuant to this paragraph may be made before the Eligible Employee becomes a Participant and regardless of whether the Eligible Employee has satisfied the service requirements of Subsection 1.12.
- (c) Administration. The Administrator may develop such procedures, including procedures for obtaining information from an Eligible Employee desiring to make

a transfer, as it deems necessary or desirable to enable it to determine that the proposed transfer will meet the requirements of this Subsection 6.4. If such requirements are met, the amount transferred shall be deposited in the Trust Fund and shall be credited to a Rollover Account. The Rollover Account shall be one hundred percent (100%) vested in the Eligible Employee and shall share in the allocation of gains or losses, as the case may be, in accordance with Subsection 6.2 hereof, but shall not share in any other allocations. Upon termination of employment, the total amount of the Eligible Employee's Rollover Account shall be distributed in accordance with Section 8. In the case of an Eligible Employee who has not completed the service requirements of Subsection 1.12 at the date of the transfer, the Rollover Account shall represent the Eligible Employee's sole interest in the Plan until he or she becomes a Participant.

6.5 De Minimis Allocations

Notwithstanding any other Plan provision, (a) earnings or any other amounts that would otherwise be allocated to a Participant's Account after it has been paid out in a lump sum distribution need not be credited to the Account if such amounts are expected to be de minimis, as determined under guidelines established by the Administrator or other Plan fiduciary, and those amounts shall be allocated to other Participants in the manner the Administrator or other Plan fiduciary determines to be appropriate; and (b) if the amount in a Participant's Account (including amounts that would otherwise be allocated to the Participant's Account) is less than the cost of distributing such amount, as reasonably determined by the Administrator or other Plan fiduciary, to avoid incurring a net loss to the Plan, the Participant's Account may be reduced to zero by the cost of the distribution, and any amount that would otherwise have been allocated to the Participant's Account shall be allocated to other Participants in the manner the Administrator or other Plan fiduciary determines to be appropriate.

7. WITHDRAWALS DURING EMPLOYMENT

7.1 Withdrawal from Employee Contributions Accounts

By filing the Appropriate Form upon 15 days prior advance notice (or such other period of time as the Administrator may prescribe), a Participant may elect to withdraw in cash from his or her Employee Contributions Account, any amount (with a \$250 minimum) not exceeding the full value of his or her Employee Contributions Account, determined as of the Valuation Date prior to the effective date of the withdrawal. Any withdrawals pursuant to this Section 7 shall be taken pro-rata from the investment funds in which the Participant's Accounts are invested.

Not more than one withdrawal may be made pursuant to this Subsection 7.1 in any consecutive 12-month period (or such other frequency limitation as the Administrator may prescribe).

7.2 No Repayment of Withdrawal

A Participant may not repay to the Trust Fund any amounts voluntarily withdrawn hereunder.

7.3 Payment of Withdrawn Amounts

Amounts withdrawn pursuant to Subsection 7.1 shall be paid to a Participant in a lump sum in cash as soon as practicable after the effective date of the withdrawal.

8. DISTRIBUTIONS ON TERMINATION OF EMPLOYMENT

8.1 General

When a Participant's employment with all Employers is terminated for any reason, the total value of such Participant's vested Accounts shall be distributed to him or her or, if distribution is being made by reason of death, to his or her Beneficiary. Such distribution shall be made in accordance with the provisions of Section 9. Any portion of a Participant's Employer Contributions Account in which he or she does not have a vested

interest in accordance with Section 5 at the time of such payment shall be treated as described in Subsection 5.3.

9. PAYMENT OF BENEFITS

9.1 Timing and Form of Payment

- (a) All amounts distributable pursuant to Section 8 shall be paid to the Participant or his or her Beneficiary, as the case may be, in accordance with the provisions of this Section 9.
- (b) Distributions to or on behalf of a Participant shall be made or commence no later than 60 days after the end of the Plan Year in which occurs the Participant's termination of employment, or as soon thereafter as administratively practicable.
- (c) At the election of the distributee, distribution may be made in a lump sum, a direct rollover if available under paragraph (d), or in various distribution options offered from time to time by the Contract Administrator or other entity designated by the Administrator (such as an investment company in whose funds Participant Accounts may be invested under Section 4.1). Distribution options may include the purchase of an annuity contract or periodic withdrawals. All distributions shall be made in cash, except to the extent otherwise permitted in connection with a direct rollover pursuant to paragraph (d).
- (d) Effective January 1, 1993, an eligible distributee may elect to have the eligible portion of his or her distribution (including Employee Contributions effective January 1, 2002) directly rolled over to an eligible retirement plan in accordance with Code Section 402(c). If an eligible distributee has not properly elected the payment form by the date distribution is to be made or commenced pursuant to paragraph (b), the eligible portion of the distribution shall be directly rolled over to an individual retirement account established with the Contract Administrator (or other entity designated by the Administrator) in the name of the distributee.

- (e) Prior to distribution, the Participant's Accounts will be valued to reflect all contributions, distributions, income earned or losses attributable to the Participant's Accounts, increases or decreases in value of the Participant's Accounts and expenses payable from the Trust Fund since the preceding Valuation Date.

9.2 Designation of Beneficiary

- (a) Subject to paragraph (b) below, a Participant may file with the Company a written designation of Beneficiary or Beneficiaries with respect to all or part of the assets in the Accounts of the Participant. Upon the death of a Participant, the assets in his or her Accounts with respect to which such a designation is valid and enforceable shall be distributed in accordance with the Plan to the Beneficiary or Beneficiaries designated and in any event not later than the fifth anniversary of the death of the Participant. Accounts not affected by such written designation shall be distributed in accordance with the plan to the Participant's Surviving Spouse or if unmarried to such Participant's estate.
- (b) The Participant's Surviving Spouse shall be the Beneficiary entitled to receive all benefits payable on the death of the Participant unless the Participant designates another Beneficiary and the Spouse or Surviving Spouse consents in writing to the designation. A Participant may change his or her Beneficiary or Beneficiaries from time to time on an Appropriate Form without the consent of any previously designated Beneficiary or Beneficiaries, but with the consent of the Spouse or Surviving Spouse if the Participant designates a Beneficiary other than the Spouse or Surviving Spouse.

9.3 Restriction Against Assignment; Qualified Domestic Relations Orders

It is a condition of the Plan, and all rights of each Participant and Beneficiary shall be subject thereto, that no right or interest of any Participant or Beneficiary in the Plan and no benefit payable under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any action by

way of anticipating, alienating, selling, transferring, assigning, pledging, encumbering, or charging the same shall be void and of no effect; nor shall any such right, interest or benefit be in any manner liable for or subject to the debts, contracts, liabilities, engagements, or torts of the person entitled to such right, interest or benefit, except as specifically provided in this Plan.

Notwithstanding any limitations and restrictions on distributions under this Plan with respect to Participants, payments may be made to an "alternate payee" pursuant to a "qualified domestic relations order" as those terms are defined in Section 414(p) of the Code. A domestic relations order may be qualified despite the fact that it directs the Administrator to make a payment to an alternate payee prior to the time such payment could have been made to a Participant. The Accounts of any Participant subject to such an order shall be adjusted in accordance with procedures established by the Administrator and in accordance with applicable law, regulations and rules to reflect payments made pursuant to the qualified domestic relations order.

9.4 Payments in the Event of Incompetence

If any person entitled to receive any benefits hereunder is, in the judgment of the Administrator, legally, physically, or mentally incapable of personally receiving and receipting for any distribution, the Administrator may direct that any distribution due such person, unless claim has been made therefor by a duly appointed legal representative, be made to his or her Spouse, children or other dependents, or to a person with whom he or she resides, and any distribution so made shall be a complete discharge of the liabilities of the Plan with respect to the amount distributed.

9.5 Discharge of Plan Obligations

The determination of the Administrator as to the identity of the proper payee of any benefit payment from the Trust Fund and the amount properly payable shall be conclusive, and payments in accordance with such determination shall constitute a complete discharge of all obligations on account thereof.

9.6 Required Distribution Date

Notwithstanding any other provision of this Plan, distribution of a Participant's interest in the Plan shall commence no later than the April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2 or terminates employment with the Employer, whichever is later.

9.7 Failure to Locate Payee

If any amount is payable from the Trust Fund to any person and, after written notice from the Administrator mailed to such person's last known address, and such person shall not have presented himself or herself to the Administrator within one year after the mailing of such notice, such amount shall be forfeited and applied to reduce Employer Contributions pursuant to Subsection 3.1; provided however, that the forfeited amount shall be restored and paid to the proper payee without being credited with interest or any other earnings upon any ultimate claim for benefits by such proper payee prior to complete Plan termination. Upon complete termination of this Plan, any unclaimed amounts that have not been forfeited shall first be applied to reduce Employer Contributions then due pursuant to Subsection 3.1. Any remaining unclaimed amounts shall be allocated among all remaining Participants in proportion to their Compensation for the portion of the Plan Year prior to the termination date, subject to the limitations of Section 3.4 (setting forth the limits under Code Section 415). The right of any person to restoration of forfeited or unclaimed amounts shall cease upon final distribution due to complete termination of this Plan.

10. **ADMINISTRATION OF THE PLAN**

10.1 Plan Administrator

The Company is the "plan administrator" of the Plan, acting through the Board of Directors or its delegate appointed pursuant to Subsection 10.2.

10.2 Appointment of the Administrator

The Board of Directors may appoint one or more individuals to serve as the Administrator who shall, on the Company's behalf, perform the duties of "plan administrator." Any individuals, including but not limited to Employees and Participants, may be appointed to serve as the Administrator. A person serving as the Administrator shall serve until his or her resignation or dismissal by the Board of Directors. Vacancies shall be filled in the same manner as the original appointment. A person serving as the Administrator may resign by giving written notice which shall be effective on the earlier of the appointment of his or her successor or the passing of 60 days after such notice is mailed or personally delivered to the Board of Directors.

If more than one person is appointed to serve as Administrator, they may appoint from their number such committees with such powers as they shall determine; may authorize one or more of their number as agent to execute or deliver any instrument or make any payment on behalf of the Administrator; and may retain counsel, employ agents and obtain clerical, consulting and accounting services as the Administrator may require or deem advisable from time to time. The Administrator shall hold meetings at such place or places and at such time or times as they may from time to time determine.

A majority of the individuals appointed to serve as Administrator then in office shall constitute a quorum for the transaction of business at any meeting of the Administrator. The vote of a majority of the members present at the time of the vote, if a quorum is present at such time, shall be the act of the Administrator. Any action required or permitted to be taken at any meeting of the Administrator may be taken without a meeting, if all the members consent thereto in writing.

10.3 Responsibility of Administrator

Subject to Subsection 10.1, the Administrator shall be responsible for the administration, operation and interpretation of the Plan. The Administrator shall establish rules from time to time for the transaction of its business. It shall have the exclusive right to

interpret the Plan and to decide any and all matters arising thereunder or in connection with the administration of the Plan, including, but not limited to, eligibility for benefits.

Such decisions, actions and records of the Administrator shall be conclusive and binding upon the Employer and all persons having or claiming to have any right or interest in or under the Plan.

The Administrator shall maintain accounts to the extent it deems necessary or appropriate showing the fiscal transactions of the Plan.

10.4 Claims Procedure

In the event that any Participant or other payee claims to be entitled to a benefit under the Plan, and the Administrator determines that such claim should be denied in whole or in part, the Administrator shall, in writing, notify such claimant within 90 days of receipt of such claim that his or her claim has been denied, setting forth the specific reasons for such denial. Such notification shall be written in a manner reasonably expected to be understood by such Participant or other payee and shall set forth the pertinent sections of the Plan relied on, and where appropriate, an explanation of how the claimant can obtain review of such denial. Within 60 days after receipt of such notice, such claimant may request, by mailing or delivery of written notice to the Administrator, a review by the Administrator of the decision denying the claim. If the claimant fails to request such a review within such 60 day period, it shall be conclusively determined for all purposes of this Plan that the denial of such claim by the Administrator is correct. If such claimant requests a review within such 60 day period, the Participant or other payee shall have 30 days after filing a request for review to submit additional written material in support of the claim. Within 60 days after the later of its receipt of the request for review or the request to submit additional written material, the Administrator shall determine whether such denial of the claim was correct and shall notify such claimant in writing of its determination. If such determination is favorable to the claimant, it shall be binding and conclusive. If such determination is adverse to such claimant, it shall be binding and conclusive unless the claimant notifies the Administrator within 90 days after the mailing or delivery to him or her by the Administrator of its determination, that the claimant

intends to institute legal proceedings challenging the determination of the Administrator, and actually institutes such legal proceedings within 180 days after such mailing or delivery.

10.5 Limitation on Liability

The Administrator shall not be liable for any act or omission on its part, excepting only its own willful misconduct or gross negligence or except as otherwise expressly provided by applicable law. To the extent permitted by applicable law, the Company shall indemnify and save harmless the Administrator against any and all claims, demands, suits or proceedings in connection with the Plan and Trust Fund that may be brought by Participants or their Beneficiaries, Employees of participating companies, or by any other person, corporation, entity, government or agency thereof; provided, however that such indemnification shall not apply with respect to acts or omissions of willful misconduct or gross negligence. The Board of Directors, at the Company's expense, may settle such claim or demand asserted, or suit or proceedings brought, against the Administrator when such settlement appears to be in the best interest of the Company.

10.6 Agent for Service of Process

The Administrator or such other person as may from time to time be designated by the Administrator shall be the agent for service of process under the Plan.

10.7 Form, Content, Manner, and Timing of Notices, Etc.

All communications (including all notices, consents, requests, and elections) from Participants, Beneficiaries, or anyone else claiming rights or benefits under this Plan must be made in the form, must contain the content, must be delivered within the deadlines, must be given by the means, must satisfy all requirements, and will become effective following receipt, in each case as prescribed by the Administrator or its delegates (or, to the extent none are prescribed, as may be acceptable to them). The Administrator or its delegates, without liability, may disregard any communication made otherwise.

All communications shall be transmitted by the means (e.g., in writing or via another acceptable means such as a Plan-provided voice response system) the Administrator or its delegates prescribe or elect to use, except that communications from them shall be sent by the means prescribed by law, if applicable. Every reference in this Plan to “written” communications shall also be deemed to be a reference to writing substitutes (e.g., e-mail) acceptable to the Administrator or its delegates for the type of communication involved.

10.8 Delivery of Notice to Participants

All notices, statements, reports and other communications required or permitted under the Plan from the Employer or the Administrator to any Employee, Participant, Beneficiary or other person, shall be deemed to have been duly given when delivered to, or when mailed by first-class mail, postage prepaid, and addressed to such person at this address last appearing on the records of the Administrator.

10.9 Effect of Fiduciary Action

The Plan shall be interpreted by the Administrator and all Plan fiduciaries in accordance with the terms of the Plan and their intended meanings. The Administrator and its delegates normally shall administer the Plan in accordance with its terms. However, they shall have the nonfiduciary, settlor discretion to deviate from the Plan’s written terms in any way that they choose that would not adversely impact the Plan’s qualified status if the administrative actions taken were provided for in the Plan’s written terms. Any such act or omission shall constitute an operational amendment to the Plan authorizing the act or omission, unless the Administrator determines, in its nonfiduciary settlor discretion, that the act or omission was inappropriate. The Administrator shall maintain a written record of operational amendments, which it shall periodically update to reflect previously unrecorded operational amendments. However, operational amendments shall not be incorporated into the formal Plan document unless the Administrator determines that they have ongoing application. This subsection may not be invoked by anyone to require a deviation from Plan terms to be treated as an operational amendment unless the

Administrator has elected to treat it as such, as evidenced by its written record of operational amendments, as amended or updated from time to time.

The Administrator and all Plan fiduciaries shall have the discretion to make any findings of fact or law needed in the administration of the Plan, and shall have the discretion to interpret or construe ambiguous, unclear or implied (but omitted) terms in any fashion they deem to be appropriate in their sole judgment. All determinations and decisions made by the Administrator and Plan fiduciaries in connection with the Plan shall be made in their sole discretion even when the Plan does not explicitly so state.

To the extent the Administrator or any Plan fiduciary has been granted discretionary authority under the Plan, the Administrator's or Plan fiduciary's prior exercise of such authority shall not obligate it to exercise its authority in a like fashion thereafter.

If, due to errors in drafting, any Plan provision does not accurately reflect its intended meaning, as demonstrated by consistent interpretations or other evidence of intent, or as determined by the Administrator in its sole and exclusive judgment, the provision shall be considered ambiguous and shall be interpreted by the Administrator and all Plan fiduciaries in a fashion consistent with its intent, as determined by the Administrator in its sole discretion. The Administrator shall amend the Plan retroactively to cure any such ambiguity.

This subsection may not be invoked by any person to require the Plan to be interpreted in a manner that is inconsistent with its interpretation by the Administrator or by any Plan fiduciaries.

All actions taken and all determinations made in good faith by the Administrator or by Plan fiduciaries shall be final and binding on all persons claiming any interest in or under the Plan. If the validity of an Administrator or Plan fiduciary exercise of discretion, finding of fact or of law, interpretation, construction, or decision is challenged in court, by arbitration, or in any other forum, it shall not be given de novo review; rather, it shall be upheld unless clearly arbitrary or capricious.

10.10 No Employment Rights

The establishment of the Plan shall not be construed as conferring any rights upon any person or Employee for employment or a continuation of employment, nor shall it be construed as limiting in any way the right of the Employer to discharge any Employee or to treat him or her without regard to the effect which such treatment might have upon him or her as a Participant under the Plan.

11. **MANAGEMENT OF THE TRUST FUND**

11.1 Trust Agreement

All assets of the Plan shall be held as a Trust Fund under a Trust Agreement with the Trustee for the exclusive benefit of Participants and their Beneficiaries under the Plan, and paying the expenses of the Plan not paid directly by the Company, and prior to the satisfaction of all liabilities with respect to such persons, no part of the corpus or income of the Trust Fund shall be used for or diverted to purposes other than for the exclusive benefit of such persons. No such person, nor any other person, shall have any interest in or right to any part of the earnings of the Trust Fund, or any rights in, to, or under the Trust Fund or any part of its assets, except to the extent expressly provided in the Plan.

11.2 Appointment of the Trustee

All contributions to the Trust Fund shall be committed to the Trustee, who shall be appointed by the Board of Directors, with such powers in the Trustee as to investment, reinvestment, control and disbursement of the Trust Fund as shall be in accordance with the Plan and Trust Agreement. The Board of Directors may remove the Trustee at any time, upon reasonable notice, and upon such removal or upon the resignation of the Trustee, the Board of Directors shall designate a successor Trustee.

11.3 Form of Disbursements

The Trustee shall determine the manner in which the Trust Fund shall be disbursed in accordance with the Plan and the provisions of the Trust Agreement, including the form of voucher or warrant to be used in authorizing disbursements and the qualifications of

persons authorized to approve and sign the same and any other matters incident to the disbursement of the Trust Fund.

11.4 Expenses of the Plan

Unless paid by the Company, the expenses of the administration of the Plan shall be deemed to be expenses of the Trust Fund.

12. **AMENDMENT OF THE PLAN**

12.1 Plan Amendments

This Plan may be wholly or partially amended or otherwise modified at any time by the Board of Directors, provided, however, that:

- (a) No amendment or modification can be made which would permit any part of the corpus or income of the Trust Fund to be used for or diverted to purposes other than for the exclusive benefit of such Participants and their beneficiaries under the Plan and for the payment of the expenses of the Plan;
- (b) No amendment or modification shall have any retroactive effect so as to deprive any person of any benefit already accrued, except that any amendment may be made retroactive which is necessary to bring the Plan into conformity with governmental regulations in order to qualify the Plan for tax purposes;
- (c) No amendment or modification may be made which shall increase the duties or liabilities of the Trustee, or of the Company without the written consent of the party so affected.

Any other provision of this Plan to the contrary notwithstanding, if any amendment to the Code requires that a conforming plan amendment be adopted as of a stated effective date in order for this Plan to continue to be a qualified plan, this Plan shall be operated in accordance with the requirements of that Code provision after its effective date as to the Plan until a conforming plan amendment is adopted or a clear and unambiguous nonconforming plan amendment is adopted, whichever occurs first. Notwithstanding any

other Plan provision, to the extent that any Plan provision would cause the Plan to be disqualified because the provision was authorized or permitted by an EGTRRA provision that has since been permitted to expire without being renewed, the provision shall be ignored.

Notwithstanding any Plan provision to the contrary, to the extent the Administrator determines in its sole discretion that implementation of any Plan provision might or would cause the Plan to fail to conform with, or Plan contributions, benefit accruals, or distributions to fail to satisfy, state or local law requirements for favorable tax treatment that have not yet been conformed with federal law (a "state non-conformity problem"), the Administrator may, in its discretion, delay, discontinue, or modify implementation of the provision in question for Participants in that state or local jurisdiction or for all Participants. Within a reasonable period of time after the state non-conformity problem ceases to exist, or before then if the Administrator elects to implement the provision notwithstanding the state non-conformity problem, the Administrator shall fully implement the Plan provision in question. Any actions the Administrator takes to delay, discontinue, or modify implementation of any Plan provision because of a state non-conformity problem shall be deemed a plan amendment, but need not be formally included in this Plan document.

13. DISCONTINUANCE OF THE PLAN

13.1 Termination of Plan

The Plan may be partially or completely terminated at any time by the Board of Directors by written notice to the Administrator at the time acting hereunder. In the event of any partial or complete termination of the Plan, all affected Participants' Accounts shall become fully vested and nonforfeitable.

13.2 Revaluation on Termination

If the Plan is terminated pursuant to Subsection 13.1, the Trust Fund shall be revalued as if the termination date were a Valuation Date, and the current value of all Accounts shall be distributed in accordance with Section 9.

13.3 Discontinuance of Employer Contributions

The Company may at any time, by resolutions of the Board of Directors, permanently and completely discontinue Employer Contributions to the Plan. If the Company permanently and completely discontinues Employer Contributions, either by Board of Directors' resolution or otherwise, the amounts credited to the Accounts of affected Participants shall become fully vested and nonforfeitable. In such event, the Company and the Administrator shall proceed under Subsection 13.2. If no action has been taken by the Company in connection with a complete discontinuance of Employer Contributions to the Plan, it shall be deemed that Subsection 13.2 is applicable.

13.4 Limitation on Merger – Transfer of Assets

No merger or consolidation with, or transfer of assets or liabilities to any other pension or retirement plan shall be made unless the benefit each Participant in this Plan would receive if the Plan were terminated immediately after such merger or consolidation, or transfer of assets and liabilities, would be at least as great as the benefit he or she would have received had the Plan terminated immediately before such merger, consolidation or transfer.

14. **PARTICIPATION IN THE PLAN BY AFFILIATES**

14.1 Participation by Affiliates

Any subsidiary or affiliate of the Company that is a Governmental Entity may, with the consent of the Board of Directors, become a party to this Plan by adopting the Plan for some or all of its employees and by executing the Trust Agreement if required under such Trust Agreement. Upon the filing with the Administrator of a certified copy of the resolutions or other documents evidencing the adoption of this Plan and a written instrument showing the consent of the Board of Directors of the Company to participation by such subsidiary or affiliate and upon the execution of the Trust Agreement by such affiliate, if required under such Trust Agreement, it shall be bound by all the terms thereof as they relate to its employees. Any contributions provided for in the Plan and made by such subsidiary or affiliate shall become a part of the Trust Fund

and shall be held by the Trustee subject to the terms and provisions of the Trust Agreement.

14.2 Withdrawal of Affiliates

In the event that a subsidiary or affiliate of the Company which has become a participating Employer pursuant to the provisions of Subsection 14.1 shall cease to be a subsidiary or affiliate of the Company, such organization shall forthwith be deemed to have withdrawn from the Plan and the Trust Agreement. Any one or more of the entities may voluntarily withdraw from the Plan by giving six months notice in writing of such intention to withdraw to the Board of Directors and to the Trustee (unless a shorter notice shall be agreed to by the Board of Directors and by the Trustee).

Upon any such withdrawal by any such affiliate, the Trustee shall determine that portion of the Trust Fund allocable to the Participants and their Beneficiaries thereby affected. The Trustee shall then set aside from the Trust Fund assets then held by it, such securities and other property as it shall deem to be equal in value to the portion of the Trust Fund so allocable to the withdrawing affiliate. The Trustee shall either (a) hold such assets so set aside and apply the same for the exclusive benefit of the Participants and Beneficiaries so affected in accordance with Subsection 13.2 as if that portion of the Plan had been terminated pursuant to Subsection 13.1 upon the date of such withdrawal, or (b) deliver such assets to a trustee to be selected by such withdrawing entity.

**PALOMAR POMERADO HEALTH
MONEY PURCHASE PENSION PLAN**

APPENDIX A

Selected Individuals

Part I

Anamaria Repetti
Bob Hemker
Gerald Bracht
Gil Taylor
Loraine Wiencek
Lori Wells
Marcia Jackson
Michael Covert
Valentino Tesoro

Part II

Joseph Levesque
David Young

**PALOMAR POMERADO HEALTH
MONEY PURCHASE PENSION PLAN**

APPENDIX B

Supplemental Employer Contributions Pursuant to Section 3.7 of the Plan

<u>Title</u>	<u>Supplemental Employer Contribution Percentage</u>
Chief Executive Officer	19%
Chief Administrative Officer, Palomar	3.5%
Chief Administrative Officer, Pomerado	3.5%
Chief Financial Officer	3.5%
Chief Quality & Clinical Effectiveness Officer	3.5%
Chief Information Officer	1%
Chief Strategic Planning Officer	1%
Chief Nursing Officer	1%
Chief Human Resources Officer	1%
Chief Marketing Officer	1%

Effective for the Plan Year beginning on July 1, 2005:

<u>Title</u>	<u>Supplemental Employer Contribution Percentage</u>
Chief Executive Officer	39.5%
Chief Administrative Officer, Palomar	3.5%
Chief Administrative Officer, Pomerado	3.5%
Chief Financial Officer	3.5%
Chief Medical Quality Officer	3.5%

Chief Medical Information Officer	3.5%
Chief Information Officer	1%
Chief Strategic Planning Officer	1%
Chief Nursing Officer	1%
Chief Human Resources Officer	1%
Chief Marketing Officer	1%
Chief Community Outreach Officer	1%
Chief Clinical Outreach Officer	1%
General Counsel	1%

Effective for Plan Years beginning on or after July 1, 2006:

<u>Title</u>	<u>Supplemental Employer Contribution Percentage</u>
Chief Executive Officer	32%
Chief Administrative Officer, Palomar	3.5%
Chief Administrative Officer, Pomerado	3.5%
Chief Financial Officer	3.5%
Chief Medical Quality Officer	3.5%
Chief Medical Information Officer	3.5%
Chief Information Officer	1%
Chief Strategic Planning Officer	1%
Chief Nursing Officer	1%
Chief Human Resources Officer	1%
Chief Marketing Officer	1%
Chief Community Outreach Officer	1%
Chief Clinical Outreach Officer	1%
General Counsel	1%

**PALOMAR POMERADO HEALTH
MONEY PURCHASE PENSION PLAN**

APPENDIX C

Qualified Governmental Excess Benefit Arrangement Established Pursuant to

Section 415(m) of the Internal Revenue Code of 1986, as amended

This excess benefit arrangement (this "Arrangement") is intended to constitute a qualified governmental excess benefit arrangement under the Palomar Pomerado Health Money Purchase Pension Plan (the "Plan") in accordance with Section 415(m) of the Code. The Plan is intended to be a tax-qualified money purchase pension plan under Section 401(a) of the Code and is a governmental plan as defined in Section 414(d) of the Code. In furtherance of that intention, notwithstanding anything to the contrary contained in this Arrangement:

- (i) This Arrangement is maintained solely for the purpose of providing to Participants in the Plan that part of the Participant's Employer Contributions that otherwise would have been contributed to or on behalf of such Participants pursuant to Sections 3.1 and 3.7 of the Plan but which were not paid because of the limitations on contributions imposed by Section 415 of the Code;
- (ii) Under this Arrangement, no election is provided at any time to the Participant (directly or indirectly) to defer compensation; and
- (iii) Benefits under this Arrangement and described in clause (i) above will not be paid from a trust forming a part of the Plan unless such trust is maintained solely for the purpose of providing such benefits.

This Arrangement is to be construed in accordance with Section 415(m) of the Code and the Treasury Regulations and other authority issued thereunder. Except as otherwise provided, this Arrangement shall be effective as of January 1, 2004, with respect to limitation years beginning on or after July 1, 2003. This Arrangement shall be deemed a portion of the Plan solely to the extent required under, and within the meaning of, Section 415(m)(3) of the Code.

1. DEFINITIONS

As used in this Arrangement, the following terms shall have the following respective meanings, unless a different meaning is required by the context. Capitalized terms used in this Arrangement which are not defined herein shall have the meaning attributed to them in the Plan.

- 1.1 “Arrangement Account” means the separate account maintained for each Participant in this Arrangement to hold the Employer Contributions made on behalf of such Participant pursuant to Section 3.2 of this Arrangement. A Participant’s Arrangement Account shall be considered an “Account” for purposes of Sections 6.3, 6.5, 9.2, 9.3 and 13.1 of the Plan.
- 1.2 “Arrangement Account Balance” means (i) the sum of all amounts contributed on behalf of a Participant in accordance with Section 3.2 of this Arrangement, plus (ii) the investment earnings and losses credited or charged in accordance with all the applicable provisions of this Arrangement that relate to the Participant’s Arrangement Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Arrangement that relate to the Participant’s Arrangement Account. The Arrangement Account Balance shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant, or his or her designated Beneficiary, pursuant to this Arrangement.
- 1.3 “Arrangement Trust Agreement” means the agreement entered into between the Company and the Arrangement Trustee, as provided for in Section 5 below, as the same may be amended from time to time.
- 1.4 “Arrangement Trustee” means the trustee or trustees selected by the Board of Directors who may at any time be acting as Arrangement Trustee under the Arrangement Trust Agreement.
- 1.5 “Arrangement Trust Fund” means all the assets at any time held under this Arrangement by the Arrangement Trustee as provided for in Section 5 below and the Arrangement Trust Agreement.

2. ELIGIBILITY

All Participants in the Plan for which the Employer Contributions to be made under the Plan are limited by the provisions of Section 415 of the Code or by Section 3.4 of the Plan shall automatically participate in this Arrangement and receive Employer Contributions hereunder in accordance with Section 3.2 below. Participation in this Arrangement by such Participants shall be mandatory. No other Participant or Beneficiary shall have any rights under this Arrangement. No after-tax Employee Contributions will be permitted under this Arrangement.

3. ACCOUNTS

3.1 Accounts

- (a) Separate Accounts to Reflect Employer Contributions under this Arrangement. Solely for record keeping purposes, the Administrator shall establish an Arrangement Account for each Participant in this Arrangement which shall reflect the portion of the Participant's interest in the Arrangement Trust Fund which is attributable to such Arrangement Account.
- (b) Valuation of Accounts. As of each Valuation Date, the Administrator shall adjust the Arrangement Accounts of each Participant in this Arrangement to reflect contributions, distributions, income earned or losses applicable to the Participant's Arrangement Account, increases or decreases in the value of the Participant's Arrangement Account or expenses payable from the Arrangement Trust Fund not otherwise paid by the Company since the preceding Valuation Date.

3.2 Contributions under this Arrangement

- (a) Only Employer Contributions Permitted. All contributions under this Arrangement shall be Employer Contributions. No election shall be provided at any time to any Participant, directly or indirectly, to defer compensation under this Agreement.
- (b) Amount of Employer Contributions under this Arrangement. The amount of

Employer Contributions to be made under this Arrangement shall be equal to the Employer Contributions that would otherwise have been contributed to or on behalf of a Participant pursuant to Sections 3.1 and 3.7 of the Plan but which were not paid because of the limitations on contributions imposed by Section 415 of the Code and Section 3.4 of the Plan. The amounts to be contributed hereunder, if any, shall be calculated for purposes of the Plan Year ending on June 30, 2004 by the Administrator for such Plan Year, and for subsequent Plan Years for each payroll period, and contributed by the Employer for such Plan Year or payroll period, as applicable, and allocated to the Arrangement Accounts of the Participants in this Arrangement.

3.3 Vesting

- (a) Vesting in Arrangement Account. A Participant's Arrangement Account will be vested to the same extent as such Participant's Employer Contributions Account is vested under Section 5.2 of the Plan.
- (b) Forfeiture of Non-Vested Interest. Any portion of a Participant's Arrangement Account in which he or she does not have a vested interest at the time of his or her termination of employment shall be forfeited. All forfeitures shall be applied to reduce Employer Contributions under this Arrangement.

3.4 Investment of Contributions

- (a) Initial Investment Allocation to be Made Pursuant to Elections under the Plan. The Company shall direct the Arrangement Trustee to invest the Employer Contributions made under this Arrangement on behalf of any Participant and allocated to his or her Arrangement Account at the time of his or her initial eligibility under this Arrangement according to the investment elections made by such Participant under Section 4 of the Plan in effect at such time. Such Participant's Arrangement Account shall be charged or credited with earnings, gains, losses or expenses, as the case may be.

- (b) Election Changes. The Administrator may, in its sole discretion, establish procedures governing the manner in which changes in the investment elections applicable to the Arrangement Accounts may be made by Participants in this Arrangement.

4. DISTRIBUTIONS

- 4.1 Distributions on Termination of Employment. When a Participant's employment with all Employers is terminated for any reason, the total value of such Participant's Arrangement Account shall be distributed to him or her or, if distribution is being made by reason of death, to his or her Beneficiary. Such distribution shall be payable in a lump sum no later than sixty (60) days following the date of such Participant's termination of employment. No distributions will be permitted prior to a Participant's termination of employment.
- 4.2 Designation of Beneficiary. A Participant may designate a Beneficiary or Beneficiaries pursuant to Section 9.2 of the Plan.
- 4.3 Failure to Locate Participants. Section 9.7 of the Plan shall also apply to amounts payable from the Arrangement Trust Fund, provided that any amounts forfeited thereunder which are attributable to an Arrangement Account shall only be applied to reduce the Employer Contributions under this Arrangement.

5. TRUST

5.1 Arrangement Trust Agreement

- (a) Arrangement Trust Fund. The Company shall establish the Arrangement Trust Fund which shall be maintained solely for the purposes of providing the benefits under this Arrangement and shall be separate from the Trust Fund maintained under Section 11 of the Plan. All amounts payable under this Arrangement to or on behalf of Participants in this Arrangement shall be held by the Arrangement Trust Fund for the exclusive benefit of such Participants and their Beneficiaries and for paying the expenses of maintaining this Arrangement not paid directly by the Company. The Arrangement Trust Fund shall not accept contributions under

the Plan other than pursuant to this Arrangement, shall not invest funds of the Plan other than those related to this Arrangement and shall not pay any Plan benefits except to the extent provided by this Arrangement.

- (b) Arrangement Trust Fund to be Grantor Trust. The Arrangement Trust Fund shall be an irrevocable grantor trust which conforms to the terms of the model trust as described in Internal Revenue Service Revenue Procedure 92-64, I.R.B. 1992-33. The Arrangement Trust Fund will be subject to the claims of each Employer's creditors in the event of its insolvency or bankruptcy. Except as provided under the Arrangement Trust Agreement, no Employer shall be obligated to set aside, earmark or escrow any funds or other assets to satisfy its obligations under this Arrangement, and a Participant and/or his or her designated Beneficiaries shall not have any property interest in any specific assets of an Employer other than the unsecured right to receive payments from the Employer, as provided in this Arrangement or the Arrangement Trust Agreement.
- (c) Use of Common Services. The Arrangement Trust Fund shall be entitled to utilize the investment advisor, brokerage and other third party services common to both the Plan and this Arrangement. The Arrangement Trustee shall maintain appropriate accounting and invoicing records for those services which are allocable to this Arrangement.

5.2 Appointment of the Trustee. All contributions to the Arrangement Trust Fund shall be committed to the Arrangement Trustee, who shall be appointed by the Board of Directors, with such powers in the Arrangement Trustee as to investment, reinvestment, control and disbursement of the Arrangement Trust Fund as shall be in accordance with this Arrangement and the Arrangement Trust Agreement. The Board of Directors may remove the Arrangement Trustee at any time, upon reasonable notice, and upon such removal or upon the resignation of the Arrangement Trustee, the Board of Directors shall designate a successor Arrangement Trustee.

5.3 Form of Disbursements. The Trustee shall determine the manner in which the Arrangement Trust Fund shall be disbursed in accordance with this Arrangement and the

provisions of the Arrangement Trust Agreement, including the form of voucher or warrant to be used in authorizing disbursements and the qualifications of the persons authorized to approve and sign the same and any other matters incident to the disbursement of the Arrangement Trust Fund.

5.4 Expenses Related to Arrangement. Unless paid by the Company, the expenses of the administration of this Arrangement shall be deemed to be expenses of the Arrangement Trust Fund.

5.5 No Use of Trust Fund Assets. No benefits under this Arrangement and no expenses of maintaining this Arrangement shall be paid by the Trust Fund maintained under Section 11 of the Plan. Employer assets used to provide benefits under this Arrangement may not be commingled with the monies of the Plan or any other qualified plans, nor may this Arrangement ever receive any transfer of assets from the Trust Fund maintained under Section 11 of the Plan.

6. ADMINISTRATION

This Arrangement shall be administered by the Administrator in accordance with Section 10 of the Plan.

7. AMENDMENT AND TERMINATION OF ARRANGEMENT

While the Company intends to maintain this Arrangement in conjunction with the Plan for as long as necessary, this Arrangement may be wholly or partially amended or otherwise modified or terminated at any time by the Board of Directors, including any amendments to preserve the tax-qualified status of the Plan, to comply with Section 415(m) of the Code or to comply with federal or state laws. In the event of the termination of this Arrangement in the absence of a termination of the Plan, all of the Participants' Arrangement Accounts hereunder shall become fully vested and nonforfeitable. If this Arrangement is terminated pursuant to this Section 7, the Arrangement Trust Fund shall be revalued as if the termination date were a Valuation Date, and the current value of all Arrangement Accounts shall be distributed in accordance with Section 4 above.

8. MISCELLANEOUS

- 8.1 Status of Arrangement. This Arrangement is intended to constitute a qualified governmental excess benefit arrangement under the Plan as provided by Section 415(m) of the Code. This Arrangement shall be administered and interpreted to the extent possible in a manner consistent with that intent.
- 8.2 Unsecured General Creditor. A Participant and his or her Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of any Employer, the Participant's Arrangement Account Balance or any property or assets of the Arrangement Trust Fund. For purposes of the payment of benefits under this Arrangement, any and all of an Employer's assets shall be, and remain, the general, unpledged unrestricted assets of the Employer. An Employer's obligation under this Arrangement shall be merely that of an unfunded and unsecured promise to pay money in the future.
- 8.3 Restriction Against Assignment. A Participant's rights hereunder shall be subject to the restrictions set forth in Section 9.3 of the Plan.
- 8.4 Compliance. A Participant shall have no right to receive payment with respect to the Participant's Arrangement Account Balance until all legal and contractual obligations of the Employers relating to establishment of this Arrangement and the making of such payments shall have been complied with in full.
- 8.5 Employer Contributions. For purposes of Sections 3.5, 5.2 and 13.3 of the Plan, the term "Employer Contributions" shall include any Employer Contributions made pursuant to this Arrangement.

**PALOMAR POMERADO HEALTH
MONEY PURCHASE PENSION PLAN**

APPENDIX D

Limitation Period Provisions

The limitation year under the Plan was changed from the Plan Year to the calendar year effective July 1, 2005. Pursuant to Treasury Regulation Section 1.415-2(b)(4), the Plan must satisfy the limitations set forth in Section 415(c) of the Code for the resulting limitation period of July 1, 2005 through December 31, 2005. In applying the limits set forth in Section 415(c) of the Code during the limitation period, and in accordance with Treasury Regulation Section 1.415-2(b)(4), the following provisions shall apply for purposes of the Plan:

- (a) Notwithstanding any provision of the Plan to the contrary, in no event during the limitation period shall the “Annual Addition” (as hereinafter defined) on behalf of any Participant exceed the lesser of:
 - (1) 100% of the Participant’s compensation (as defined in Treas. Reg. Section 1.415-2(d), including elective amounts that are not includible in the Participant’s gross income under Code Section 125, 402(e)(3), 402(h) or 457) for the limitation period; or
 - (2) \$20,000, as adjusted for cost-of-living increases pursuant to Code Section 415(d).

- (b) “Annual Addition” means the sum for the limitation period of (i) Employer Contributions to defined contribution plans (combining, for this purpose, all defined contribution plans of the Employer, (ii) forfeitures allocated under all such plans, (iii) the amount of employee after-tax contributions under such plans (disregarding the repayment of any prior distributions made upon the exercise of

any reinstatement rights), and (iv) amounts allocated to an individual medical account, as defined in Section 415(l).

- (c) If the limitations applicable to any Participant in accordance with this Appendix D will be exceeded, the contributions made on behalf of a Participant under the Plan shall be reduced to the extent necessary to prevent disqualification of the Plan under the provisions of Section 415 of the Code in the following order, but only to the extent necessary to meet the limitations: (i) Employee Contributions; and (ii) Employer Contributions.

- (d) If a Participant in this Plan is a participant in any other tax-qualified defined contribution plan maintained by the Employer, the contributions made on behalf of a Participant under the other Plan shall be reduced prior to any reductions under this Plan.

**PALOMAR POMERADO HEALTH
MONEY PURCHASE PENSION PLAN**

APPENDIX E

Minimum Distribution Requirements – Model Revenue Procedure 2002-29 Amendment

1. GENERAL RULES

- 1.1. Effective Date. Unless an earlier effective date is specified in the Plan, the provisions of this Appendix E will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.
- 1.2. Coordination with Minimum Distribution Requirements Previously in Effect. If the Plan specifies an effective date of this Appendix E that is earlier than calendar years beginning with the 2003 calendar year, required minimum distributions for 2002 under this Appendix E will be determined as follows. If the total amount of 2002 required minimum distributions under the Plan made to the distributee prior to the effective date of this Appendix E equals or exceeds the required minimum distributions determined under this Appendix E, then no additional distributions will be required to be made for 2002 on or after such date to the distributee. If the total amount of 2002 required minimum distributions under the Plan made to the distributee prior to the effective date of this Appendix E is less than the amount determined under this Appendix E, then required minimum distributions for 2002 on and after such date will be determined so that the total amount of required minimum distributions for 2002 made to the distributee will be the amount determined under this Appendix E.
- 1.3. Precedence. The requirements of this Appendix E will take precedence over any inconsistent provisions of the Plan.
- 1.4. Requirements of Treasury Regulations Incorporated. All distributions required under this Appendix E will be determined and made in accordance with the Treasury regulations under Section 401(a)(9) of the Internal Revenue Code.

1.5. TEFRA Section 242(b)(2) Elections. Notwithstanding the other provisions of this Appendix E, distributions may be made under a designation made before January 1, 1984, in accordance with Section 242(b)(2) of the Tax Equity and Fiscal Responsibility

2. TIME AND MANNER OF DISTRIBUTION

2.1. 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.

2.2. 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, except otherwise as provided in the Plan, 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 70½, if later.
- (b) If the Participant's surviving spouse is not the Participant's sole Designated Beneficiary, then, except otherwise as provided in the Plan, distributions to the Designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.
- (c) If there is no Designated Beneficiary as of September 30 of the year 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) 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 2.2, other than Section 2.2(a), will apply as if the surviving spouse were the Participant.

For purposes of this Section 2.2 and Section 4, distributions are considered to begin on the Participant's required beginning date (or, if Section 2.2(d) applies, the date distributions are required to begin to the surviving spouse under Section 2.2(a)). If annuity payments 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 Section 2.2(a)), the date distributions are considered to begin is the date distributions actually commence.

- 2.3. Form of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first Distribution Calendar Year distributions will be made in accordance with Sections 3 and 4 of this Appendix. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Section 401(a)(9) of the Code and the Treasury regulations.

3. REQUIRED MINIMUM DISTRIBUTIONS DURING PARTICIPANT'S LIFETIME

- 3.1. 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 Section 1.401(a)(9)-9 of the Treasury regulations, 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, the quotient obtained by dividing the Participant's Account Balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the Distribution Calendar Year.

3.2. Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this Section 3 beginning with the first Distribution Calendar Year and up to and including the Distribution Calendar Year that includes the Participant's date of death.

4. **REQUIRED MINIMUM DISTRIBUTIONS AFTER PARTICIPANT'S DEATH**

4.1. 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, 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.

4.2. Death Before Date Distributions Begin.

(a) Participant Survived by Designated Beneficiary. Except as provided in the Plan, 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 provided in Section 4.1.

- (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 completed 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 Section 2.2(a), this Section 4.2 will apply as if the surviving spouse were the Participant.

5. DEFINITIONS

- 5.1. Designated Beneficiary. The individual who is designated as the beneficiary under Article VI of the Plan and is the designated beneficiary under Section 401(a)(9) of the Internal Revenue Code and Section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.
- 5.2. 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 which 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 2.2. 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.

- 5.3 Life Expectancy. Life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the Treasury regulations.
- 5.4 Participant's Account Balance. The account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.
- 5.5 Required Beginning Date. The date specified in Section 9.6 of the Plan.

IN WITNESS WHEREOF, this amended and restated Palomar Pomerado Health
Money Purchase Pension Plan document is executed this ____ day of _____, 2005.

PALOMAR POMERADO HEALTH

By: _____

Title: _____

PALOMAR POMERADO HEALTH

AMENDED AND RESTATED DEFERRED COMPENSATION PLAN

I. INTRODUCTION

Palomar Pomerado Health, a California Hospital District, merged its two Section 457 Eligible Deferred Compensation Plans; i.e., the Northern San Diego County Hospital District plan that was established under the American Hospital Association Master Compensation Deferral Plan and the Northern San Diego County Hospital District Salary Reduction Plan, which was established in cooperation with Glendale Federal Savings & Loan Association. These merged plans were amended and restated in one plan document entitled the Palomar Pomerado Health System Deferred Compensation Plan effective January 1, 1989. The Palomar Pomerado Health System Deferred Compensation Plan subsequently was amended several times and, eventually, restated effective July 1, 2002 as the Palomar Pomerado Health Deferred Compensation Plan.

The Palomar Pomerado Health Deferred Compensation Plan is hereby restated in this Plan document, effective January 1, 2002 (unless a later effective date is specified herein), in accordance with final regulations issued under Section 457 of the Code, which provided guidance to comply with the changes required under the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, and the Economic Growth and Tax Relief Reconciliation Act of 2001. The purpose of this Plan is to provide to eligible Employees an opportunity to enhance their retirement security by permitting them to enter into agreements with the Employer to defer Compensation and receive benefits at Retirement, death, Separation from Service, and in the event of unforeseeable emergencies. It is intended that this Plan be maintained as an eligible deferred compensation plan under Section 457(b) of the Code.

II. DEFINITIONS

- A. Account Balance: 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 losses thereon allocable to the Participant based on his or her investment elections, any transfers for the Participant's benefit, and any distributions 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 Article XIII 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 Section 414(p)(8) of the Code).
- B. Annual Deferral: The amount of Compensation that a Participant elects to defer pursuant to a properly executed Voluntary Compensation Deferral Agreement

for any Plan Year and the Direct Employer Contributions made by the Employer for such Participant for such Plan Year.

- C. Beneficiary: A Beneficiary or Beneficiaries designated by the Participant in his or her Voluntary Compensation Deferral Agreement. If more than one designated Beneficiary survives the Participant, payments shall be made equally, unless otherwise provided in the Beneficiary designation. A Participant may designate primary and secondary Beneficiaries.
- D. Code: The Internal Revenue Code of 1986, as amended from time to time, and including all regulations promulgated pursuant thereto.
- E. Committee: The committee appointed to administer the Plan pursuant to Section III, or such other person or persons to whom the Committee has delegated its duties pursuant to Section III.
- F. Compensation: All cash compensation for services to the Employer, including salary, wages, fees, commissions, bonuses, and overtime pay, that is includible in the Participant's gross income for the calendar year, plus amounts that would be cash compensation for services to the Employer includible in the Participant's gross income for the calendar year but for a compensation reduction election under Sections 125, 132(f), 401(k), 403(b) or 457(b) of the Code, including amounts deferred under this Plan and other deferred compensation plans.
- G. Direct Employer Contributions: The annual amount, if any, contributed by the Employer pursuant to Section IV.F.
- H. Employee: Any person classified by the Employer as (i) a full-time or part-time 1 or 2 employee, or (ii) a per diem or casual employee. The term "Employee" does not include individuals classified by the Employer as temporary employees.
- I. Employee Contributions: The amount of Compensation that a Participant elects to defer pursuant to a properly executed Voluntary Compensation Deferral Agreement for any Plan Year.
- J. Employer: Palomar Pomerado Health, a governmental agency created and operated under the California Local Hospital District Law.
- K. Includible Compensation: A Participant's actual wages in box 1 of Form W-2 for a year for services to the Employer, but subject to a maximum of \$210,000 (or such higher maximum as may apply under Section 401(a)(17) of the Code) and increased (up to the dollar maximum) by any compensation reduction election under Sections 125, 132(f), 401(k), 403(b), or 457(b) of the Code determined without regard to any community property laws.

- L. Investment Contracts: One or more of the mutual funds, investment vehicles or investment indexes selected by the Committee from time to time pursuant to Section IV.J.
- M. Normal Retirement Age: Age 65.
- N. Participant: Any individual who fulfills the eligibility and enrollment requirements of Article IV.
- O. Plan: The Palomar Pomerado Health Deferred Compensation Plan, as amended from time to time.
- P. Plan Year: The calendar year.
- Q. Retirement: Separation from Service on or after the Normal Retirement Age by reason other than death.
- R. Separation from Service: The date that a Participant dies, retires, or otherwise has a severance from employment with the Employer, as determined by the Committee (and taking into account guidance issued under the Code).
- S. Trust Agreement: The written agreement (or declaration) made by and between the Employer and the Trustee under which the Trust Fund is maintained.
- T. Trust Fund: The trust fund created under and subject to the Trust Agreement.
- U. Trustee: The Trustee duly appointed and currently serving under the Trust Agreement.
- V. Voluntary Compensation Deferral Agreement: A written agreement between a Participant and the Employer to defer receipt by the Participant of Compensation.

III. ADMINISTRATION

This Plan shall be administered by a Committee of not less than three persons. The Employer's President and Chief Executive Officer shall appoint members to the Committee. Members of the Committee, if otherwise eligible, may participate in the Plan, but no member of the Committee shall be entitled to make decisions or take any action solely with respect to his or her own participation. The Committee shall represent the Employer in all matters concerning the administration of this Plan. The Employer's President and Chief Executive Officer may remove a committee member for any reason, and at any time, by written notice. Any member may resign at any time by giving the Employer's President and Chief Executive Officer written notice. In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit.

The Committee shall have full power and authority to interpret this Plan and adopt, interpret, alter, amend or revoke rules and regulations for the administration of the Plan, so long

as they conform with requirements of the Code and the provisions of this Plan. The Committee's interpretation of this Plan shall be final and binding on all Participants.

IV. PARTICIPATION IN THE PLAN

- A. Eligibility: Any Employee to whom the Committee offers participation in the Plan shall be eligible to participate in the Plan and defer Compensation hereunder.
- B. Enrollment in the Plan: An eligible Employee may become a Participant by executing a Voluntary Compensation Deferral Agreement in which he or she (1) agrees to defer all or a portion of his or her Compensation; (2) agrees to the provisions of the Plan; (3) elects one or more Investment Contracts from among the Investment Contracts selected from time to time by the Committee; and (4) designates one or more Beneficiaries. The Committee may establish a minimum or maximum deferral amount, and may change such minimum or maximum deferral amounts from time to time. A Participant's Voluntary Compensation Deferral Agreement must be entered into during a period prescribed by the Committee. Any such Voluntary Compensation Deferral Agreement shall remain in effect until a new Voluntary Compensation Deferral Agreement is filed with the Committee.
- C. Commencement of Participation: An eligible Employee shall become a Participant as soon as administratively practicable following the date the Employee files a Voluntary Compensation Deferral Agreement pursuant to Section IV.B. Such Voluntary Compensation Deferral Agreement shall become effective no earlier than the first day of the calendar month following the calendar month in which such Voluntary Compensation Deferral Agreement is submitted to the Committee. 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.
- D. Amendment of Voluntary Compensation Deferral Agreement. Subject to other provisions of the Plan, a Participant may at any time revise his or her participation elections, including a change of the amount of his or her Employee Contributions, his or her Investment Contracts and his or her designated Beneficiary(ies), by submitting a new Voluntary Compensation Deferral Agreement to the Committee. Unless the new Voluntary Compensation Deferral Agreement specifies a later effective date, a change in the amount of the Employee Contributions shall take effect as of the first day of the next following month or as soon as administratively practicable, if later. A change in a Participant's elections with respect to the Investment Contracts in which his or her Account Balance is deemed invested shall take effect as of the date provided by the Committee on a uniform basis for all Participants. A change in the Beneficiary designation shall take effect when the election is accepted by the Committee.

- E. Revocation of Voluntary Compensation Deferral Agreement. A Participant may prospectively revoke his or her Voluntary Compensation Deferral Agreement by notifying the Employer in writing prior to the month in which the revocation will be effective. However, amounts previously deferred will be distributed in accordance with the terms of this Plan. If a Participant revokes his or her Voluntary Compensation Deferral Agreement, he or she may again defer Compensation under the Plan only by submitting a new Voluntary Compensation Deferral Agreement in accordance with Section IV.B.
- F. Employer Contributions: In addition to deferrals of Compensation pursuant to Voluntary Compensation Deferral Agreements, amounts may be deferred on behalf of an eligible Employee under this Plan by the Employer through Direct Employer Contributions. Direct Employer Contributions shall be subject to the requirements of this Plan, including the limitations specified in Article V. The Employer shall determine, in its sole discretion, which Employees shall be eligible to receive Direct Employer Contributions and in what amounts. Direct Employer Contributions made during a Plan Year are counted as part of a Participant's Annual Deferral for such Plan Year under this Plan.
- G. Leave of Absence. Unless a Voluntary Compensation Deferral Agreement is otherwise revised, if a Participant is absent from work by leave of absence, Employee Contributions under the Plan shall continue to the extent that Compensation continues.
- H. Disability. A disabled Participant 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 Separation from Service.
- I. Contributions of Compensation Deferrals Made Promptly. Annual Deferrals by a 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.
- J. Selection of Investment Contracts and Investment Elections. The Committee shall select the Investment Contracts whose performance will measure the amounts to be credited under this Section IV.J to the Account Balances of Participants. The selection of Investment Contracts shall be for bookkeeping purposes only, and the Company shall not be obligated actually to invest any money in the Investment Contracts, or to acquire or maintain any actual investment. The Committee may, in its discretion, change its selection of the Investment Contracts at any time. If a Participant or Beneficiary has elected

pursuant to this Section IV.J to invest all or a portion of his or her Account Balance in an Investment Contract which the Committee decided to discontinue, his or her Account Balance shall be invested after such discontinuance in the continuing Investment Contract which the Committee determines, in its discretion, most nearly resembles the discontinued Investment Contract. The Committee shall provide each Participant (or Beneficiary in the event of a Participant's death) with a list of the Investment Contracts available for hypothetical investment. The Committee, in its discretion, shall designate the times, procedures, and limitations for the designation of investments by Participants or Beneficiaries of their Account Balances among the Investment Contracts, which times, procedures and limitations shall be uniform among all Participants and Beneficiaries. The Committee shall determine, in its discretion, the exact times and methods for (a) crediting or charges each Participant's Account Balance with the earnings, gains, losses, and changes in value of the Investment Contracts selected by the Participant, (b) crediting each Participant's Account Balance with such Participant's Annual Deferrals, and (c) debiting each Participant's Account Balance with the payment of benefits or distributions under this Plan. The Committee may, at any time, change the timing or methods for crediting or debiting earnings, gains, losses, and changes in value of Investment Contracts and payments of benefits and distributions under this Plan; provided, however, that the times and methods for crediting or debiting such items in effect at any particular time shall be uniform among all Participants and Beneficiaries.

V. LIMITATIONS ON AMOUNTS DEFERRED

- A. Basic Annual Limitation. The maximum amount of the Annual Deferral under the Plan for any calendar year shall not exceed the lesser of
- a. the Applicable Dollar Amount (as defined below), or
 - b. the Participant's Includible Compensation for the calendar year.

The Applicable Dollar Amount is the amount established under Section 457(e)(15) of the Code applicable as set forth below:

<u>For the following years:</u>	<u>The Applicable Dollar Amount is:</u>
2002	\$11,000
2003	\$12,000
2004	\$13,000
2005	\$14,000
2006 or thereafter	\$15,000 Adjusted for cost-of-living after 2006 to the extent provided under Section 415(d) of the Code

- B. Age 50 Catch-up Annual Deferral Contributions. A Participant who will attain age 50 or more by the end of the calendar year is permitted to elect an additional amount of Annual Deferrals, up to the maximum age 50 catch-up Annual Deferrals for the year. The maximum dollar amount of the age 50 catch-up Annual Deferrals for a year is as follows:

<u>For the following years:</u>	<u>The Applicable Dollar Amount is:</u>
2002	\$1,000
2003	\$2,000
2004	\$3,000
2005	\$4,000
2006 or thereafter	\$5,000 Adjusted for cost-of-living after 2006 to the extent provided under the Code

- C. Special Section 457 Catch-up Limitation. If the applicable calendar year is one of a Participant's last three calendar years ending before the calendar year in which the Participant attains Normal Retirement Age and the amount determined under this Section V.C exceeds the amount computed under Sections V.A and V.B, then the Annual Deferral limit under this Section V.C shall be the lesser of:

- a. An amount equal to 2 times the Section V.A Applicable Dollar Amount for such calendar year; or
- b. The sum of:
 - 1) An amount equal to
 - (A) the aggregate Section V.A limit for the current calendar year plus each prior calendar year beginning after December 31, 2001 during which the Participant was an Employee under the Plan, minus
 - (B) the aggregate amount of Annual Deferrals that the Participant deferred under the Plan during such calendar years, plus
 - 2) An amount equal to
 - (A) the aggregate limit referred to in Section 457(b)(2) of the Code for each prior calendar year beginning after December 31, 1978 and before January 1, 2002 during which the Participant was an Employee (determined without regard to Sections V.A and V.B), minus

(B) the aggregate contributions to Pre-2002 Coordination Plans for such calendar years.

However, in no event can the deferred amount be more than the Participant's Compensation for the calendar year.

D. Special Rules. For purposes of this Article V, the following rules 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 Section 457(b) of the Code, then this Plan and all such other plans shall be considered as one plan for purposes of applying the foregoing limitations of this Article V. For this purpose, the Committee 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 Committee receives from the Participant sufficient information concerning his or her participation in such other plan.

b. Pre-Participation Years. In applying Section V.C, a year shall be taken into account only if

1) the Participant was eligible to participate in the Plan during all or a portion of the year, and

2) Compensation deferred, if any, under the Plan during the year was subject to the basic annual limitation described in Section V.A or any other plan ceiling required by Section 457(b) of the Code.

c. Pre-2002 Coordination Years. For purposes of Section V.C(b)(2)(B), "contributions to Pre-2002 Coordination Plans" means any employer contribution, salary reduction or elective contribution under any Code Section 401(k) qualified cash or deferred arrangement, Code Section 402(h)(1)(B) simplified employee pension (SARSEP), Code Section 403(b) annuity contract, and Code Section 408(p) simple retirement account, or under any plan for which a deduction is allowed because of a contribution to an organization described in Section 501(c)(18) of the Code, including plans, arrangements or accounts maintained by the Employer or any employer for whom the Participant performed services. However, the contributions for any calendar year are only taken into account for purposes of Section V.C(b)(2)(B) to the extent that the total of such contributions does not exceed the aggregate limit referred to in Section 457(b)(2) of the Code for that year.

d. Disregard Excess Deferral. For purposes of Sections V.A, V.B, and V.C, an individual is treated as not having deferred compensation under a plan for a prior taxable year to the extent excess deferrals under the plan are distributed, as described in Section V.E. 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.

- E. 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 Section 457(b) of the Code for which the Participant provides information that is accepted by the Committee, then the Annual Deferral, to the extent in excess of the applicable limitation (adjusted for an income or loss in value, if any, allocable thereto), shall be distributed to the Participant as soon as administratively practicable after the Committee determines that the amount is an excess deferral within the meaning of Section 1.457-4(e) of the Income Tax Regulations.
- F. Protection of Persons Who Serve in a Uniformed Service. An Employee whose employment is interrupted by qualified military service under Section 414(u) of the Code or who is on a leave of absence for qualified military service under Section 414(u) of the Code may elect to make additional Employee Contributions upon resumption of employment with the Employer equal to the maximum Employee Contributions 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 Employee Contributions, 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).
- G. Reduction or Suspension of Deferrals. Employee Contributions shall automatically be reduced or suspended for any month in which the Employee's Compensation is less than the amount of such Employee's elected Employee Contributions for such month.

VI. BENEFITS UNDER PLAN

- A. Benefit Distributions At Retirement or Other Separation from Service. In the event of a Participant's Retirement or Separation from Service (other than due to death), a Participant is entitled to receive a distribution of his or her Account Balance under any form of distribution permitted under Section VI.C commencing at the date elected under Section VI.B. If a Participant does not elect otherwise, the distribution shall be paid as soon as practicable following Retirement or other Separation from Service and payment shall be paid in a lump sum.
- B. Election of Benefit Commencement Date. A Participant may elect to commence distribution of benefits at any time after Retirement or other

Separation from Service by a notice filed at least 30 days before the date on which benefits are to commence. However, in no event may distribution of benefits commence later than the date described in Section VI.G.

- C. Form of Benefit Payments. In an election to commence benefits under Section VI.B, a Participant entitled to a distribution of benefits under this Article VI may elect to receive payment in any of the following forms of distribution:
- a. Lump Sum – A single payment of the Participant’s total Account Balance.
 - b. Annuity – Annual installment payments through the year of the Participant’s death, the amount payable each year equal to a fraction of the Account Balance equal to one divided by the distribution period set forth in the Uniform Lifetime Table at Section 1.401(a)(9)-9, A-2, of the Income Tax Regulations for the Participant’s age on the Participant’s birthday for that year. If the Participant’s age is less than age 70, the distribution period is 27.4 plus the number of years that the Participant’s age is less than age 70. At the Participant’s election, this annual payment can be made in monthly or quarterly installments. The Account Balance for this calculation (other than the final installment payment) is the Account Balance as of the end of the year prior to the year for which the distribution is being calculated. Payments shall commence on the date elected under Section VI.B. For any year, the Participant can elect distribution of a greater amount (not to exceed the amount of the remaining Account Balance) in lieu of the amount calculated using this formula.
 - c. Installments – Periodic payments over a specified period of time or of specified amounts.
- D. Death Benefit Distributions. Commencing with the calendar year following the calendar year of the Participant’s death, the Participant’s Account Balance shall be paid to the Beneficiary in a lump sum.
- E. Account Balances of \$1,000 or Less.
- a. Notwithstanding anything to the contrary in this Article VI, if the amount of a Participant’s Account Balance is not in excess of \$1,000 on the date that payments commence under Section VI.A or on the date of the Participant’s death, then payment shall be made to the Participant (or to the Beneficiary if the Participant is deceased) in a lump sum equal to the Participant’s Account Balance as soon as practicable following the Participant’s Retirement, death or other Separation from Service.
 - b. In addition, at any time prior to the commencement of the distribution of his or her benefits under this Plan, a Participant may elect to receive his or her entire benefits hereunder, or the Committee may determine to distribute his or her entire benefits hereunder without the consent of a Participant, provided:
 - 1) the Participant’s benefits do not exceed \$1,000,

- 2) no amount has been deferred under this Plan with respect to the Participant during the two-year period ending on the distribution date; and
- 3) there has not been any prior distribution to the Participant under this Plan in reliance upon this Section VI.E.

F. Rollover Distributions.

a. A Participant or the surviving spouse of a Participant (or a Participant's former spouse who is the alternate payee under a domestic relations order, as defined in Section 414(p) of the Code) who is entitled to an eligible rollover distribution may elect, at the time and in the manner prescribe by the Committee, to have all or any portion of the distribution paid directly to an eligible retirement plan specified by the Participant in a direct rollover.

b. For purposes of this Section VI.F, 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

- 1) any annuity under Section VI.C(b) for a period of 10 years or more or any installment payment under Section VI.C(c) for a period of 10 years or more,
- 2) any distribution made under Article VII as a result of an unforeseeable emergency, or
- 3) for any other distribution, the portion, if any, of the distribution that is a required minimum distribution under Section 401(a)(9).

In addition, an eligible retirement plan means an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, a qualified trust described in Section 401(a) of the Code, an annuity plan described in Section 403(a) or 403(b) of the Code, or an eligible governmental plan described in Section 457(b) of the Code, that accepts the eligible rollover distribution.

G. Latest Distribution Date. In no event shall any distribution under this Article VI begin later than the later of (a) April 1 of the year following the calendar year in which the Participant attains age 70 ½ or (b) April 1 of the year following the calendar year in which the Participant retires or otherwise has a Separation from Service. If distributions commence in the calendar year following the later of the calendar year in which the Participant attains age 70½ or the calendar year in which the Separation from Service occurs, the distribution on the date that distribution commences must be equal to the annual installment payment for the year that the Participant has a Separation from Service determined under Section VI.C(b) and an amount equal to the annual installment payment for the year after Separation from Service determined under Section VI.C(b) must also be paid before the end of the calendar year of commencement.

VII. WITHDRAWALS IN EVENT OF UNFORESEEABLE EMERGENCY

- A. Distribution. In the event of an unforeseeable emergency, a Participant may apply to the Committee for a lump-sum distribution from the Plan prior to Retirement or other Separation from Service equal to the amount requested or, if less, the maximum amount determined by the Committee to be permitted to be distributed under this Article VII. If such application for distribution is approved by the Committee, the distribution will be effective at the later of the dates specified in the Participant's application or, the date approved by the Committee.
- B. Unforeseeable emergency defined. An unforeseeable emergency is defined as a severe financial hardship of the Participant resulting from: an illness or accident of the Participant, the Participant's spouse, or the Participant's dependent (as defined in Section 152(a)); loss of the Participant'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); the need to pay for the funeral expenses of the Participant's spouse or dependent (as defined in Section 152(a) of the Code); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. For example, the imminent foreclosure of or eviction from the Participant's primary residence may constitute an unforeseeable emergency. In addition, the need to pay for medical expenses, including nonrefundable deductibles, as well as for the cost of prescription drug medication, may constitute an unforeseeable emergency. Except as otherwise specifically provided in this Article VII, neither the purchase of a home nor the payment of college tuition is an unforeseeable emergency.
- C. 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.
- D. 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).
- E. Deferrals Following Distribution. If a Participant receives an unforeseeable emergency distribution, he or she will not be eligible to defer Compensation until the date that is one year after such distribution.

VIII. STATE LAW NON-CONFORMITY

Notwithstanding any Plan provision to the contrary, to the extent that the Committee determines in its sole discretion that implementation of any Plan provision might or would cause the Plan to fail to conform with, or Plan contributions, benefit accruals, or distributions to fail to satisfy, state or local law requirements for favorable tax treatment that do not conform with federal law ("State Non-Conformity Problem"), the Committee may, in its discretion, delay, discontinue, or modify implementation of the provision in question for Participants in that state or local jurisdiction, or for all Participants. Within a reasonable period of time after the State Non-Conformity Problem ceases to exist, or before then if the Committee elects to implement the provision notwithstanding the State Non-Conformity Problem, the Committee shall fully implement the Plan provision in question. Without the need for approval by the Board of Directors of the Employer or any other approval, the Committee is authorized to amend the Plan to the extent it determines to be appropriate to resolve or address State Non-Conformity Problems, and any actions it takes to delay, discontinue, or modify implementation of any Plan provision because of a State Non-Conformity Problem shall be deemed a Plan amendment, but need not be formally included in this Plan document.

IX. AMENDMENT OR TERMINATION OF PLAN

- A. The Board of Directors of the Employer may at any time terminate this Plan. Participants in the Plan will be deemed to have withdrawn from the Plan as of the date of termination. The Committee shall treat such Participants as if they had terminated their services on the date of the termination and direct the Employer to pay such benefit or benefits as provided in this Plan.
- B. The Board of Directors of the Employer also may amend the provisions of this Plan at any time; provided, however, that no amendment shall affect the rights of Participants or their Beneficiaries to the receipt of payments of benefits, to the extent of any Compensation deferred prior to the time of the amendment, as adjusted for investment experience under the applicable Investment Contracts.

X. NON-ASSIGNABILITY

Except as provided in Article XV and Section XVI.A, neither the Participant nor his or her Beneficiary nor any other designee, shall have any right to commute, sell, assign, transfer or otherwise alienate or convey the right to receive any payments under this Plan. All payments and rights under this Plan are non-assignable and non-transferable. In the event of any attempted assignment or transfer, the Plan shall have no further liability hereunder, nor shall any unpaid benefits be subject to attachment, garnishment, or execution, or be transferable by operation of law in the event of bankruptcy or insolvency, except to the extent otherwise required by law.

XI. PROTECTION OF THE PLAN'S ASSETS

All amounts of Deferred Compensation, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights, shall be (until distributed to the Participant or other Beneficiary) held and invested in the Trust Fund in accordance with this Plan and the Trust Agreement. The Trust Fund, and any subtrust

established under the Plan, shall be established pursuant to a written agreement that constitutes a valid trust under the law of the State of California. The Trustee shall ensure that all investments, amounts, property and rights held under the Trust Fund are held for the exclusive benefit of Participants and their Beneficiaries. The Trust Fund shall be held in trust pursuant to the Trust Agreement for the exclusive benefit of Participants and their Beneficiaries and defraying reasonable expenses of the Plan and the Trust Fund. It shall be impossible, prior to the satisfaction of all liabilities with respect to Participants and their Beneficiaries, for any part of the assets and income of the Trust Fund to be used for, or diverted to, purposes other than for the exclusive benefit of Participants and their Beneficiaries.

XII. DISCLAIMER

The Employer makes no representations or assurances and assumes no responsibility as to the performance of any of the Investment Contracts or as to the success or solvency of the Plan itself. It shall be the responsibility of Participants to determine the quality and viability and appropriateness of any of the Investment Contracts offered under this Plan as well as state and federal tax consequences of the Plan and their participation.

XIII. ROLLOVERS TO THE PLAN AND TRANSFERS

A. 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 may request to have all or a portion of the eligible rollover distribution paid to the Plan. The Committee may require such documentation from the distributing plan as it deems necessary to effectuate the rollover in accordance with Section 402 of the Code and to confirm that such plan is an eligible retirement plan within the meaning of Section 402(c)(8)(B) of the Code.

b. For purposes of this Section XIII.A, an eligible rollover distribution means any distribution of all or any portion of a Participant's benefit under another eligible retirement plan, except that an eligible rollover distribution does not include

- (i) any installment payment for a period of 10 years or more,
- (ii) any distribution made as a result of an unforeseeable emergency or other distribution which is made upon hardship of the Employee, or
- (iii) for any other distribution, the portion, of any, of the distribution that is a required minimum distribution under Section 401(a)(9) of the Code, a qualified trust describe in Section 401(a) of the Code, an annuity plan described in Section 403(a) or 403(b) of the Code, or an eligible governmental plan described in Section 457(b) of the Code, that accepts the eligible rollover distribution.

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 not an eligible governmental plan under Section 457(b) of the Code. 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 an eligible governmental plan under Section 457(b) of the Code.

B. Plan-to-Plan Transfers to the Plan. At the direction of the Employer, the Committee may permit a class of Participants who are participants in another eligible governmental plan under Section 457(b) of the Code to transfer assets to the Plan as provided in this Section XIII.B. Such a transfer is permitted only if the other plan provides for the direct transfer of each Participant's interest therein to the Plan. The Committee may require in its sole discretion that the transfer be in cash or other property acceptable to the Committee. The Committee may require such documentation from the other plan as it deems necessary to effectuate the transfer in accordance with Section 457(e)(10) of the Code and Section 1.457-10(b) of the Income Tax Regulations and the confirm that the other plan is an eligible governmental plan as defined in Section 1.457-2(f) of the Income Tax Regulations. 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 Article V.

C Plan-to-Plan Transfers from the Plan.

a. At the direction of the Employer, the Committee may permit a class of Participants and Beneficiaries to elect to have all or any portion of their Account Balance transferred to another eligible governmental plan within the meaning of Section 457(b) of the Code and Section 1.457-2(f) of the Income Tax Regulations. A transfer is permitted under this Section XIII.C(a) for a Participant only if the Participant has had a Separation from Service with the Employer and is an Employee of the entity that maintains the other eligible governmental plan. Further, a transfer is permitted under this Section XIII.C(a) only if the other eligible governmental plan provides for the acceptance of plan-to-plan transfers with respect to the Participants and Beneficiaries and for each Participant and Beneficiary to have an amount deferred under the other plan immediately after the transfer at least equal to the amount transferred.

b. Upon the transfer of assets under this Section XIII.C(a), the Plan's liability to pay benefits to the Participant or Beneficiary under this Plan shall be discharged to the extent of the amount so transferred for the Participant or Beneficiary. The Committee may require such documentation from the receiving plan as it deems appropriate or necessary to comply with this Section XIII.C(a) (for example, to confirm that the receiving plan is an eligible governmental plan

under paragraph a.) of this Section XIII.C, and to assure that the transfer is permitted under the receiving plan) or to effectuate the transfer pursuant to Section 1.457-10(b) of the Income Tax Regulations.

XIV. APPLICABLE LAW

This Plan shall be construed under the laws of the State of California. This Plan is intended to be an eligible deferred compensation plan under Section 457(b) of the Code. This Plan shall be administered and interpreted to the extent possible in a manner consistent with that intent.

XV. QUALIFIED DOMESTIC RELATIONS ORDERS

Domestic relations orders approved by the Committee shall be administered as follows:

- A. To the extent required under final judgment, decree, or order made pursuant to a state domestic relations law, herein referred to as a Qualified Domestic Relations Order ("QDRO"), which is duly filed upon the Employer, any portion of a Participant's benefits may be paid or set aside for payment to a spouse, former spouse, or a child of the Participant. Where necessary to carry out the terms of such QDRO, a separate account shall be established with respect to the spouse, former spouse, or child, and such person shall be entitled to make investment selections with respect thereto in the same manner as the Participant. All costs and charges incurred in carrying out the investment selection shall be deducted from the account created for the spouse, former spouse, or child making the investment selection.

Any amounts so set aside for a spouse, former spouse or a child shall be paid out in a lump sum at the earliest date that benefits may be paid to the Participant, unless the QDRO directs a different form of payment or later payment date. In no event is the spouse, former spouse or child entitled to receive a distribution from the Plan prior to the time of the Participant separating from service with the Employer or his or her attainment of age 70 ½, or at such other time as determined by the Committee in its sole discretion. Nothing in this Section shall be construed to authorize any amounts to be distributed under the Plan at a time or in a form that is not permitted under Section 457 of the Code. Any payment made to a person other than the Participant pursuant to this Article shall be reduced by required income tax withholding. The fact that payment is made to a person other than the Participant may not prevent such payment from being includable in the gross income of the Participant for withholding and income tax reporting purposes. Such withholding and income tax reporting shall be done under the terms of the Code.

- B. The Employer's liability to pay benefits to a Participant shall be reduced to the extent that amounts have been paid or set aside for payment to a spouse, former spouse or child pursuant to this Article. No amount shall be paid or set aside

unless the Employer, or its agents or assigns, has been provided with satisfactory evidence releasing them from any further claim by the Participant with respect to these amounts. The Participant shall be deemed to have released the Employer from any claim with respect to such amounts in any case in which the Employer has been notified of or otherwise joined in a proceeding relating to a QDRO which sets aside a portion of the Participant's Benefits for a spouse, former spouse or child, and the Participant fails to obtain an order of the court in the proceeding relieving the Employer from the obligation to comply with the QDRO.

- C. The Employer shall not be obligated to comply with any judgment, decree or order that attempts to require the Plan to violate any Plan provision or any provision of Section 457 of the Code. Neither the Employer nor its agents or assigns shall be obligated to defend against or set aside any judgment, decree, or order described herein or any legal order relating to the division of a Participant's benefits under the Plan unless the full expense of such legal action is borne by the Participant. In the event that the Participant's action (or inaction) nonetheless causes the Employer, its agents or assigns to incur such expense, the amount of the expense may be charged against the Participant's Benefits and thereby reduce Employer's obligation to pay benefits to the Participant. In the course of any proceeding relating to divorce, separation, or child support, the Employer and its agents and assigns shall be authorized to disclose information relating to Participant's Benefits to the Participant's spouse, former spouse or child (including the legal representatives of the spouse, former spouse or child) or to a court.

XVI. MISCELLANEOUS

- A. IRS Levy. Notwithstanding Article VI, the Committee may pay from a Participant's or Beneficiary's Account Balance the amount that the Committee finds is lawfully demanded under a levy issued by the Internal Revenue Service 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.
- B. Mistaken Contributions. If any contribution (or any portion of a contribution) is made to the Plan by a good faith mistake of fact, then within one year after the payment of the contribution, and upon receipt in good order of a proper request approved by the Committee, the amount of the mistaken contribution (adjusted for any income or loss in value, if any, allocable thereto) shall be returned directly to the Participant or, to the extent required or permitted by the Committee, to the Employer.
- C. Payments to Minors or 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 Committee, benefits will be paid to such person as the Committee 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.

D. Procedure When Distributee Cannot Be Located. The Committee 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 on Palomar Pomerado Health's or the Committee's records,
- b. notification sent to the Social Security Administration or the Pension Benefit Guaranty Corporation (under their program to identify payees under retirement plans), and
- c. the payee has not responded within 12 months.

If the Committee is unable to locate such a person entitled to benefits hereunder, or if there has been no claim made for such benefits, the Trust Fund shall continue to hold the benefits due such person.

* * * * *

IN WITNESS WHEREOF, the undersigned has caused this Amended and Restated Deferred Compensation Plan to be executed by its duly authorized member on _____, 2005.

Date Adopted: _____, 2005.

PALOMAR POMERADO HEALTH

By: _____

Title: _____

PALOMAR POMERADO HEALTH
DEFERRED COMPENSATION PLAN

APPENDIX A

Minimum Distribution Requirements – Model Revenue Procedure 2002-29 Amendment

I. GENERAL RULES

- A. Effective Date. Unless an earlier effective date is specified in the Plan, the provisions of this Appendix A will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.
- B. Precedence. The requirements of this Appendix A will take precedence over any inconsistent provisions of the Plan.
- D. Requirements of Treasury Regulations Incorporated. All distributions required under this Appendix A will be determined and made in accordance with the Treasury regulations under Section 401(a)(9) of the Code.

II. TIME AND MANNER OF DISTRIBUTION

- A. 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.
- B. 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, except otherwise as provided in the Plan, 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 70½, if later.
 - b. If the Participant's surviving spouse is not the Participant's sole Designated Beneficiary, then, except otherwise as provided in the Plan, distributions to the Designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.
 - c. If there is no Designated Beneficiary as of September 30 of the year 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. 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 II.B, other than Section II.B(a), will apply as if the surviving spouse were the Participant.

For purposes of this Section II.B and Section IV, distributions are considered to begin on the Participant's required beginning date (or, if Section II.B(d) applies, the date distributions are required to begin to the surviving spouse under Section II.B(a)). If annuity payments irrevocably commence to the Participant before the Participant's required beginning date, the date distributions are considered to begin is the date distributions actually commence.

- C. Form of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance with Sections III and IV of this Appendix. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Section 401(a)(9) of the Code and the Treasury regulations.

III. 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:

a. the quotient obtained by dividing the Participant's Account Balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, 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, the quotient obtained by dividing the Participant's Account Balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the Distribution Calendar Year.

- B. Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this Section III beginning with the first Distribution Calendar Year and up to and including the Distribution Calendar Year that includes the Participant's date of death.

IV. REQUIRED MINIMUM DISTRIBUTIONS AFTER PARTICIPANT'S DEATH

A. 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, 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.

B. Death Before Date Distributions Begin.

a. Participant Survived by Designated Beneficiary. Except as provided in the Plan, 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 provided in Section IV.A.

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 completed 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 Section II.B(a), this Section IV.B will apply as if the surviving spouse were the Participant.

V. DEFINITIONS

- A. Designated Beneficiary. The individual who is designated as the beneficiary under Article VI of the Plan and is the designated beneficiary under Section 401(a)(9) of the Internal Revenue Code and Section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.
- 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 which 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 II.B. 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. Life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the Treasury regulations.

- D. Participant's Account Balance. 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.
- E. Required Beginning Date. The date specified in Section VI.H of the Plan.

PALOMAR POMERADO HEALTH

AMENDED AND RESTATED DEFERRED COMPENSATION PLAN

I. INTRODUCTION

Palomar Pomerado Health, a California Hospital District, merged its two Section 457 Eligible Deferred Compensation Plans; i.e., the Northern San Diego County Hospital District plan that was established under the American Hospital Association Master Compensation Deferral Plan and the Northern San Diego County Hospital District Salary Reduction Plan, which was established in cooperation with Glendale Federal Savings & Loan Association. These merged plans were amended and restated in one plan document entitled the Palomar Pomerado Health System Deferred Compensation Plan effective January 1, 1989. The Palomar Pomerado Health System Deferred Compensation Plan subsequently was amended several times and, eventually, restated effective July 1, 2002 as the Palomar Pomerado Health Deferred Compensation Plan.

The Palomar Pomerado Health Deferred Compensation Plan is hereby restated in this Plan document, effective January 1, 2002 (unless a later effective date is specified herein), in accordance with final regulations issued under Section 457 of the Code, which provided guidance to comply with the changes required under the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, and the Economic Growth and Tax Relief Reconciliation Act of 2001. The purpose of this Plan is to provide to eligible Employees an opportunity to enhance their retirement security by permitting them to enter into agreements with the Employer to defer Compensation and receive benefits at Retirement, death, Separation from Service, and in the event of unforeseeable emergencies. It is intended that this Plan be maintained as an eligible deferred compensation plan under Section 457(b) of the Code.

II. DEFINITIONS

- A. Account Balance: 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 losses thereon allocable to the Participant based on his or her investment elections, any transfers for the Participant's benefit, and any distributions 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 Article XIII 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 Section 414(p)(8) of the Code).
- B. Annual Deferral: The amount of Compensation that a Participant elects to defer pursuant to a properly executed Voluntary Compensation Deferral Agreement

for any Plan Year and the Direct Employer Contributions made by the Employer for such Participant for such Plan Year.

- C. Beneficiary: A Beneficiary or Beneficiaries designated by the Participant in his or her Voluntary Compensation Deferral Agreement. If more than one designated Beneficiary survives the Participant, payments shall be made equally, unless otherwise provided in the Beneficiary designation. A Participant may designate primary and secondary Beneficiaries.
- D. Code: The Internal Revenue Code of 1986, as amended from time to time, and including all regulations promulgated pursuant thereto.
- E. Committee: The committee appointed to administer the Plan pursuant to Section III, or such other person or persons to whom the Committee has delegated its duties pursuant to Section III.
- F. Compensation: All cash compensation for services to the Employer, including salary, wages, fees, commissions, bonuses, and overtime pay, that is includible in the Participant's gross income for the calendar year, plus amounts that would be cash compensation for services to the Employer includible in the Participant's gross income for the calendar year but for a compensation reduction election under Sections 125, 132(f), 401(k), 403(b) or 457(b) of the Code, including amounts deferred under this Plan and other deferred compensation plans.
- G. Direct Employer Contributions: The annual amount, if any, contributed by the Employer pursuant to Section IV.F.
- H. Employee: Any person classified by the Employer as (i) a full-time or part-time 1 or 2 employee, or (ii) a per diem or casual employee. The term "Employee" does not include individuals classified by the Employer as temporary employees.
- I. Employee Contributions: The amount of Compensation that a Participant elects to defer pursuant to a properly executed Voluntary Compensation Deferral Agreement for any Plan Year.
- J. Employer: Palomar Pomerado Health, a governmental agency created and operated under the California Local Hospital District Law.
- K. Includible Compensation: A Participant's actual wages in box 1 of Form W-2 for a year for services to the Employer, but subject to a maximum of \$210,000 (or such higher maximum as may apply under Section 401(a)(17) of the Code) and increased (up to the dollar maximum) by any compensation reduction election under Sections 125, 132(f), 401(k), 403(b), or 457(b) of the Code determined without regard to any community property laws.

- L. Investment Contracts: One or more of the mutual funds, investment vehicles or investment indexes selected by the Committee from time to time pursuant to Section IV.J.
- M. Normal Retirement Age: Age 65.
- N. Participant: Any individual who fulfills the eligibility and enrollment requirements of Article IV.
- O. Plan: The Palomar Pomerado Health Deferred Compensation Plan, as amended from time to time.
- P. Plan Year: The calendar year.
- Q. Retirement: Separation from Service on or after the Normal Retirement Age by reason other than death.
- R. Separation from Service: The date that a Participant dies, retires, or otherwise has a severance from employment with the Employer, as determined by the Committee (and taking into account guidance issued under the Code).
- S. Trust Agreement: The written agreement (or declaration) made by and between the Employer and the Trustee under which the Trust Fund is maintained.
- T. Trust Fund: The trust fund created under and subject to the Trust Agreement.
- U. Trustee: The Trustee duly appointed and currently serving under the Trust Agreement.
- V. Voluntary Compensation Deferral Agreement: A written agreement between a Participant and the Employer to defer receipt by the Participant of Compensation.

III. ADMINISTRATION

This Plan shall be administered by a Committee of not less than three persons. The Employer's President and Chief Executive Officer shall appoint members to the Committee. Members of the Committee, if otherwise eligible, may participate in the Plan, but no member of the Committee shall be entitled to make decisions or take any action solely with respect to his or her own participation. The Committee shall represent the Employer in all matters concerning the administration of this Plan. The Employer's President and Chief Executive Officer may remove a committee member for any reason, and at any time, by written notice. Any member may resign at any time by giving the Employer's President and Chief Executive Officer written notice. In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit.

The Committee shall have full power and authority to interpret this Plan and adopt, interpret, alter, amend or revoke rules and regulations for the administration of the Plan, so long

as they conform with requirements of the Code and the provisions of this Plan. The Committee's interpretation of this Plan shall be final and binding on all Participants.

IV. PARTICIPATION IN THE PLAN

- A. Eligibility: Any Employee to whom the Committee offers participation in the Plan shall be eligible to participate in the Plan and defer Compensation hereunder.
- B. Enrollment in the Plan: An eligible Employee may become a Participant by executing a Voluntary Compensation Deferral Agreement in which he or she (1) agrees to defer all or a portion of his or her Compensation; (2) agrees to the provisions of the Plan; (3) elects one or more Investment Contracts from among the Investment Contracts selected from time to time by the Committee; and (4) designates one or more Beneficiaries. The Committee may establish a minimum or maximum deferral amount, and may change such minimum or maximum deferral amounts from time to time. A Participant's Voluntary Compensation Deferral Agreement must be entered into during a period prescribed by the Committee. Any such Voluntary Compensation Deferral Agreement shall remain in effect until a new Voluntary Compensation Deferral Agreement is filed with the Committee.
- C. Commencement of Participation: An eligible Employee shall become a Participant as soon as administratively practicable following the date the Employee files a Voluntary Compensation Deferral Agreement pursuant to Section IV.B. Such Voluntary Compensation Deferral Agreement shall become effective no earlier than the first day of the calendar month following the calendar month in which such Voluntary Compensation Deferral Agreement is submitted to the Committee. 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.
- D. Amendment of Voluntary Compensation Deferral Agreement. Subject to other provisions of the Plan, a Participant may at any time revise his or her participation elections, including a change of the amount of his or her Employee Contributions, his or her Investment Contracts and his or her designated Beneficiary(ies), by submitting a new Voluntary Compensation Deferral Agreement to the Committee. Unless the new Voluntary Compensation Deferral Agreement specifies a later effective date, a change in the amount of the Employee Contributions shall take effect as of the first day of the next following month or as soon as administratively practicable, if later. A change in a Participant's elections with respect to the Investment Contracts in which his or her Account Balance is deemed invested shall take effect as of the date provided by the Committee on a uniform basis for all Participants. A change in the Beneficiary designation shall take effect when the election is accepted by the Committee.

- E. Revocation of Voluntary Compensation Deferral Agreement. A Participant may prospectively revoke his or her Voluntary Compensation Deferral Agreement by notifying the Employer in writing prior to the month in which the revocation will be effective. However, amounts previously deferred will be distributed in accordance with the terms of this Plan. If a Participant revokes his or her Voluntary Compensation Deferral Agreement, he or she may again defer Compensation under the Plan only by submitting a new Voluntary Compensation Deferral Agreement in accordance with Section IV.B.
- F. Employer Contributions: In addition to deferrals of Compensation pursuant to Voluntary Compensation Deferral Agreements, amounts may be deferred on behalf of an eligible Employee under this Plan by the Employer through Direct Employer Contributions. Direct Employer Contributions shall be subject to the requirements of this Plan, including the limitations specified in Article V. The Employer shall determine, in its sole discretion, which Employees shall be eligible to receive Direct Employer Contributions and in what amounts. Direct Employer Contributions made during a Plan Year are counted as part of a Participant's Annual Deferral for such Plan Year under this Plan.
- G. Leave of Absence. Unless a Voluntary Compensation Deferral Agreement is otherwise revised, if a Participant is absent from work by leave of absence, Employee Contributions under the Plan shall continue to the extent that Compensation continues.
- H. Disability. A disabled Participant 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 Separation from Service.
- I. Contributions of Compensation Deferrals Made Promptly. Annual Deferrals by a 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.
- J. Selection of Investment Contracts and Investment Elections. The Committee shall select the Investment Contracts whose performance will measure the amounts to be credited under this Section IV.J to the Account Balances of Participants. The selection of Investment Contracts shall be for bookkeeping purposes only, and the Company shall not be obligated actually to invest any money in the Investment Contracts, or to acquire or maintain any actual investment. The Committee may, in its discretion, change its selection of the Investment Contracts at any time. If a Participant or Beneficiary has elected

pursuant to this Section IV.J to invest all or a portion of his or her Account Balance in an Investment Contract which the Committee decided to discontinue, his or her Account Balance shall be invested after such discontinuance in the continuing Investment Contract which the Committee determines, in its discretion, most nearly resembles the discontinued Investment Contract. The Committee shall provide each Participant (or Beneficiary in the event of a Participant's death) with a list of the Investment Contracts available for hypothetical investment. The Committee, in its discretion, shall designate the times, procedures, and limitations for the designation of investments by Participants or Beneficiaries of their Account Balances among the Investment Contracts, which times, procedures and limitations shall be uniform among all Participants and Beneficiaries. The Committee shall determine, in its discretion, the exact times and methods for (a) crediting or charges each Participant's Account Balance with the earnings, gains, losses, and changes in value of the Investment Contracts selected by the Participant, (b) crediting each Participant's Account Balance with such Participant's Annual Deferrals, and (c) debiting each Participant's Account Balance with the payment of benefits or distributions under this Plan. The Committee may, at any time, change the timing or methods for crediting or debiting earnings, gains, losses, and changes in value of Investment Contracts and payments of benefits and distributions under this Plan; provided, however, that the times and methods for crediting or debiting such items in effect at any particular time shall be uniform among all Participants and Beneficiaries.

V. LIMITATIONS ON AMOUNTS DEFERRED

- A. Basic Annual Limitation. The maximum amount of the Annual Deferral under the Plan for any calendar year shall not exceed the lesser of
- a. the Applicable Dollar Amount (as defined below), or
 - b. the Participant's Includible Compensation for the calendar year.

The Applicable Dollar Amount is the amount established under Section 457(e)(15) of the Code applicable as set forth below:

<u>For the following years:</u>	<u>The Applicable Dollar Amount is:</u>
2002	\$11,000
2003	\$12,000
2004	\$13,000
2005	\$14,000
2006 or thereafter	\$15,000 Adjusted for cost-of-living after 2006 to the extent provided under Section 415(d) of the Code

- B. Age 50 Catch-up Annual Deferral Contributions. A Participant who will attain age 50 or more by the end of the calendar year is permitted to elect an additional amount of Annual Deferrals, up to the maximum age 50 catch-up Annual Deferrals for the year. The maximum dollar amount of the age 50 catch-up Annual Deferrals for a year is as follows:

<u>For the following years:</u>	<u>The Applicable Dollar Amount is:</u>
2002	\$1,000
2003	\$2,000
2004	\$3,000
2005	\$4,000
2006 or thereafter	\$5,000 Adjusted for cost-of-living after 2006 to the extent provided under the Code

- C. Special Section 457 Catch-up Limitation. If the applicable calendar year is one of a Participant's last three calendar years ending before the calendar year in which the Participant attains Normal Retirement Age and the amount determined under this Section V.C exceeds the amount computed under Sections V.A and V.B, then the Annual Deferral limit under this Section V.C shall be the lesser of:

- a. An amount equal to 2 times the Section V.A Applicable Dollar Amount for such calendar year; or
- b. The sum of:
 - 1) An amount equal to
 - (A) the aggregate Section V.A limit for the current calendar year plus each prior calendar year beginning after December 31, 2001 during which the Participant was an Employee under the Plan, minus
 - (B) the aggregate amount of Annual Deferrals that the Participant deferred under the Plan during such calendar years, plus
 - 2) An amount equal to
 - (A) the aggregate limit referred to in Section 457(b)(2) of the Code for each prior calendar year beginning after December 31, 1978 and before January 1, 2002 during which the Participant was an Employee (determined without regard to Sections V.A and V.B), minus

(B) the aggregate contributions to Pre-2002 Coordination Plans for such calendar years.

However, in no event can the deferred amount be more than the Participant's Compensation for the calendar year.

D. Special Rules. For purposes of this Article V, the following rules 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 Section 457(b) of the Code, then this Plan and all such other plans shall be considered as one plan for purposes of applying the foregoing limitations of this Article V. For this purpose, the Committee 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 Committee receives from the Participant sufficient information concerning his or her participation in such other plan.

b. Pre-Participation Years. In applying Section V.C, a year shall be taken into account only if

1) the Participant was eligible to participate in the Plan during all or a portion of the year, and

2) Compensation deferred, if any, under the Plan during the year was subject to the basic annual limitation described in Section V.A or any other plan ceiling required by Section 457(b) of the Code.

c. Pre-2002 Coordination Years. For purposes of Section V.C(b)(2)(B), "contributions to Pre-2002 Coordination Plans" means any employer contribution, salary reduction or elective contribution under any Code Section 401(k) qualified cash or deferred arrangement, Code Section 402(h)(1)(B) simplified employee pension (SARSEP), Code Section 403(b) annuity contract, and Code Section 408(p) simple retirement account, or under any plan for which a deduction is allowed because of a contribution to an organization described in Section 501(c)(18) of the Code, including plans, arrangements or accounts maintained by the Employer or any employer for whom the Participant performed services. However, the contributions for any calendar year are only taken into account for purposes of Section V.C(b)(2)(B) to the extent that the total of such contributions does not exceed the aggregate limit referred to in Section 457(b)(2) of the Code for that year.

d. Disregard Excess Deferral. For purposes of Sections V.A, V.B, and V.C, an individual is treated as not having deferred compensation under a plan for a prior taxable year to the extent excess deferrals under the plan are distributed, as described in Section V.E. 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.

- E. 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 Section 457(b) of the Code for which the Participant provides information that is accepted by the Committee, then the Annual Deferral, to the extent in excess of the applicable limitation (adjusted for an income or loss in value, if any, allocable thereto), shall be distributed to the Participant as soon as administratively practicable after the Committee determines that the amount is an excess deferral within the meaning of Section 1.457-4(e) of the Income Tax Regulations.
- F. Protection of Persons Who Serve in a Uniformed Service. An Employee whose employment is interrupted by qualified military service under Section 414(u) of the Code or who is on a leave of absence for qualified military service under Section 414(u) of the Code may elect to make additional Employee Contributions upon resumption of employment with the Employer equal to the maximum Employee Contributions 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 Employee Contributions, 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).
- G. Reduction or Suspension of Deferrals. Employee Contributions shall automatically be reduced or suspended for any month in which the Employee's Compensation is less than the amount of such Employee's elected Employee Contributions for such month.

VI. BENEFITS UNDER PLAN

- A. Benefit Distributions At Retirement or Other Separation from Service. In the event of a Participant's Retirement or Separation from Service (other than due to death), a Participant is entitled to receive a distribution of his or her Account Balance under any form of distribution permitted under Section VI.C commencing at the date elected under Section VI.B. If a Participant does not elect otherwise, the distribution shall be paid as soon as practicable following Retirement or other Separation from Service and payment shall be paid in a lump sum.
- B. Election of Benefit Commencement Date. A Participant may elect to commence distribution of benefits at any time after Retirement or other

Separation from Service by a notice filed at least 30 days before the date on which benefits are to commence. However, in no event may distribution of benefits commence later than the date described in Section VI.G.

- C. Form of Benefit Payments. In an election to commence benefits under Section VI.B, a Participant entitled to a distribution of benefits under this Article VI may elect to receive payment in any of the following forms of distribution:
- a. Lump Sum – A single payment of the Participant’s total Account Balance.
 - b. Annuity – Annual installment payments through the year of the Participant’s death, the amount payable each year equal to a fraction of the Account Balance equal to one divided by the distribution period set forth in the Uniform Lifetime Table at Section 1.401(a)(9)-9, A-2, of the Income Tax Regulations for the Participant’s age on the Participant’s birthday for that year. If the Participant’s age is less than age 70, the distribution period is 27.4 plus the number of years that the Participant’s age is less than age 70. At the Participant’s election, this annual payment can be made in monthly or quarterly installments. The Account Balance for this calculation (other than the final installment payment) is the Account Balance as of the end of the year prior to the year for which the distribution is being calculated. Payments shall commence on the date elected under Section VI.B. For any year, the Participant can elect distribution of a greater amount (not to exceed the amount of the remaining Account Balance) in lieu of the amount calculated using this formula.
 - c. Installments – Periodic payments over a specified period of time or of specified amounts.
- D. Death Benefit Distributions. Commencing with the calendar year following the calendar year of the Participant’s death, the Participant’s Account Balance shall be paid to the Beneficiary in a lump sum.
- E. Account Balances of \$1,000 or Less.
- a. Notwithstanding anything to the contrary in this Article VI, if the amount of a Participant’s Account Balance is not in excess of \$1,000 on the date that payments commence under Section VI.A or on the date of the Participant’s death, then payment shall be made to the Participant (or to the Beneficiary if the Participant is deceased) in a lump sum equal to the Participant’s Account Balance as soon as practicable following the Participant’s Retirement, death or other Separation from Service.
 - b. In addition, at any time prior to the commencement of the distribution of his or her benefits under this Plan, a Participant may elect to receive his or her entire benefits hereunder, or the Committee may determine to distribute his or her entire benefits hereunder without the consent of a Participant, provided:
 - 1) the Participant’s benefits do not exceed \$1,000,

- 2) no amount has been deferred under this Plan with respect to the Participant during the two-year period ending on the distribution date; and
- 3) there has not been any prior distribution to the Participant under this Plan in reliance upon this Section VI.E.

F. Rollover Distributions.

- a. A Participant or the surviving spouse of a Participant (or a Participant's former spouse who is the alternate payee under a domestic relations order, as defined in Section 414(p) of the Code) who is entitled to an eligible rollover distribution may elect, at the time and in the manner prescribe by the Committee, to have all or any portion of the distribution paid directly to an eligible retirement plan specified by the Participant in a direct rollover.
- b. For purposes of this Section VI.F, 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
 - 1) any annuity under Section VI.C(b) for a period of 10 years or more or any installment payment under Section VI.C(c) for a period of 10 years or more,
 - 2) any distribution made under Article VII as a result of an unforeseeable emergency, or
 - 3) for any other distribution, the portion, if any, of the distribution that is a required minimum distribution under Section 401(a)(9).

In addition, an eligible retirement plan means an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, a qualified trust described in Section 401(a) of the Code, an annuity plan described in Section 403(a) or 403(b) of the Code, or an eligible governmental plan described in Section 457(b) of the Code, that accepts the eligible rollover distribution.

- G. Latest Distribution Date. In no event shall any distribution under this Article VI begin later than the later of (a) April 1 of the year following the calendar year in which the Participant attains age 70 ½ or (b) April 1 of the year following the calendar year in which the Participant retires or otherwise has a Separation from Service. If distributions commence in the calendar year following the later of the calendar year in which the Participant attains age 70½ or the calendar year in which the Separation from Service occurs, the distribution on the date that distribution commences must be equal to the annual installment payment for the year that the Participant has a Separation from Service determined under Section VI.C(b) and an amount equal to the annual installment payment for the year after Separation from Service determined under Section VI.C(b) must also be paid before the end of the calendar year of commencement.

VII. WITHDRAWALS IN EVENT OF UNFORESEEABLE EMERGENCY

- A. Distribution. In the event of an unforeseeable emergency, a Participant may apply to the Committee for a lump-sum distribution from the Plan prior to Retirement or other Separation from Service equal to the amount requested or, if less, the maximum amount determined by the Committee to be permitted to be distributed under this Article VII. If such application for distribution is approved by the Committee, the distribution will be effective at the later of the dates specified in the Participant's application or, the date approved by the Committee.
- B. Unforeseeable emergency defined. An unforeseeable emergency is defined as a severe financial hardship of the Participant resulting from: an illness or accident of the Participant, the Participant's spouse, or the Participant's dependent (as defined in Section 152(a)); loss of the Participant'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); the need to pay for the funeral expenses of the Participant's spouse or dependent (as defined in Section 152(a) of the Code); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. For example, the imminent foreclosure of or eviction from the Participant's primary residence may constitute an unforeseeable emergency. In addition, the need to pay for medical expenses, including nonrefundable deductibles, as well as for the cost of prescription drug medication, may constitute an unforeseeable emergency. Except as otherwise specifically provided in this Article VII, neither the purchase of a home nor the payment of college tuition is an unforeseeable emergency.
- C. 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.
- D. 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).
- E. Deferrals Following Distribution. If a Participant receives an unforeseeable emergency distribution, he or she will not be eligible to defer Compensation until the date that is one year after such distribution.

VIII. STATE LAW NON-CONFORMITY

Notwithstanding any Plan provision to the contrary, to the extent that the Committee determines in its sole discretion that implementation of any Plan provision might or would cause the Plan to fail to conform with, or Plan contributions, benefit accruals, or distributions to fail to satisfy, state or local law requirements for favorable tax treatment that do not conform with federal law ("State Non-Conformity Problem"), the Committee may, in its discretion, delay, discontinue, or modify implementation of the provision in question for Participants in that state or local jurisdiction, or for all Participants. Within a reasonable period of time after the State Non-Conformity Problem ceases to exist, or before then if the Committee elects to implement the provision notwithstanding the State Non-Conformity Problem, the Committee shall fully implement the Plan provision in question. Without the need for approval by the Board of Directors of the Employer or any other approval, the Committee is authorized to amend the Plan to the extent it determines to be appropriate to resolve or address State Non-Conformity Problems, and any actions it takes to delay, discontinue, or modify implementation of any Plan provision because of a State Non-Conformity Problem shall be deemed a Plan amendment, but need not be formally included in this Plan document.

IX. AMENDMENT OR TERMINATION OF PLAN

- A. The Board of Directors of the Employer may at any time terminate this Plan. Participants in the Plan will be deemed to have withdrawn from the Plan as of the date of termination. The Committee shall treat such Participants as if they had terminated their services on the date of the termination and direct the Employer to pay such benefit or benefits as provided in this Plan.
- B. The Board of Directors of the Employer also may amend the provisions of this Plan at any time; provided, however, that no amendment shall affect the rights of Participants or their Beneficiaries to the receipt of payments of benefits, to the extent of any Compensation deferred prior to the time of the amendment, as adjusted for investment experience under the applicable Investment Contracts.

X. NON-ASSIGNABILITY

Except as provided in Article XV and Section XVI.A, neither the Participant nor his or her Beneficiary nor any other designee, shall have any right to commute, sell, assign, transfer or otherwise alienate or convey the right to receive any payments under this Plan. All payments and rights under this Plan are non-assignable and non-transferable. In the event of any attempted assignment or transfer, the Plan shall have no further liability hereunder, nor shall any unpaid benefits be subject to attachment, garnishment, or execution, or be transferable by operation of law in the event of bankruptcy or insolvency, except to the extent otherwise required by law.

XI. PROTECTION OF THE PLAN'S ASSETS

All amounts of Deferred Compensation, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights, shall be (until distributed to the Participant or other Beneficiary) held and invested in the Trust Fund in accordance with this Plan and the Trust Agreement. The Trust Fund, and any subtrust

established under the Plan, shall be established pursuant to a written agreement that constitutes a valid trust under the law of the State of California. The Trustee shall ensure that all investments, amounts, property and rights held under the Trust Fund are held for the exclusive benefit of Participants and their Beneficiaries. The Trust Fund shall be held in trust pursuant to the Trust Agreement for the exclusive benefit of Participants and their Beneficiaries and defraying reasonable expenses of the Plan and the Trust Fund. It shall be impossible, prior to the satisfaction of all liabilities with respect to Participants and their Beneficiaries, for any part of the assets and income of the Trust Fund to be used for, or diverted to, purposes other than for the exclusive benefit of Participants and their Beneficiaries.

XII. DISCLAIMER

The Employer makes no representations or assurances and assumes no responsibility as to the performance of any of the Investment Contracts or as to the success or solvency of the Plan itself. It shall be the responsibility of Participants to determine the quality and viability and appropriateness of any of the Investment Contracts offered under this Plan as well as state and federal tax consequences of the Plan and their participation.

XIII. ROLLOVERS TO THE PLAN AND TRANSFERS

A. 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 may request to have all or a portion of the eligible rollover distribution paid to the Plan. The Committee may require such documentation from the distributing plan as it deems necessary to effectuate the rollover in accordance with Section 402 of the Code and to confirm that such plan is an eligible retirement plan within the meaning of Section 402(c)(8)(B) of the Code.

b. For purposes of this Section XIII.A, an eligible rollover distribution means any distribution of all or any portion of a Participant's benefit under another eligible retirement plan, except that an eligible rollover distribution does not include

- (i) any installment payment for a period of 10 years or more,
- (ii) any distribution made as a result of an unforeseeable emergency or other distribution which is made upon hardship of the Employee, or
- (iii) for any other distribution, the portion, of any, of the distribution that is a required minimum distribution under Section 401(a)(9) of the Code, a qualified trust describe in Section 401(a) of the Code, an annuity plan described in Section 403(a) or 403(b) of the Code, or an eligible governmental plan described in Section 457(b) of the Code, that accepts the eligible rollover distribution.

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 not an eligible governmental plan under Section 457(b) of the Code. 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 an eligible governmental plan under Section 457(b) of the Code.

B. Plan-to-Plan Transfers to the Plan. At the direction of the Employer, the Committee may permit a class of Participants who are participants in another eligible governmental plan under Section 457(b) of the Code to transfer assets to the Plan as provided in this Section XIII.B. Such a transfer is permitted only if the other plan provides for the direct transfer of each Participant's interest therein to the Plan. The Committee may require in its sole discretion that the transfer be in cash or other property acceptable to the Committee. The Committee may require such documentation from the other plan as it deems necessary to effectuate the transfer in accordance with Section 457(e)(10) of the Code and Section 1.457-10(b) of the Income Tax Regulations and the confirm that the other plan is an eligible governmental plan as defined in Section 1.457-2(f) of the Income Tax Regulations. 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 Article V.

C. Plan-to-Plan Transfers from the Plan.

a. At the direction of the Employer, the Committee may permit a class of Participants and Beneficiaries to elect to have all or any portion of their Account Balance transferred to another eligible governmental plan within the meaning of Section 457(b) of the Code and Section 1.457-2(f) of the Income Tax Regulations. A transfer is permitted under this Section XIII.C(a) for a Participant only if the Participant has had a Separation from Service with the Employer and is an Employee of the entity that maintains the other eligible governmental plan. Further, a transfer is permitted under this Section XIII.C(a) only if the other eligible governmental plan provides for the acceptance of plan-to-plan transfers with respect to the Participants and Beneficiaries and for each Participant and Beneficiary to have an amount deferred under the other plan immediately after the transfer at least equal to the amount transferred.

b. Upon the transfer of assets under this Section XIII.C(a), the Plan's liability to pay benefits to the Participant or Beneficiary under this Plan shall be discharged to the extent of the amount so transferred for the Participant or Beneficiary. The Committee may require such documentation from the receiving plan as it deems appropriate or necessary to comply with this Section XIII.C(a) (for example, to confirm that the receiving plan is an eligible governmental plan

under paragraph a.) of this Section XIII.C, and to assure that the transfer is permitted under the receiving plan) or to effectuate the transfer pursuant to Section 1.457-10(b) of the Income Tax Regulations.

XIV. APPLICABLE LAW

This Plan shall be construed under the laws of the State of California. This Plan is intended to be an eligible deferred compensation plan under Section 457(b) of the Code. This Plan shall be administered and interpreted to the extent possible in a manner consistent with that intent.

XV. QUALIFIED DOMESTIC RELATIONS ORDERS

Domestic relations orders approved by the Committee shall be administered as follows:

- A. To the extent required under final judgment, decree, or order made pursuant to a state domestic relations law, herein referred to as a Qualified Domestic Relations Order ("QDRO"), which is duly filed upon the Employer, any portion of a Participant's benefits may be paid or set aside for payment to a spouse, former spouse, or a child of the Participant. Where necessary to carry out the terms of such QDRO, a separate account shall be established with respect to the spouse, former spouse, or child, and such person shall be entitled to make investment selections with respect thereto in the same manner as the Participant. All costs and charges incurred in carrying out the investment selection shall be deducted from the account created for the spouse, former spouse, or child making the investment selection.

Any amounts so set aside for a spouse, former spouse or a child shall be paid out in a lump sum at the earliest date that benefits may be paid to the Participant, unless the QDRO directs a different form of payment or later payment date. In no event is the spouse, former spouse or child entitled to receive a distribution from the Plan prior to the time of the Participant separating from service with the Employer or his or her attainment of age 70 ½, or at such other time as determined by the Committee in its sole discretion. Nothing in this Section shall be construed to authorize any amounts to be distributed under the Plan at a time or in a form that is not permitted under Section 457 of the Code. Any payment made to a person other than the Participant pursuant to this Article shall be reduced by required income tax withholding. The fact that payment is made to a person other than the Participant may not prevent such payment from being includable in the gross income of the Participant for withholding and income tax reporting purposes. Such withholding and income tax reporting shall be done under the terms of the Code.

- B. The Employer's liability to pay benefits to a Participant shall be reduced to the extent that amounts have been paid or set aside for payment to a spouse, former spouse or child pursuant to this Article. No amount shall be paid or set aside

unless the Employer, or its agents or assigns, has been provided with satisfactory evidence releasing them from any further claim by the Participant with respect to these amounts. The Participant shall be deemed to have released the Employer from any claim with respect to such amounts in any case in which the Employer has been notified of or otherwise joined in a proceeding relating to a QDRO which sets aside a portion of the Participant's Benefits for a spouse, former spouse or child, and the Participant fails to obtain an order of the court in the proceeding relieving the Employer from the obligation to comply with the QDRO.

- C. The Employer shall not be obligated to comply with any judgment, decree or order that attempts to require the Plan to violate any Plan provision or any provision of Section 457 of the Code. Neither the Employer nor its agents or assigns shall be obligated to defend against or set aside any judgment, decree, or order described herein or any legal order relating to the division of a Participant's benefits under the Plan unless the full expense of such legal action is borne by the Participant. In the event that the Participant's action (or inaction) nonetheless causes the Employer, its agents or assigns to incur such expense, the amount of the expense may be charged against the Participant's Benefits and thereby reduce Employer's obligation to pay benefits to the Participant. In the course of any proceeding relating to divorce, separation, or child support, the Employer and its agents and assigns shall be authorized to disclose information relating to Participant's Benefits to the Participant's spouse, former spouse or child (including the legal representatives of the spouse, former spouse or child) or to a court.

XVI. MISCELLANEOUS

- A. IRS Levy. Notwithstanding Article VI, the Committee may pay from a Participant's or Beneficiary's Account Balance the amount that the Committee finds is lawfully demanded under a levy issued by the Internal Revenue Service 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.
- B. Mistaken Contributions. If any contribution (or any portion of a contribution) is made to the Plan by a good faith mistake of fact, then within one year after the payment of the contribution, and upon receipt in good order of a proper request approved by the Committee, the amount of the mistaken contribution (adjusted for any income or loss in value, if any, allocable thereto) shall be returned directly to the Participant or, to the extent required or permitted by the Committee, to the Employer.
- C. Payments to Minors or 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 Committee, benefits will be paid to such person as the Committee 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.

- D. Procedure When Distributee Cannot Be Located. The Committee 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 on Palomar Pomerado Health's or the Committee's records,
 - b. notification sent to the Social Security Administration or the Pension Benefit Guaranty Corporation (under their program to identify payees under retirement plans), and
 - c. the payee has not responded within 12 months.

If the Committee is unable to locate such a person entitled to benefits hereunder, or if there has been no claim made for such benefits, the Trust Fund shall continue to hold the benefits due such person.

* * * * *

IN WITNESS WHEREOF, the undersigned has caused this Amended and Restated Deferred Compensation Plan to be executed by its duly authorized member on _____, 2005.

Date Adopted: _____, 2005.

PALOMAR POMERADO HEALTH

By: _____

Title: _____

PALOMAR POMERADO HEALTH
DEFERRED COMPENSATION PLAN

APPENDIX A

Minimum Distribution Requirements – Model Revenue Procedure 2002-29 Amendment

I. GENERAL RULES

- A. Effective Date. Unless an earlier effective date is specified in the Plan, the provisions of this Appendix A will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.
- B. Precedence. The requirements of this Appendix A will take precedence over any inconsistent provisions of the Plan.
- D. Requirements of Treasury Regulations Incorporated. All distributions required under this Appendix A will be determined and made in accordance with the Treasury regulations under Section 401(a)(9) of the Code.

II. TIME AND MANNER OF DISTRIBUTION

- A. 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.
- B. 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, except otherwise as provided in the Plan, 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 70½, if later.
 - b. If the Participant's surviving spouse is not the Participant's sole Designated Beneficiary, then, except otherwise as provided in the Plan, distributions to the Designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.
 - c. If there is no Designated Beneficiary as of September 30 of the year 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. 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 II.B, other than Section II.B(a), will apply as if the surviving spouse were the Participant.

For purposes of this Section II.B and Section IV, distributions are considered to begin on the Participant's required beginning date (or, if Section II.B(d) applies, the date distributions are required to begin to the surviving spouse under Section II.B(a)). If annuity payments irrevocably commence to the Participant before the Participant's required beginning date, the date distributions are considered to begin is the date distributions actually commence.

C. Form of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance with Sections III and IV of this Appendix. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Section 401(a)(9) of the Code and the Treasury regulations.

III. 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:

a. the quotient obtained by dividing the Participant's Account Balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, 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, the quotient obtained by dividing the Participant's Account Balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the Distribution Calendar Year.

B. Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this Section III beginning with the first Distribution Calendar Year and up to and including the Distribution Calendar Year that includes the Participant's date of death.

IV. REQUIRED MINIMUM DISTRIBUTIONS AFTER PARTICIPANT'S DEATH

A. 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, 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.

B. Death Before Date Distributions Begin.

a. Participant Survived by Designated Beneficiary. Except as provided in the Plan, 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 provided in Section IV.A.

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 completed 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 Section II.B(a), this Section IV.B will apply as if the surviving spouse were the Participant.

V. DEFINITIONS

- A. Designated Beneficiary. The individual who is designated as the beneficiary under Article VI of the Plan and is the designated beneficiary under Section 401(a)(9) of the Internal Revenue Code and Section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.
- 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 which 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 II.B. 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. Life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the Treasury regulations.

- D. Participant's Account Balance. 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.
- E. Required Beginning Date. The date specified in Section VI.H of the Plan.

ADDENDUM - A

Informational: Update: Professional Enhancement Program

TO: PPH Board of Directors

MEETING DATE: December 12, 2005

FROM: Human Resources Committee: December 6, 2005

BACKGROUND: PPH has been working toward achieving Magnet Recognition status from the American Nurses Credentialing Center. The Professional Enhancement Program has been developed to meet the educational criteria outlined in the Magnet program. Currently there are 160 credentialed centers in the US, 5 in California and 1 in San Diego. PPH Magnet application was signed on August 30, 2005 and submitted to the ANCC office. It is anticipated that documentation submission will occur within 18-24 months.

Lorie Shoemaker provided an overview of the voluntary PPH Professional Enhancement Program. She outlined the program objectives, eligibility, application format and incentive bonus availability. All PPH RN's are eligible for this program.

BUDGET IMPACT:

STAFF RECOMMENDATION:

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION: Lorie Shoemaker present an overview of the Professional Enhancement Program to the full Board in February as their Educational Program.

Motion:

Individual Action:

Information:

ADDENDUM - A
Update: PPH Position Turnover

TO: PPH Board of Directors

MEETING DATE: December 12, 2005

FROM: Human Resources Committee: December 6, 2005

BACKGROUND: HR Committee was presented with a Year-end review of key position turnovers, including the following:

- Turn over relative to three key occupations: RT, Radiology, Nursing
- Overview of reasons for leaving these occupations
- Assessment

All position have decreased to 9.6% from 18% one year ago. The CA Hospital Association norm is 18%. PPH turn over is at 13.7% .

BUDGET IMPACT:

STAFF RECOMMENDATION:

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

ADDENDUM - A
Informational: Projected Healthcare Costs and Co-pays for 2006

TO: PPH Board of Directors

MEETING DATE: December 12, 2005

FROM: Human Resources Committee: December 6, 2005

BACKGROUND: Benefit open enrollment was conducted from October 26 through November 18 with benefit fairs held November 15-16. This was the second year for an on-line open enrollment. Open computer labs were held to assist any employee who had questions or needed additional assistance for on-line enrollment/changes. The new domestic partner benefit was also rolled out this year pursuant to the new California State law.

677 employees attended the health fairs, 883 accessed the on-line enrollment program, 24 people enrolled domestic partners.

BUDGET IMPACT:

STAFF RECOMMENDATION:

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

ADDENDUM - A
Informational: PPH Merit Market Adjustments

TO: PPH Board of Directors

MEETING DATE: December 12, 2005

FROM: Human Resources Committee: December 6, 2005

BACKGROUND: HR moved all non-union employees to a common evaluation date of 10/15. This facilitated a new combined market/merit increase process. This affected 780 employees (excluding directors and above). 680 employees received lump sum payments. The average increase per employee is approximately 5.57%.

BUDGET IMPACT: 2.5 million

STAFF RECOMMENDATION:

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

ADDENDUM - A

Miscellaneous Informational: Q-12 Dates, Holiday Meals

TO: PPH Board of Directors

MEETING DATE: December 12, 2005

FROM: Human Resources Committee: December 6, 2005

BACKGROUND: Information regarding several events for PPH employee participation.

1. Employees participate in the Gallup Employee Satisfaction Survey twice each year (upcoming Q-12 dates). Current survey began December 5 and runs through December 15, 2005
2. Holiday meals were provided by management for employees working on the November/December holidays.

BUDGET IMPACT:

STAFF RECOMMENDATION:

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time: