THE
RESTATED PUBLIC SCHOOLS OF PETOSKEY
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The Public Schools of Petoskey Cafeteria Plan was established effective November 1, 1996. With this instrument, the Public Schools of Petoskey is amending and restating the cafeteria plan, for the exclusive benefit of its Employees, which shall henceforth be known as the "The Restated Public Schools of Petoskey Cafeteria Plan," and for convenience shall be referred to in this document as the "Plan."

1.0 PURPOSE.

1.1 Intent of the Plan. The Plan is intended to meet the requirements of a cafeteria plan under Section 125 of the Internal Revenue Code of 1986, as amended (the "Code") and is to be interpreted in a manner consistent with the requirements of applicable law.

1.2 Purpose of the Plan. The primary purpose of the Plan is to attract and retain qualified personnel.

1.3 Plan not an Employment Agreement. This Plan is not an employment agreement between any Participant and the Employer, nor does this Plan give any Participant any right to be retained as an employee of the Employer.

1.4 Rights of Employees. The rights of Employees under the Plan are hereby acknowledged to be legally enforceable. Except as may be permitted under applicable law, the Plan is maintained for the exclusive benefit of Employees of the Employer who are eligible to be participants in the Plan. The Plan has been established with the intention of being maintained for an indefinite period of time.

2.0 DEFINITIONS.

The following definitions apply to this Plan and all documents and instruments related to this Plan:

2.1 Administrator -- The Employer, a committee created by the Board of the Employer, the Chief Financial Officer of the Employer, or such other person or entity as may be engaged from time to time by the Employer to supervise the administration of the Plan.

2.2 Benefit Plan -- A separate benefit plan maintained by the Employer for the purpose of providing Benefits under this Plan.

2.3 Benefit Schedule Error! Bookmark not defined. -- The Exhibit that is attached to this Plan as Exhibit A, which describes the benefits available to Participants under the Plan. The Benefit Schedule may be changed by the Employer from time to time, without notice, to the extent that the Employer deems it reasonably necessary for the sound and economical

administration of the Plan; provided that the Employer's discretion to change the Benefit Schedule may not be exercised in a manner that is inconsistent with the provisions of any applicable collective bargaining agreement as to those Employees who are within the bargaining unit covered by the collective bargaining agreement. A change to the Benefit Schedule will be treated as an amendment to the Plan.

2.4 Board -- The duly constituted Board of Education of the Employer, according to the laws of the State of Michigan and the Employer's governing instruments.

2.5 Claimant -- A person submitting a claim for Benefits under this Plan, or a Policy or Benefit Plan maintained to provide Benefits in conjunction with the Plan. A Claimant can be a Participant, a Beneficiary of a Participant (where appropriate), or a legal representative of a Participant or Beneficiary who would otherwise be the Claimant, but for a condition making the Participant or Beneficiary incapable of personally submitting the claim.

2.6 Code -- The Internal Revenue Code of 1986, as amended.

2.7 Collective Bargaining Agreement -- A collective bargaining agreement between the Employer and Employees who are members of a bargaining unit.

2.8 Dependent -- Any person who fits within the definition of a dependent under a Policy or Benefit Plan that is maintained by the Employer to provide Benefits under this Plan.

2.9 Effective Date -- The Effective Date of this restated Plan, being September 1, 2011.

2.10 Election Period -- The Election Period will be the period during the calendar months of May, June and July immediately preceding the first day of each Plan Year, as designated by the Administrator; provided that the Administrator may conduct a special Election Period before the Effective Date of this Restated Plan in order to allow Participants to make elections under any new or materially modified Benefits for the remainder of the Plan Year within which this Restatement becomes effective. The Election Period is the time during which Participants in the Plan may select the types of benefits and the allocation of funds to each benefit for the next period of coverage, all in the manner that is permitted by this Plan. Notwithstanding the foregoing, any Employee who becomes eligible to participate in the Plan on a date that is not within the Election Period will be permitted to make the selections and allocations during the thirty (30) calendar day period immediately preceding the date the Employee's participation under the Plan is to begin.

2.11 Eligible Employee -- An Employee who meets the requirements for eligibility to participate under this Plan under Section 3.1 of this Plan.

2.12 Employee -- Any statutory or common law employee of the Employer, excluding any person classified as a self-employed individual under Code Section 401(c)(1), and any person classified as an independent contractor.

2.13 **Employer** -- The Public Schools of Petoskey.

2.14 **ERISA** -- The Employee Retirement Income Security Act of 1974, as amended.

2.15 **Fiduciary** -- This Plan is a governmental plan and, therefore, is not subject to ERISA as of the Effective Date. If, however, this Plan becomes subject to ERISA, the Employer, the Administrator, and any other person involved in the administration of the Plan, as described in Section 3(21) of ERISA, shall be considered a Plan Fiduciary.

2.16 **Insurer** -- Any licensed insurance company issuing a Policy through which benefits under this Plan are provided.

2.17 **Medical Insurance Premium Account** -- An account established and maintained for each Participant who elects a reduction in Salary to pay Premiums for coverage under a Policy maintained by the Employer to provide health care to Employees.

2.18 **Participant** -- An Employee who participates in this Plan under Section 3.0.

2.19 **Plan** -- This cafeteria plan, established by the Employer under Section 125 of the Code.

2.20 **Plan Year** -- The 12-month period commencing on September 1 and ending on the next August 31.

2.21 **Policy** -- A contract with an Insurer maintained by the Employer for the purpose of providing benefits under this Plan. All such Policies are incorporated into this Plan by reference.

2.22 **Premium** -- The amount contractually required to maintain coverage under a Policy.

2.23 **Salary** -- The same as "earned income" as that term is defined in Section 32(c)(2) of the Code.

3.0 ELIGIBILITY, BENEFIT AND PARTICIPATIONError! Bookmark not defined.

3.1 Eligibility. An Eligible Employee who is not covered under a Collective Bargaining Agreement may participate under the Plan if the Employee satisfies the eligibility requirements to receive coverage under the Policy or Policies maintained by the Employer for purposes of its health insurance plan.

An Employee who is covered under a Collective Bargaining Agreement is eligible to participate under the Plan if such participation is mandated under the Collective Bargaining Agreement and the Employee has satisfied all additional conditions for participation as are stated in the collective bargaining agreement, if any.

3.2 Participation. An Employee who meets the eligibility requirements set forth in Section 3.1 will participate from the Effective Date of the Plan, provided the Employee has filed a benefit election form with the Administrator under this Plan. Any other Employee will become a Participant on the first day of the month coinciding with or next following the date the Employee becomes eligible as set forth in Section 3.1, provided the Employee has filed a benefit election form with the Administrator under this Plan.

If an Employee does not file a benefit election form at the time of the Employee's initial eligibility, the Employee may begin participating as of the first day of any following Plan Year, provided the Employee is eligible to participate at that time and the Employee files a benefit election form with the Administrator in accordance with this Plan during the relevant Election Period.

4.0 CONTRIBUTIONS AND FUNDING

4.1 Employer Contributions. The amount of the Employer's contributions under this Plan for a Plan Year will be determined during the Election Period, based on the annual benefit election forms completed by Participants under this Plan. The Employer will pay the cost of coverage on behalf of Participants under any Policies as provided under applicable Collective Bargaining Agreements, or other agreements, and Participants shall pay the amounts in excess of the contributions of the Employer through the reduction of Participants' Salaries, as described in the following paragraph, on forms and under the procedures established by the Administrator and under the relevant Collective Bargaining Agreement (the pertinent provisions of which are incorporated in this Plan by reference). Amounts will be credited to the bookkeeping accounts of Participants. The Employer will not be required in any way to fund the accounts, set aside, earmark or entrust any fund, policy or money with which to pay its obligations under the Plan. All benefits, except those provided under a Policy, will be paid from the Employer's general assets.

The Employer will use reasonable methods for determining the total cost of coverage under Policies, and the Employer's determination will be binding on all interested persons.

4.2 Salary Reduction Contributions. As necessary to fund the Benefits elected under the Plan that are not subject to Automatic Enrollment, each Participant may enter into a written Salary Reduction Agreement with the Employer in accordance with procedures established by the Administrator, by which the Participant will agree to a reduction in the Participant's Salary for the Plan Year, all as specified in the Salary Reduction Agreement. Each Salary Reduction Agreement will be subject to the following terms and conditions:

A. The total amount of the reduction in Salary will be equal to that portion of the Benefit costs to be funded by the Participant, including but not limited to Benefits subject to Automatic Enrollment.

B. Except as otherwise permitted in this Plan, the reduction of Salary will apply in all payroll periods within the applicable Plan Year, and to all of the Participant's periodic payroll checks during the Plan Year.

C. A Participant may not amend or revoke the Participant's election on or after the first day of the Plan Year for which the election is intended to be effective; except that a Participant may prospectively amend or revoke an election on or after the first day of the relevant Plan Year, for the remainder of the Plan Year, if the amendment or revocation is a "permitted election change" as more fully described in Section 4.3 of this Plan.

D. The amount of the reduction in Salary specified in a Participant's Salary Reduction Agreement may be changed by the Administrator, in its sole discretion, for the purpose of complying with applicable rules against discrimination, as more fully described in Section 4.4, or as permitted under Section 4.3.E.2.a. In addition, the Administrator may make reasonable adjustments in reductions of Salary to accommodate elections by Participations with respect to pay schedules offered Employees by the Employer.

4.3 Permitted Election Changes. For purposes of Section 4.2.C of this Plan, a Participant may revoke an election under this Plan during the Plan Year for which the election was intended to be made, and prospectively make a new election for the remainder of the Plan Year, under the following circumstances:

A. A participant may revoke an election for accident and health coverage and make a new election that corresponds with the special enrollment rights provided in Section 9801(f) of the Code.

B. A participant may revoke an election for accident and health coverage or group-term life insurance coverage and make a new election for the remaining portion of the Plan Year if under the circumstances (i) a change in status occurs; and (ii) the election change satisfies the "consistency requirement" in subparagraph 2 of this paragraph B.

1. Change in status events. The following events are changes in status for purposes of this paragraph B:

a. Events that change an employee's legal marital status, including marriage, death of a spouse, divorce, legal separation, or annulment.

b. Events that change the number of the Participant's dependents, including by reason of birth, adoption, placement for adoption, or death of a dependent (as defined in Section 152 of the Code).

c. Events that change the employment status of the Participant, the Participant's spouse, or the Participant's dependent, including a termination or commencement of employment; a strike or lockout; a commencement of or return from an unpaid leave of absence; a change in worksite; and, in addition, if the eligibility conditions of this Plan or other employee benefit plan of the Employer or of the employer of the Participant's spouse, or dependent depend on the employment status of that individual and there is a change in that individual's employment status with the consequence that the individual becomes (or ceases to be) eligible under the plan, then that change constitutes a change in employment under this subparagraph c.

d. Events that cause a Participant's dependent to satisfy or cease to satisfy the requirements for coverage due to attainment of age, student status, or any similar circumstance as provided in the Employer's accident or health plan.

e. A change in the place of residence of the Participant, spouse, or dependent.

2. Consistency Rule

a. Application to accident or health coverage and group-term life insurance. An election change satisfies the requirements of this subsection B with respect to accident or health coverage or group-term life insurance only if the election change is on account of and corresponds with a change in status that affects eligibility for coverage under specific Benefit. A change in status that affects eligibility under a Benefit includes a change in status that results in an increase or decrease in the number of a Participant's family members or dependents who may benefit from coverage under the Benefit. The consistency rule shall be applied in a manner consistent with Treasury Regulation Section 1.125-4.

b. Application to other Qualified Benefits. An election change satisfies the requirements of this subsection B with respect to other qualified benefits (i.e., other than accident and health coverage or group-term life insurance) if the election change is on account of and corresponds with a change in status that affects eligibility for coverage under the specific Benefit. In addition, an election change that is on account of and corresponds with a change in status that effects expenses under a dependent care assistance benefit or adoption assistance benefit (if such benefits are provided under this Plan) satisfies this subsection B.

c. Exception for COBRA. If a Participant, or spouse or dependent of a Participant becomes eligible for continuation coverage under a group health plan of the Employer as provided in Section 4980B of the Code or any similar state law, the Plan shall permit an election to increase payments under the Plan in order to pay for the continuation coverage.

C. Judgment, Decree, or Order. Notwithstanding anything contained herein to the contrary, in the case of a Participant who becomes subject to a judgment, decree, or order resulting from a divorce, legal separation, annulment, or change in legal custody that requires accident or health coverage for the Participant's child or for a foster child that is the Participant's dependent, the Plan shall:

1. Change the Participant's election under the Plan if doing so is necessary in order for such coverage to be provided for the child under the plan of the Employer through which accident or health coverage is provided to the Participant; or

2. Permit the Participant to make an election change to cancel coverage for the child if:

a. The order requires that coverage be provided by the Participant's spouse, former spouse, or other individual; and

b. That coverage is, in fact, provided.

D. Entitlement to Medicare or Medicaid. A Participant may make a prospective election change to cancel Benefits under this Plan, if any, relating to the coverage of the Participant, the Participant's spouse or a dependent under the accident or health coverage maintained by the Employer when the Participant, the Participant's spouse or dependent becomes eligible for coverage under Medicare or Medicaid. In addition, a Participant may make a prospective election to commence or increase coverage under the accident or health coverage maintained by the Employer when the Participant, the Participant's spouse or dependent who has been entitled to such coverage under Medicare or Medicaid losses eligibility for such coverage.

E. Significant Changes in Cost or Coverage.

1. General. A participant may prospectively amend or revoke an election under this Plan on or after the first day of the relevant Plan Year, for the remainder of the Plan Year, for changes in cost or coverage as described and permitted in this subsection E; provided, however, that this subsection does not apply to an election change with respect to a health flexible spending account (or on account of a change in cost or coverage under a health flexible spending account) where such a Benefit is provided under this Plan.

2. Cost Changes.

a. Automatic changes. If the cost of a qualified Benefit, to which Participants contribute through elective contributions, increases (or decreases) during a period of coverage, the Plan Administrator shall, on a reasonable and consistent basis, automatically make a prospective increase (or decrease) in the affected Participants' elective contributions for that Benefit.

b. Significant Cost Changes. If the cost charged to a Participant for a Benefit Package Option significantly increases or significantly decreases during a Plan Year, the Participant may make a corresponding change in his or her Benefit election under the Plan. Changes that may be made include commencing participation in the Plan for the Benefit Package Option with a decrease in cost or, in the case of an increase in cost, revoking an election for that coverage and, in lieu thereof, either receiving on a prospective basis coverage under another Benefit Package Option providing similar coverage or dropping coverage if no other Benefit Package Option providing similar coverage is available. For purposes of this Plan, the term "Benefit Package Option" means a qualified Benefit under Section 125(f) of the Code that is offer under the Plan, or an option for coverage under an underlying accident or health plan.

c. Application of Cost Changes. For purposes of paragraphs a and b of this subsection E, a cost increase or decrease refers to an increase or decrease in the amount of the elective contributions under the Plan, whether that increase or decrease results from an action taken by the Participant (such as switching between full- time and part-time status) or from an action taken by an Employer (such as reducing the amount of employer contributions for a class of employees).

d. Application to Dependent Care. This subsection E concerning cost changes applies in the case of a Dependent Care Assistance plan, if such a Benefit is provided under the Plan, only if the cost change is imposed by a dependent care provider who is not a relative of the employee, as described in Section 152(a)(1) through (8) of the Code, incorporating the rules of Section 152(b)(1) and (2) of the Code.

3. Coverage Changes.

a. Significant Curtailment Without Loss of Coverage. If a Participant (or a Participant's spouse or dependent) has a significant curtailment of coverage under a Benefit during a period of coverage that is not a loss of coverage (for example, there is a significant increase in the deductible, the co-pay, or the out-of-pocket cost sharing limit under an accident or health plan), the Plan shall permit the Participant to revoke his or her election for that coverage and, in lieu thereof, to elect to receive on a prospective basis coverage under another Benefit Package Option providing similar coverage. For purposes of this Plan, "similar coverage", means coverage for the same category of Benefits for the same individuals. Coverage under a Benefit is significantly curtailed only if there is an overall reduction in coverage provided under the Benefit so as to constitute reduced coverage generally.

b. Significant Curtailment With Loss of Coverage. If a Participant (or the Participant's spouse or dependent) has a significant curtailment that is a loss of coverage, the Plan shall permit that Participant to revoke his or her election under the Plan and, in lieu thereof, to elect either to receive on a prospective basis coverage under another Benefit Package Option providing similar coverage, or to drop coverage if no similar Benefit Package Option is available. For purposes of this Plan, a "loss of coverage" means a complete loss of coverage under the Benefit Package Option or other coverage option.

c. Addition or Improvement of a Benefit Package Option. If the Plan adds a new Benefit Package Option or other Benefit option, or if coverage under an existing Benefit Package Option or other Benefit option is significantly improved during a Plan Year, the Plan shall permit Eligible Employees (whether or not they have previously made an election under the Plan or have previously elected the Benefit Package Option) to revoke their elections under the Plan and, in lieu thereof, to make an election on a prospective basis for coverage under the new or improved Benefit Package Option or other Benefit option.

4. Change in Coverage Under Another Employer Plan. The Plan shall permit a Participant to make a prospective election change that is on account of and corresponds with a change made under another employer plan (including a plan of the same Employer or of another employer) if (i) the other plan permits participants to make an election change that would be permitted under this Section 4.3, or (ii) the Plan permits participants to make an election for a period of coverage that is different from the period of coverage under the other plan.

5. Loss of Coverage Under Other Group Health Coverage. The Plan shall permit a Participant to make an election on a prospective basis to add coverage under the Plan for the Participant, spouse, or dependent if the Participant, spouse, or dependent loses coverage under any group health coverage sponsored by a governmental or educational institution, including (i) a State's children's health insurance program (SCHIP) under Title XXI of the Social Security Act; (ii) a medical care program of an Indian Tribal government (as defined in Section 7701(a)(40) of the Code), the Indian Health Service, or a tribal organization; (iii) a State health benefits risk pool; or (iv) a foreign government group health plan.

F. Special Requirements relating to the Family and Medical Leave Act. A Participant taking leave under the Family and Medical Leave Act (FMLA) may revoke an existing election of group health plan coverage and make such other election for the remaining portion of the period of coverage as may be provided for under the FMLA.

4.4 Rules Against Discrimination. The Administrator has the sole and absolute discretion to assure that the Plan does not violate applicable rules against discrimination in contributions or benefits contained in the Code, which discretion may include, without limiting the scope of the Administrator's discretion, modifying Participants' elections under their Salary Reduction Agreements, with or without the consent of the affected Participant. Actions of the Administrator to assure that the Plan does not violate rules against discrimination may be limited

to that group of Participants in whose favor the Plan is found to be discriminatory, provided that all actions must be uniformly applied to all members of the affected group. The Administrator may not increase any Participant's reduction in Salary for the purpose of satisfying rules against discrimination.

5.0 BENEFITS

5.1 Benefit Schedule. Benefits payable under this Plan shall be those statutory taxable and non-taxable benefits set forth in the Benefit Schedule that is attached to this Plan as Exhibit A.

5.2 Covered Expenses. Benefits will be paid with regard to any Plan Year only for services and other covered expenses arising during that Plan Year. A service or covered expense is deemed to have arisen within the Plan Year that it is actually delivered, even if the Participant is billed, charged or pays for the service or covered expense after the end of the Plan Year. A Participant may submit claims for Benefits after the date of the Participant's employment termination, through the end of the third calendar month following the last day of the Plan Year within which the Participant terminates employment, for covered expenses incurred before the date of employment termination. Unless otherwise provided under the terms of a Benefit Plan or Policy, or otherwise required by law, no Benefits will be paid for expenses incurred by a Participant after the date the Participant terminates employment with the Employer.

5.3 Election of Benefits. For each Plan Year that a Participant wants to participate in the Plan, the Participant must file with the Administrator a written election of Benefits on a form furnished by the Administrator. The manner and place of filing will be determined under procedures established by the Administrator. The form will specify those Benefits from the Benefit Schedule that the Participant elects to receive during the Plan Year, and the amounts of each Benefit that the Participant will fund through a reduction in Salary or waiver of health insurance. Benefit elections may not be amended or revoked on or after the first day of the relevant Plan Year, for which they are made, except under the same circumstances that would permit the amendment or revocation of Salary Reduction Agreements, as described in Sections 4.2.C. and 4.3 of this Plan.

In addition to executing a Benefit election form, the Participant must provide all information and execute all applications and forms necessary to effectuate coverage under all Policies maintained by the Employer to provide the Benefits.

5.4 Benefit Payments. Benefit payments under this Plan will be made in the manner and subject to such conditions and restrictions as are contained in this Plan and the Policies or Benefit Plans providing the Benefits.

5.5 Cessation of Benefit Payments. Except with respect to accident or health plan coverage and group-term life insurance coverage, and unless otherwise provided by law, a Participant's eligibility to receive Benefits under this Plan will end if: (i) the Participant separates from service with the Employer; (ii) the Participant no longer satisfies the eligibility requirements for participation; (iii) the Participant ceases making required premium payments with respect to a Benefit under this Plan; or, (iv) this Plan is terminated. A Participant whose eligibility to receive Benefits under this Plan ends for any of these reasons may not renew participation before the first day of the next Plan Year, and then only if the Participant satisfies all of the eligibility requirements for participation that are applicable to new Participants and makes necessary Benefit elections.

5.6 Forfeiture of Unused Benefits. Amounts of reduced Salary credited to Participants' accounts during a Plan Year that are not used to pay Benefits for eligible expenses incurred during that same Plan Year will be forfeited. In the Administrator's discretion, forfeited amounts may be used to: offset experience losses under a health care flexible spending account plan maintained in connection with this Plan; pay the administrative expenses of the Plan; reduce Employer contributions for the following Plan Year; or reduce Employer contributions funded through all Participants' Salary reductions for the following Plan Year. Forfeited amounts may not be paid to Participants in cash or otherwise made available to Participants.

6.0 ADMINISTRATION

6.1 Authority of the Administrator. Except for responsibilities reserved to the Employer, the administration of this Plan will be under the supervision of the Administrator. If ERISA should ever apply to this Plan, the Administrator will be the named fiduciary of the Plan with the discretionary authority to control and manage its operation and administration in all of its details, subject to applicable law, including without limitation:

A. Interpreting the terms and provisions of the Plan; provided that the Administrator may not amend or modify the terms of the Plan; and further provided that the Administrator is not by virtue of its powers under this Plan empowered to interpret any Beneficiary Plans or Policies.

B. Making and enforcing those written rules and procedures, and promulgating those forms, which it deems necessary for the efficient administration of the Plan.

C. Determining the rights of Participants under the Plan.

D. Paying the Premiums on behalf of all Participants entitled to such payments under the Plan and paying expenses incident to the administration of the Plan.

E. Conducting the appeal procedure set forth in Section 6.3.

F. Maintaining records and accounts pertaining to the Plan.

G. Appointing individuals to assist in the administration of the Plan and any other agents it deems advisable, including legal and actuarial counsel.

6.2 Claims. All claims for Benefits under this Plan must be submitted in accordance with this Plan and written procedures established by the Administrator, the Insurer (for Benefits provided under a Policy), or the administrator of the Benefit Plan (for Benefits provided under a Benefit Plan). The Administrator will make all determinations as to eligibility and the right of any Claimant to a Benefit, except Benefits provided under a Policy, in which case the Insurer will make those determinations under the terms of the Policy, or under a Benefit Plan, in which case the Benefit Plan administrator will make those determinations under the terms of the Benefit Plan. The Administrator may rely upon all information furnished to it by the Claimant, as the case may be, when making such determinations. Where benefits are to be provided by an Insurer or a Benefit Plan administrator, the Administrator may rely absolutely on the Insurer's or the administrator's determination regarding claims under the terms of the Policy.

In its sole and absolute discretion the Administrator may require, before paying all or a portion of a Benefit, that the recipient sign a receipt and a release of the claim in favor of the Administrator, the Insurer (if any), the Benefit Plan administrator (if any) and the Employer on a form furnished by or approved as to form by the party or parties being released.

6.3 Appeals of Denied Claims. If a claim is denied, totally or partially, the Administrator will provide the Claimant with a written denial stating (i) the specific reasons for the denial, (ii) references to the pertinent Plan provisions upon which the denial is based, (iii) a description of any additional information the Claimant might be required to provide with an explanation of why it is needed, and (iv) an explanation of the Plan's appeal procedure. The written denial will be sent to the Claimant within 60 days after receipt of the claim by the Administrator. The 60 days may be extended for up to another 30 days if special circumstances warrant an extension of time. If an extension is needed by the Administrator to process the claim, the Claimant will be notified in writing before the beginning of the extension period. The notice will include an explanation of the circumstances requiring the extension of time and the date by which the Administrator expects to render a decision on the claim.

A Claimant may appeal the denial of a claim for Benefits by submitting a written request for a full and fair review to the Administrator. The Claimant may examine pertinent documents and submit pertinent issues and comments in writing; provided that neither the Employer nor the Administrator will be required by virtue of this provision to waive any privilege as to materials in their records or the records of their agents, including but not limited to the attorney-client privilege. The Claimant may have a representative throughout the appeals process who, if the Claimant chooses, may be a representative from the bargaining unit of which the Claimant is a member. The Claimant's written request for a review must be submitted within 60 days of the written notice of denial of the claim. The full and fair review will be completed and a decision rendered by the Administrator within 60 days after receipt of the written request for review; provided that the time for rendering a decision may be extended upon written notice to the Claimant, if warranted by special circumstances, for up to 30 days from the date of the receipt of the written request for review. The Administrator's decision will be in writing and

will include specific reasons for the decision, with specific references to the Plan provisions on which the decision is based. The decision of the Administrator will be final and binding; provided, however, that this procedure is not intended to limit other remedies that may be available to the Claimant under applicable statutes, common law or equity.

6.4 Administrator's Warranty. The Administrator warrants that all directions given, information furnished, or action taken by it shall be uniform and consistent with its interpretation of the provisions of the Plan authorizing or providing for such direction, information or action. The Administrator may rely upon all directions given by, information furnished by and actions taken by employees or agents of the Employer, which affect the Administrator's administration of this Plan, and is not required under this Plan to inquire into the propriety or correctness of any such direction, information or action. The Administrator is only responsible for the proper exercise of its own powers, duties, responsibilities and obligations under this Plan, and is not responsible or liable for any act or failure to act of an Employee of the Employer. Neither the Administrator nor the Employer makes any guarantee to any Participant in any manner for any loss or other event because of the Participant's participation in this Plan.

6.5 Compensation of Administrator. Those Employees performing the functions of the Administrator will not receive any compensation with respect to their performance of those duties, except as they may be entitled to Benefits as Participants under this Plan.

6.6 Records and Reports. The Administrator will keep complete and accurate records and accounts relating to the administration of this Plan, and will be responsible for complying with all reporting, filing and disclosure requirements established by the Internal Revenue Service for Code Section 125 plans. All records and accounts regarding the Plan will be the sole and exclusive property of the Employer and may not be audited or disclosed to Participants, Beneficiaries, any of their representatives, or any other third party except as permitted under this Plan, or as required by law or judicial order. After the close of each Plan Year the Administrator will provide each Participant with any statements or reports that are required by law. The records and accounts of the Plan may be disclosed to the Employer's auditors in connection with any regular or special audit of the Employer.

6.7 Incapacitated Payee. Subject to the terms of an applicable Benefit Plan or Policy, whenever, in the Administrator's opinion, a Participant or Beneficiary entitled to receive payment of a Benefit is under a legal disability or is incapacitated so that person appears to be unable to manage the person's own financial affairs, the Administrator may make payments to that person, or the Administrator may, but is not required to (unless required by law or judicial order), make payments to the person's legal representative or to a relative, or the Administrator may apply the payment for the benefit of the Participant or Beneficiary in such other manner as the Administrator considers advisable. The payment of a Benefit in accordance with this Section will constitute a complete discharge of any liability for the making of that payment.

6.8 Standard of Care. The Administrator will administer the Plan according to its terms, solely in the interests of the Participants and for the exclusive purpose of providing Benefits to Participants and defraying the reasonable expenses of administration. The

Administrator will administer the Plan with that degree of care, skill, prudence and diligence that would be used by a prudent person acting in a like capacity and familiar with such matters, under the circumstances then prevailing.

6.9 Indemnification of the Administrator. The Administrator (so long as the Administrator is an employee or a committee of employees of the Employer) shall be held harmless and indemnified by the Employer against all claims, damages, judgments, settlements and other liabilities, including attorneys fees and expenses reasonably incurred in the defending of all claims, arising by reason of any act or failure to act made in good faith and consistent with the applicable standard of care in the administration of this Plan.

7.0 AMENDMENT AND TERMINATION

7.1 Amendment. This Plan is intended to be maintained indefinitely. Notwithstanding, the Employer may amend the Plan to comply with applicable law and regulations, provided that such an amendment does not cause the Plan to cease being maintained for the exclusive benefit of Participants, alter the requirements for eligibility to participate or benefit levels, reduce or eliminate a Participant's right to receive a benefit which the Participant already has a present right to receive, or increase the duties of the Administrator, unless the Administrator otherwise agrees. An amendment adopted by the Employer for the purpose of complying with applicable law and regulations shall be submitted by written notice to the appropriate representatives of all bargaining units whose members are eligible to participate in this Plan, at least 30 days before such amendment is to become effective. Any proposed amendment that will affect eligibility to participate in this Plan or benefit levels will not become effective without the consent of the bargaining units whose members are eligible to participate in the Plan. The Administrator will not be bound to the terms of any amendment until a true and accurate copy of the duly signed amendment has been delivered to the Administrator by the Employer.

7.2 Termination; Discontinuance of Benefits. Unless prohibited by applicable law, and with the consent of bargaining units whose members are eligible to participate in this Plan, the Employer may terminate or partially terminate the Plan at any time. If the Plan is terminated or partially terminated for any reason, amounts credited to accounts maintained under the Plan for Participants will continue to be applied for the exclusive benefit of the Participants. The termination of the Plan will not reduce or eliminate Participants' rights to reduce Salary earned before the date of the termination, nor affect the right of Participants to have Premiums paid under the provision of the Plan, but only to the extent that there are amounts credited to their accounts available for that purpose. Participants will not have the right to reduce, under this Plan, Salary earned after the date of the termination. Notice of a discontinuance or termination is not required except by the terms of any Policy, Benefit Plan or by law. The Insurer may cancel Policies according to their terms.

8.0 PROVISIONS FOR PARTICIPANTS ON FAMILY MEDICAL LEAVE

8.1 Participant's Rights under the Plan. Notwithstanding any other provisions of this Plan, a Participant who takes a leave of absence from the Employer under the federal Family and Medical Leave Act ("FMLA") will have the following rights under this Plan, provided the Employer is subject to the FMLA:

A. The Participant may elect to terminate participation in either or both of the health insurance and the health care flexible spending plan (if either or both of those benefits are provided under this Plan) during a Plan Year that the Participant is on FMLA leave, for the remaining portion of that Plan Year.

B. Upon returning to active service following an FMLA leave, a Participant whose participation in the health insurance or the health care flexible spending plan (if any) was terminated during the leave, whether voluntarily by the Participant or due to nonpayment of amounts required to fund those benefits, may elect upon returning to active service to be reinstated to participation. The Participant's participation after returning from the FMLA leave will be at the same Benefit levels and on the same terms at which the Participant participated before the FMLA leave.

C. A Participant who is on FMLA leave and who continues to participate in this Plan during the leave may amend or revoke elections under this Plan in the same manner and with the same conditions as are applicable to all other Participant's who are not on FMLA leave.

D. A Participant who is on an unpaid FMLA leave and who continues to participate in this Plan during the leave must continue to contribute the Participant's share of the cost of the Participant's health insurance coverage and the Participant's Health Care Reimbursement Account, based on the Participant's election of those Benefits, using one of the following payment options, as the Participant shall choose:

1. The Participant may pay, before beginning the FMLA leave period, the amounts due for the FMLA leave period. Prepaid contributions may be made before taxes by reducing taxable Salary (including any cashed-out unused sick days or vacations days), or after taxes from the Participant's other sources of funds.

2. The Participant may pay amounts due for the FMLA leave period on the same schedule as payment would have been made if the Participant were not on leave, or under any other payment schedule permitted under regulations promulgated by the U.S. Department of Labor. Contributions under this option may be made before taxes by reducing taxable Salary (including any cashed-out unused sick days or vacation days) that the Participant is due during the leave period, and provided that all plan requirements are satisfied, or after taxes from the Participant's other sources of funds.

3. If the Employer provides health Benefits to a Participant during an FMLA leave, but the Participant does not contribute to the cost of those Benefits during the leave period, the Employer's payment of the Participant's share of the costs will be treated as an advance to the Participant which the Participant shall be required to repay to the Employer when the Participant returns to active service. Contributions by the Participant under this option may be made before taxes by reducing the Participant's Salary earned after the Participant returns from the FMLA leave, or after taxes from the Participant's other sources of funds.

E. A Participant who is on a paid FMLA leave, and who continues to participate in this Plan during the leave must continue to contribute the share of the cost of the Participant's health insurance coverage and the Participant's Health Care Reimbursement Account, based on the Participant's election of those Benefits, using the same method used during other types of paid leave authorized by the Employer.

F. In addition to the provisions contained in the preceding paragraphs, the following provisions apply specifically to Participants who have elected to participate in the Medical Expense Reimbursement Plan and who take an FMLA leave:

1. So long as the Participant continues to participate in the Medical Expense Reimbursement Plan, the full amount of the elected coverage, as set forth on the Participant's Benefit Election Form, less any prior reimbursement, will be available to the Participant at all times during the FMLA leave period.

2. The Participant will not be entitled to receive reimbursements for claims incurred during any period during the FMLA leave that the Participant's participation in the Medical Expense Reimbursement Plan terminates.

3. A Participant whose participation in the Plan terminates during the FMLA leave may reinstate participating upon returning to active service after the FMLA leave period for the remainder of the Plan Year; provided that the Participant may not be reimbursed for claims incurred during the period of the FMLA leave that participation was terminated. When the Participant reinstates participation, the Participant's coverage for the remainder of the Plan Year will be equal to the level of the Benefit chosen by the Participant for the Plan Year (as shown on the Participant's Benefit Election Form) prorated for the period during the FMLA leave that the Participant's participation was terminated, and reduced by reimbursements for claims incurred during the portion of the Plan Year preceding the FMLA leave.

9.0 MISCELLANEOUS

9.1 Uniform Rules. The terms and conditions of this Plan and all rules promulgated by the Administrator under authority granted by this Plan will be interpreted and enforced in a uniform manner as to all similarly situated persons, and no action on the part of the Administrator or the Employer will discriminate in favor of highly compensated employees (as that term is defined in the Code and in regulations promulgated under the Code).

9.2 Construction. The Employer's intent and purpose in adopting this Plan is to establish a plan of welfare benefits consistent with relevant sections of the Internal Revenue Code. The Employer intends to comply fully with statutes and regulations governing wages, compensation, and fringe employment benefits. All questions arising in the construction and administration of this Plan must be resolved accordingly. This Plan is to be construed under the laws of the State of Michigan, except to the extent that the laws of the United States of America have superseded those state laws. The headings and subheadings in this Plan have been inserted for convenience only and are not to be construed as a part of this Plan. If a provision of this Plan is invalid, that invalidity does not affect other Plan provisions.

9.3 Non-alienation of Benefits. Benefits payable under this Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, including any such liability which is for alimony or other payments for the support of a spouse or former spouse, or for any other relative of a Participant, before actually being received by the person entitled to the Benefit under the terms of the Plan; and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to Benefits payable under this Plan will be void and of no effect as against the Plan, the Administrator or the Employer. The Employer shall not in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements or torts of any person entitled to benefits hereunder.

9.4 Counterparts. This instrument may be executed in any number of counterparts, each of which shall be deemed an original.

THE PUBLIC SCHOOLS OF PETOSKEY

Date:_____ By:_____

Its:_____

THE RESTATED PUBLIC SCHOOLS OF PETOSKEY
CAFETERIA PLAN
[Restated Effective September 1, 2011]

EXHIBIT A

BENEFIT SCHEDULE

Medical Plan Coverage

Each Participant who wants coverage under the insured Medical Plan maintained by the Employer for a Plan Year will receive coverage under the Policy or Policies maintained by the Employer to provide such coverage as designated by the Participant in the election form or forms executed by the Participant for the Plan Year under the terms of such Policy or Policies. The coverage available to the Participant will be in accordance with the pertinent provisions of the Collective Bargaining Agreement between the Employer and the bargaining unit that represents the Participant, or in the case of non-organized Participants, in accordance with the terms of the Participant's employment with the Employer.

Pre-Tax Premium Benefit; Automatic Enrollment

The Salary of each Participant will be reduced to pay the Participant's contribution to the Premium under the Policy or Policies maintained by the Employer to provide medical coverage in the amount, when added to the Employer's portion (if any), that is required for the coverage designated by the Participant in the Participant's election form, and amounts so reduced in each pay period during the relevant Plan Year will be credited to the Participant's Medical Insurance Premium Account. Premiums will be paid from the Participant's Medical Insurance Premium Account in accordance with the terms of the Policy. Amounts credited to a Participant's Medical Insurance Premium Account may only be used to pay medical insurance Premiums, and any amounts credited to that Account within a Plan Year that are not so used before the end of that Plan Year will be deemed forfeited.

Notwithstanding any other provisions of the Plan, any Employee who is enrolled in the Employer's medical insurance plan, who under the terms of such Employee's employment is required to pay a share of the Premiums for such coverage, shall be automatically enrolled in this Benefit so that such Employee's salary shall be automatically reduced on a pre-tax basis to pay for the Employee's portion Premiums; unless, however, the Employee affirmatively elects not to participate in this Benefit for a Plan Year, during the relevant Election Period. Therefore, at the time an Employee is hired, the Administrator shall provide the Employee a written notice explaining the automatic enrollment process and the employee's right to decline coverage and have no reduction to Compensation. The notice shall include the pay reduction amounts for employee-only coverage and family coverage, procedures for exercising the right to decline coverage, a form for making an election to decline coverage, information on the time by which an election must be made, and the period for which an election will be effective. The notice shall also be given to each Employee before the beginning of each Plan Year, during the Election Period, except that the notice for a current Employee shall include a description of the

Employee's existing coverage, if any. The Administrator shall develop procedures for the distribution of notices and the submission of declinations.

Waiver of Health Insurance; Cash Option

Each Participant who does not want coverage under the Employer's insured medical plan may elect to not receive such coverage for a Plan Year by executing a Waiver form provided by the Administrator within the relevant Election Period. A Participant who elects to waive coverage under the Employer's insured medical plan will receive cash in lieu of health insurance coverage in an amount and at the times determined by referencing the pertinent provisions of the Collective Bargaining Agreement between the Employer and the bargaining unit that represents the Participant, or in the case of non-organized Participants, the terms of the Participant's employment with the Employer. Unless otherwise provided, a Participant's waiver of health insurance shall apply to major medical coverage for which the Participant is eligible, and shall not apply to other insured benefits such as dental or vision coverage.

Health Care Flexible Spending Account Plan

The Salary of each Participant electing this Benefit will be reduced in accordance with a Salary Reduction Agreement to fund the Participant's Health Care Reimbursement Account established for the Participant under the Employer's Medical Expense Reimbursement Plan. The amount and payment of Benefits will be determined under the Medical Expense Reimbursement Plan. This Benefit is not available to Participants who participate in the Health Savings Account (HSA) Contributions Benefit offered under this Plan.

Dependent Care Assistance Flexible Spending Account Plan

The Salary of each Participant electing this Benefit will be reduced in accordance with a Salary Reduction Agreement to fund the Participant's Dependent Care Reimbursement Account established for the Participant under the Employer's Dependent Care Assistance Plan. The amount and payment of Benefits will be determined under the Dependent Care Assistance Plan.

Health Savings Account (HSA) Contributions

In accordance with Code Section 223, on and after September 1, 2011, a Participant under this Plan who is eligible to participate and who enrolls in a Health Savings Account (HSA) sponsored by the Employer may elect to participate in this Benefit by electing to pay HSA contributions on a pre-tax Salary Reduction basis to an HSA owned by the Participant and established and maintained outside of the Plan by a trustee/custodian to which the Employer can forward contributions to be deposited. A Participant is eligible to contribute to an HSA under this Plan provided the Participant has elected qualifying High Deductible Health Plan coverage offered by the Employer and, further provided, the Participant does not have disqualifying non-High Deductible Health Plan coverage.

The provisions of the Plan pertaining to permitted changes to benefit elections notwithstanding, a Participant may revoke or modify a Salary Reduction Agreement to fund an

HSA, prospectively, at any time during a Plan Year; provided that any such change shall be effective no later than the first day of the next month following the date that the election change was submitted to the Plan Administrator. The Plan Administrator may establish rules and a procedure for the election of salary reductions by Participant's to fund HSAs that are reasonably and practicably consistent with the provisions of the Plan, and in compliance with applicable laws, regulations and published guidance.

Participants may not elect this HSA Benefit if they participate in the Health Care Flexible Spending Account Plan sponsored by the Employer under this Cafeteria Plan. In addition, a Participant who has an election under the Health Care Flexible Spending Account Plan that is in effect on the last day of a Plan Year cannot elect this HSA Benefit for any of the first three calendar months following the close of that Plan Year, unless the balance in the Participant's Health Care Reimbursement Account is $0 as of the last day of that Plan Year.

Subject to the next paragraph, the annual contribution for a Participant's HSA Benefit is equal to the annual benefit amount elected by the Participant, but in no event shall the amount elected exceed the statutory maximum amount for HSA contributions applicable to the Participant's High Deductible Health Plan coverage option (i.e., single or family) for the calendar year in which the contribution is made. An additional catch-up contribution may be made for Participants who are age 55 or older up to the statutory catch-up contribution amount.

Notwithstanding the foregoing, the maximum annual contribution shall be: (a) reduced by any matching HSA contribution made by the Employer through this Plan on the Participant's behalf; and (b) prorated for the number of months in which the Participant is eligible to participate in an HSA.

The Employer will make a matching HSA contribution to the HSA of each Participant who elects to make pre-tax Salary Reduction HSA contributions under this Benefit. The amount of the Employer's matching contribution on behalf of a Participant shall be equal to the lesser of: (a) the amount the Participant's HSA contributions made under this Plan on a pre-tax Salary Reduction; and (b) an annual cap, the amount of which shall be determined by the Employer each year and announced to Participants prior to the first day of each Plan Year. The timing and amounts of matching contributions on behalf of a Participant for a Plan Year shall correspond to the timing and amounts of HSA contributions reduced from each of the Participant's paychecks pursuant to the Participant's Salary Reduction Agreement, but shall cease when the amount of the matching contributions reaches the cap for the applicable year.

The HSA trustee/custodian, not the Employer, will establish and maintain Participants' HSAs. The HSA trustee/custodian will be chosen by the Participant, not by the Employer; provided, however, that the Employer may limit the number of HSA providers to whom it will forward contributions that the Employee makes via pre-tax Salary Reductions. The Plan Administrator will maintain records to keep track of HSA contributions an Employee makes through this Plan, but it will not create a separate fund or otherwise segregate assets for this purpose. The Employer has no authority or control over the funds deposited in a HSA.