

MEMORANDUM OF UNDERSTANDING

1. The Town of Mammoth Lakes, California (the “Town”), in an effort to reach agreement with creditors and interested parties (collectively, the “Interested Parties”), initiated a neutral evaluation process as authorized by section 53760 of the California Government Code (the “Mediation”).

2. The Town and the Interested Parties who elected to participate in the Mediation agreed, through a mutually agreed upon process, to select the Hon. David Coar to serve as the neutral evaluator in the Mediation. The Mediation has been conducted by the Hon. David Coar in a manner that has promoted voluntary, un-coerced decision-making in which the parties have made free and informed choices regarding the process and outcome.

3. The neutral evaluator has informed the Town and all Interested Parties of the provisions of Chapter 9 relative to other chapters of the Bankruptcy Code. This instruction highlighted the limited ability of United States Bankruptcy Judges in Chapter 9 such as the lack of flexibility available to judges to reduce or cram down debt repayments and similar efforts not available to reorganize the operations of the city that may be available to a corporate entity.

4. The Town has provided the Interested Parties with information regarding its financial status and its proposal for the reorganization of its operations and adjustment of its debts. The Town and the undersigned Interested Party have participated in the Mediation and have negotiated, and will continue to negotiate, in good faith.

5. The Interested Party agrees to the proposed treatment of (a) its claim against the Town, (b) contract with the Town or (c) obligation owed to it by the Town that has been proposed by the Town as part of or in connection with the Mediation and which is described on the attached Exhibit A, which is incorporated herein by reference.

6. The agreement of the Town and the Interested Party to this Memorandum of Understanding and the proposed treatment set forth in Exhibit A is expressly conditioned on, and shall not be binding until, the occurrence of either of the following: (a) the negotiation of a

binding agreement between the Town and Mammoth Lakes Land Acquisition (“MLLA”), currently a non-participant in the Mediation, for the settlement of all disputes between them including the resolution of all claims arising from MLLA’s judgment against the Town; or (b) the entry by a United States Bankruptcy Court of a confirmation order approving the proposed treatment of the undersigned’s claim, contract or obligation in conjunction with or as a part of a Plan of Debt Adjustment in a Chapter 9 bankruptcy case, if such a proceeding is ultimately filed by the Town, as provided for by section 53760.3(t)(2) of the California Government Code.

<p>TOWN OF MAMMOTH LAKES, CALIFORNIA</p> <p>By: <u><i>David Wilbeck</i></u></p> <p>Title: <u><i>Town Manager</i></u></p> <p>Date: <u><i>June 21,</i></u> 2012</p>	<p>INTERESTED PARTY,</p> <p>Name: <u><i>Scott Meredith</i></u></p> <p>By: <u><i>PWEA</i></u></p> <p>Title: <u><i>PRESIDENT</i></u></p> <p>Date: <u><i>JUNE 25,</i></u> 2012</p>
---	---

CONFIDENTIAL

**Agreement between Town and the
Public Works Employee Association (PWEA) Regarding:
(I) Modification to the Memorandum of Understanding (MOU) and /or
Concessions on Future Wages and Work Rules, and (II) Proposed
Reduction and Alteration of Payment Terms for Employees' Accrued
Unpaid Leave Balances**

This agreement, attached as Exhibit A to the AB 506 mediation "Memorandum of Understanding" between the parties hereto, is subject to and incorporates by reference the terms and conditions set forth therein.

This Agreement shall also be incorporated into the union agreement (a separate "Memorandum of Understanding") between the PWEA Employee Associations and the Town as Addendum E.

The Associations and the Town agree to the following changes to their union agreement / "Memorandum of Understanding" in effect from July 1, 2007 through June 30, 2014 as amended:

I. Modifications relating to Future Wages and Work Rules

A. 10 Percent Cost Savings for All Employees, effective July 1, 2012:

1. Employees will assume the payment of the full Employee share of retirement contribution to the CalPERS retirement system, currently made on behalf of employees by the Town, up to a maximum of **8%**, which is the current share for the Miscellaneous Plan employees.)
2. The additional **2%** will be achieved by employees forgoing the 2% deferred comp match effective July 1, 2012. If and when savings are identified and implemented with regards to health insurance plans, equivalent portion of the 2% deferred compensation match can be replaced by such savings.

B. Future Leave Accrual and Payout

Only as to accrued leave earned after July 1, 2012:

1. Effective July 1, 2012, twice per fiscal year, on December 1 and May 30, unit members may cash out up to 80 hours annually of comprehensive and other leave accrued during the year, through June 30. Cash payments under this section are subject to all applicable payroll taxes and withholdings. The Town Manager may authorize payouts at other times upon the specific written request of a unit member, but only if extraordinary circumstances warrant such consideration.

CONFIDENTIAL

2. Each fiscal year, if sufficient funds remain in the annual paid leave account of the Town (as determined by the FTI long-term projection model and the Town's annual budget), the Town Manager, at his discretion, may authorize additional payouts, beyond the 80 hours per employee annually, to fully utilize the annual available leave funds. If sufficient funds are available and the Town Manager authorizes such additional payouts, the Town will inform the employees of such available funds on June 1, or the first working day in June of each fiscal year, and permit additional payout requests. Such requests must be submitted by the employees within a week of the Town's announcement of the available funds. If the additional requests exceed the amount of the additional funds available, such additional payout will be prorated among the requesting employees.
3. Administrative leave earned after July 1, 2012 cannot be cashed out, and must be used or will be lost.
4. Any additional leave (above: (i) the maximum 80 hours that could be cashed out, and (ii) any leave used during the fiscal year), shall be kept in each employee's leave bank and cashed out as of the date of their employment termination, according to the following schedule: (a) for voluntary separations or terminations: (i) unit members can cash out 50% of their accrued and earned leave at the time of employment separation, at their full rate of pay; and (ii) the remaining 50% shall be paid out over the following 12 months, monthly, at each employee's full rate of pay; (b) for involuntary separations, unit members can cash out 100% of their accrued and earned leave at the time of employment separation, at their full rate of pay. Cash payments under this section are subject to all applicable payroll taxes and withholdings.
5. No unit member shall be able to have a combined total of comprehensive and/or sick leave of over one thousand and forty (1,040) hours at the end of any fiscal year, including any such leave accrued prior to June 30, 2012. Accrual for any leave earned but not taken or cashed out after July 1, 2012 will be capped at 1,040 hours. Existing administrative leave becomes subject to the 1,040 hour cap.
6. The Town Manager, at his or her sole discretion, upon the request of a unit member, shall have the ability to approve other terms and conditions affecting payout of comprehensive leave at termination for any unit member leaving municipal service.
7. The above provisions do not apply to the existing unpaid (pre-July 2012) accrued leave balances of employees. The agreement regarding the treatment of those existing claims is set forth below

CONFIDENTIAL

C. Existing (Pre-July 1, 2012) Administrative Leave Balances

1. Administrative leave balances as of July 1, 2012 will be carried forward and may be used, but otherwise shall be kept in each employee's leave bank and cashed out as of the date of their employment termination, according to the following schedule: (a) for voluntary separations or terminations: (i) unit members can cash out 50% of their accrued and earned leave at the time of employment separation, at their full rate of pay; and (ii) the remaining 50% shall be paid out over the following 12 months, monthly, at each employee's full rate of pay; (b) for involuntary separations, unit members can cash out 100% of their accrued and earned leave at the time of employment separation, at their full rate of pay. Cash payments under this section are subject to all applicable payroll taxes and withholdings.

D. COLAs and Contract Terms

1. Employees shall receive, on July 1, 2012 a 4.5 percent COLA, as included in existing MOU, contingent upon meeting all other conditions of this offer.
2. Employees shall receive no (0%) COLA on July 1, 2013.
3. The existing MOUs shall be extended by two years, to June 30, 2016 contingent upon meeting all other conditions of this offer.
 - a. Employees shall receive NO (0%) COLA on **July 1, 2014**.
 - b. Employees shall receive a COLA on **July 1, 2015**, equivalent to the CPI for Los Angeles - Riverside in the 12 month period preceding the start of each Fiscal Year, except that it shall not be less than 1.5 percent and shall not exceed 3.5 percent. The receipt of the COLA shall only occur if TOT revenues increase by 5.0 percent or more above the amount assumed in the 5-Year FTI Forecast for the applicable town fiscal year.
4. The Town and the Association agree to meet and confer in good faith at any time during the term of the Memorandum of Understanding regarding potential changes to this agreement, if there is a material change in the Town's revenues or expenses from the FTI long-term projections included as part of the Agenda Bill dated May 8, 2012.
5. Any requested adjustment to the normal work schedule that impacts compensation of unit members shall be through a good faith meet and confer process.

E. Additional Cost Savings

1. The Town and the employees will work collectively to seek, identify and implement additional cost savings related to compensation and benefits.

CONFIDENTIAL

2. In FY 2012-13, the Town and employees will select 8-10 cities (the majority of them in California, and the remainder in other resort destinations) to which the Town employees' compensation and benefits will be compared.
3. The Town will conduct a comparison of compensation and benefits to these selected cities. Based on the results of the comparisons, the Town will develop recommendations for possible adjustments in compensation and benefits to the Town employees, current or future. The Town will also consider at that time offering to employees long-term disability insurance, if sufficient savings are identified through other cost reductions to fully pay for such new benefit.
4. The Town and employees will separately discuss cost-savings with employees on the existing health insurance and other benefits, if any are achieved.

II. Reduction and Alteration of Payment Terms for Employees' Accrued Unpaid Leave Balances

With regards to the leave accrued and earned to date, the union will strongly recommend to its members that, if a Chapter 9 case is commenced by the Town, they vote in favor of a plan of reorganization for the Town that provides the following treatment with respect to comprehensive, sick and other leave accrued and earned, to be effective on the Effective Date of the Town's confirmed Chapter 9 plan:

1. The number of hours of comprehensive and sick leave accrued and earned by each employee but unpaid as of July 1, 2012 (i.e., hours in each employee's "Pre-7/2012 Leave Bank"), are reduced by 10%.
2. During their continued employment with the Town, employees may still use, but will not be permitted to cash out any hours in their Pre-7/2012 Leave Bank.
3. Upon the: (a) voluntary separation or termination of employment: (i) an employee will receive a cash payment representing 50% of the hours in his or her Pre-7/2012 Leave Bank, at their full rate of pay at the time of employment separation; and (ii) the value of remaining 50% in his or her Pre-7/2012 Leave Bank shall be paid in 12 equal monthly payment at each employee's full rate of pay; and (b) involuntary separation or termination of employment, an employee will receive a cash payment representing 100% of the hours in his or her Pre-7/2012 Leave Bank, at their full rate of pay at the time of employment separation. Cash payments under this section are subject to all applicable payroll taxes and withholdings.
4. The Town Manager, at his or her sole discretion, shall have the ability to approve other terms and conditions affecting payout of comprehensive leave at termination for any unit member leaving municipal service.

CONFIDENTIAL

Immediately upon the Town's certification that the required agreements have been reached such that a Chapter 9 filing will not be required, the union will strongly recommend to its members that they agree to the foregoing effective as of the Town's certification.

CONFIDENTIAL