

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>David Wilbrecht</u></p> <p>Title: <u>Town Manager</u></p> <p>Date: <u>June 27</u>, 2012</p>	<p>INTERESTED PARTY,</p> <p>Name: <u>JOHN MAIR</u></p> <p>By: <u>[Signature]</u></p> <p>Title: <u>POLICE LIEUTENANT</u></p> <p>Date: <u>06/27/2012</u>, 2012</p>
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<p>TOWN OF MAMMOTH LAKES, CALIFORNIA</p> <p>By: <u>David Willbrecht</u></p> <p>Title: <u>Town Manager</u></p> <p>Date: <u>June 27</u>, 2012</p>	<p>INTERESTED PARTY,</p> <p>Name: <u>DB Watson</u></p> <p>By: <u>DB WATSON</u></p> <p>Title: <u>POLICE CHIEF</u></p> <p>Date: <u>6-21</u>, 2012</p>
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**Agreement between the Town and
Sworn Unrepresented Employees [hereinafter “employees”] Regarding:
(I) Town’s Implementation of Changes to Wages and Benefits effective
July 1, 2012, and II) Proposed Reduction and Alteration of Payment
Terms for Employees’ Accrued Unpaid Leave Balances**

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

I. Town’s Implementation of Changes to Wages and Benefits effective July 1, 2012

The Town informs the unrepresented employees that the Town will implement the following changes to the employees’ wages and applicable benefits effective July 1, 2012:

A. 16 Percent Cost Savings for sworn Police Officers, 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 **9%**, which is the current share for the Safety Plan employees.
2. Employees will forgo **the 2% deferred comp** match effective July 1, 2012.
3. a. The Town will freeze the enhanced retirement benefit (PARS)for all active (non-retired) and newly hired police officers. Under the “hard freeze” scenario: (i) future PARS benefit accrual based on years of service beyond July 1, 2012 ceases for all active employees (but they retain the benefits accrued through that date); (ii) PARS is not available to future employees; and (iii) existing retirees continue receiving their PARS benefits with no changes. Under this plan, the savings to the Town would be some **5% of compensation**.

b. By way of illustration, the freeze works as follows for an active employee as of July 1, 2012. The number of years of service the employee has as of July 1, 2012 will be the number of years to which the PARS percentage will be applied, irrespective of how many years the employee works post-July 2012. In addition, the salary level from which the PARS benefit will be calculated will also be frozen as of July 1, 2012. All other provisions regarding PARS in Article 38 of the MOU shall be unchanged..

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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, employees 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 an employee, but only if extraordinary circumstances warrant such consideration.
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) employees 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, employees 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 employee 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 an employee, shall have the ability to approve other terms and conditions affecting payout of comprehensive leave at termination for any employee leaving municipal service.

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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.

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 shall 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) employees 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

1. Employees shall receive, on July 1, 2012 a 4.5 percent COLA.

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

With regards to the leave accrued and earned to date, the unrepresented employees agree that, if a Chapter 9 case is commenced by the Town, they will 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

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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 employee leaving municipal service.

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