

**SECOND AMENDMENT TO THE
SPARROW CAFETERIA PLAN**

The Sparrow Cafeteria Plan (the "Cafeteria Plan") is hereby amended effective January 1, 2016, as described below.

1. Section 2.1 is amended by the addition of subsection (j) as follows:

"(j) HSA Benefit. The benefit that is described in Article XI below."

2. Section 2.7 shall be replaced in its entirety with the following:

"2.7 Employer means Sparrow Health System; Edward W. Sparrow Hospital Association; Sparrow Clinton Hospital; East Lansing Athletic Club; Sparrow Community Care; Mid-Michigan MRI, Inc.; Physicians Health Plan; Sparrow Clinical Research Institute; Sparrow Ionia Hospital; Sparrow Specialty Hospital; Sparrow Carson Hospital; and any other entity that adopts this Cafeteria Plan with the written consent of Sparrow Health System and agrees in writing to be bound by the terms of this Cafeteria Plan."

3. Section 6.3 is amended by the addition of the following sentence at the end of the first paragraph:

"Notwithstanding the foregoing, if a Participant elects coverage under the Employer's high deductible health plan (HDHP) described in Code Section 223(c)(2) and the HSA Benefit described in Article XI below, then the Participant shall not be eligible to participate in the medical reimbursement plan under this Article VI."

4. The following Article XI shall be added immediately following Article X:

"ARTICLE XI - HSA BENEFIT OPTION

11.1 Purpose of Article. This Article is designed to permit an Eligible Employee to contribute on a pretax salary reduction basis to the Employee's Health Savings Account (HSA) and to allocate Employer Discretionary Contributions to the HSA.

11.2 Special Definitions for Article XI.

(a) “Account” means the record of Employee HSA Contributions and Employer Discretionary HSA Contributions described in Article 11.6(b).

(b) “Benefits” means the HSA Benefits offered under the Cafeteria Plan.

(c) “Dependent” means an individual who is a dependent as defined in Code Section 152, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof, and any child to whom Code Section 152(e) applies (for example, a child of divorced parents, where one or both parents have custody of the child for more than half of the calendar year and where the parents together provide more than half of the child’s support for the calendar year) is treated as a dependent of both parents.

Notwithstanding the foregoing, benefits will be provided in accordance with the applicable requirements of any qualified medical child support order, even if the child does not meet the definition of “dependent”.

(d) “Discretionary HSA Contribution” means any contribution made by the Employer in its sole discretion and allocated to an Eligible Employee's HSA Account.

(e) “Enrollment Form/Salary Reduction Agreement” means the form provided by the Plan Administrator for the purpose of allowing an Eligible Employee to participate in this HSA Benefit option by electing to make salary reduction contributions to pay for HSA Benefits. It includes a Salary Reduction Agreement where an Eligible Employee authorizes the Employer to make pretax salary reduction contributions under the Cafeteria Plan.

(f) “Eligible Employee” means (1) an Employee who is classified as a non-union Caregiver under the Employer’s applicable personnel policies and who is eligible to participate in the Cafeteria Plan; and (2) an Employee who is a member of a collective bargaining unit listed in the attached Schedule A and who is eligible to participate in the Cafeteria Plan. Any Employee who is a member of a collective bargaining unit listed on the attached Schedule A will become an Eligible Employee as of the corresponding effective date that appears in Schedule A, which may be updated from time to time by Sparrow Health System in accordance with uniform written procedures.

(g) “Employee HSA Contribution” means any contribution under the Cafeteria Plan made by the Employee for each eligible payroll period and allocated to an Eligible Employee’s HSA Account pursuant to the Employee’s Salary Reduction Agreement.

(h) “Health Savings Account” or “HSA” means a health savings account established under Code Section 223. Such arrangements are individual or custodial accounts, each separately established and maintained by an Eligible Employee with a qualified trustee/custodian.

(i) “High Deductible Health Plan” or “HDHP” means the high deductible health plan offered by the Employer, provided that the health plan is intended to qualify as an HDHP under Code Section 223(c)(2).

(j) “HSA Benefit” means the benefit described in Section 11.6(a).

(k) “HSA-Eligible Individual” means an individual who (1) is eligible to contribute to an HSA under Code Section 223, (2) has elected qualifying High Deductible Health Plan coverage offered by the Employer, and (3) is not covered by any disqualifying non-High Deductible Health Plan coverage.

(l) “Salary Reduction” means the amount by which the Employee’s compensation is reduced and applied by the Employer under the Cafeteria Plan to be contributed to the Employee’s HSA before any applicable state and/or federal taxes have been deducted from the Employee’s compensation.

(m) “Spouse” means an individual who is legally married to an Eligible Employee as determined under applicable state law and who is treated as a spouse under the Code; provided however, the term “Spouse” shall not include an individual legally separated from the Eligible Employee under a divorce or separate maintenance decree.

11.3 Eligibility and Participation.

(a) Eligibility to Participate. The individual must be eligible to participate in the Cafeteria Plan and must also be an HSA-Eligible Individual to participate in the HSA Benefit. Eligibility for HSA Benefits shall be subject to the additional requirements, if any, specified in the HDHP. Effective as of the date the Employee meets the Cafeteria Plan’s eligibility

requirements for coverage under the HDHP, the HSA-Eligible Individual may elect coverage under the HSA Benefit option.

(b) Termination of Participation. An Eligible Individual shall cease to be a participant in the HSA Benefit option on the date the Employee ceases to be eligible for coverage as an active employee of the Employer under the HDHP as set forth in the Cafeteria Plan. Distributions from the Employee's HSA (whether before or after termination of employment) and all other matters relating to the Employee's HSA are outside this Cafeteria Plan and are to be handled by the Employee and his or her trustee/custodian in accordance with the agreement between them.

(c) Reparticipation Following Termination of Employment or Loss of Eligibility. Reparticipation in the Cafeteria Plan following the Employee's termination of employment or other loss of eligibility shall be determined as set forth in the Cafeteria Plan. Notwithstanding the foregoing, an election to participate in the HSA Benefit will be reinstated only if an individual is an HSA-Eligible Individual on the reparticipation date.

11.4 Elections.

(a) Election to Participate. Elections to participate in the HSA Benefit shall be made in accordance with the terms of the Cafeteria Plan.

(b) Amending Elections. Notwithstanding any Cafeteria Plan provision to the contrary, an election to make a contribution to an HSA may be increased, decreased or revoked at any time on a prospective basis. Such election shall be effective as soon as administratively feasible following the date on which the election change was filed with the Plan Administrator in accordance with the procedures established under the Cafeteria Plan.

(c) Election Modifications Required by the Plan Administrator. The Plan Administrator may, at any time, require that any Eligible Employee or a class of Eligible Employees amend the amount of their respective salary reduction contributions for HSA Benefits for a period of coverage if the Plan Administrator determines that such act is necessary or advisable in order to (a) satisfy any of the Code's nondiscrimination requirements applicable to the Cafeteria Plan; (b) prevent any Employee or class of Employees from having to recognize more income for state or federal tax from the receipt of benefits under the Cafeteria Plan

than would otherwise be recognized; (c) maintain the qualified status of benefits received under the Cafeteria Plan; or (d) satisfy Code nondiscrimination requirements or limitations applicable to the Employer's qualified plans. In the event that contributions are reduced for a class of Employees, the Plan Administrator shall reduce the salary reduction amounts for each affected Employee, beginning with the Employee in the class who had elected the highest salary reduction amount and continuing with the Employee in the class who had elected the next highest salary reduction contribution, and so forth, until the defect is corrected.

11.5 Benefits Offered.

(a) Benefits Offered. When first eligible under each Election Period, Eligible Employees shall be given the opportunity to elect HSA Benefits as described in Section 11.6. HSA Benefits cannot be elected for a Plan year if the Employee participates in the medical reimbursement (or health FSA) benefit offered under the Cafeteria Plan for the same Plan year.

(b) Funding this Cafeteria Plan. All amounts payable under this Cafeteria Plan shall be paid from the general assets of the Employer as described in the Cafeteria Plan.

11.6 HSA Benefit.

(a) HSA Participation. An Eligible Employee may elect to participate in the HSA Benefit by electing to make Employee HSA Contributions on a pretax salary reduction basis to the Employee's HSA established and maintained outside the Cafeteria Plan by a trustee/custodian to which the Employer can forward contributions to be deposited. This funding feature constitutes the HSA Benefit offered under the Cafeteria Plan.

(b) Employee and Employer HSA Contributions.

(1) Employee HSA Contributions. Eligible Employees who elect HSA Benefits may pay for the cost of that coverage on a pretax salary reduction basis by completing an Enrollment Form/Salary Reduction Agreement as described in the Cafeteria Plan. All such Employee HSA Contributions shall be transferred to the Employee's HSA as soon as administratively possible following each covered payroll period.

(2) Employer Discretionary HSA Contributions. The Employer may declare a Discretionary HSA Contribution to the Cafeteria Plan to be allocated to the HSA of

each Participant who is an Eligible Employee and has elected the HSA Benefit. The amount of any such discretionary Employer contribution to the Eligible Employee's HSA shall be determined annually by the Plan Administrator pursuant to uniform written guidelines.

(c) Maximum Contributions for HSA Coverage.

The maximum total annual Employee and any Employer Discretionary Contribution to an Employee's HSA Benefit shall not exceed the statutory maximum amount for HSA contributions applicable to the Employee's High Deductible Health Plan coverage option for the calendar year in which the contribution is made.

An additional catch-up contribution (\$1,000 for 2016, as modified by future IRS guidance) may be made by any Eligible Employee who is age 55 or older.

The maximum annual contribution for an Employee who is an HSA-Eligible Individual on December 1 of a given Plan Year shall not be prorated for the number of months during the year in which the Employee is an HSA-Eligible Individual; however, if the Employee does not remain an HSA-Eligible Individual (except because of disability) during the testing period that begins on the first day of the last month of the tax year in which the Employee becomes an HSA-Eligible Individual and ends on the last day of the 12th month following that month, applicable taxes and penalties shall apply to the amount of the contributions attributable to the months preceding the month in which the Employee became an HSA-Eligible Individual.

(d) Recording Contributions for HSAs. As

described in Section 11.6(f), the HSA is not an employer-sponsored employee benefit plan—it is an individual trust or custodial account separately established and maintained outside the Cafeteria Plan by a trustee/custodian selected by the Employer. Consequently, the HSA trustee/custodian, not the Employer, shall establish and maintain the HSA and shall be subject to the following conditions:

- The HSA is not intended to be an ERISA plan; therefore, the Employer shall not establish, sponsor or maintain the HSA.
- Employee contributions to the HSA shall be completely voluntary as set forth in FAB 2004-1.

- The HSA shall not limit the ability of the Employee to move HSA funds to another HSA provider, beyond that permitted by the Code.
- The Employer shall not impose any conditions on the utilization of HSA funds, beyond those permitted by the Code.
- Employees shall be permitted to receive distributions from the HSA at any time, and such HSA distributions shall not be restricted to pay or reimburse only medical expenses.
- The Employer shall not make or influence investment decisions with respect to the funds contributed to the HSA.
- The Employer shall not receive any payment or compensation in connection with the HSA.

The Plan Administrator shall maintain records to keep track of Employer Discretionary HSA Contributions and Employee HSA Contributions made with pretax Salary Reduction contributions, but it will not create a separate fund or otherwise segregate assets for this purpose. The Employer shall have no authority or control over the funds deposited in an HSA.

(e) Tax Treatment of HSA Contributions and Distributions. The tax treatment of the HSA (including contributions and distributions) shall be governed by Code Section 223.

(f) Trust/Custodial Agreement; HSA Not Intended to Be an ERISA Plan. HSA Benefits under this Cafeteria Plan consist solely of Employee HSA Contributions made on a pretax salary reduction basis and any Employer Discretionary HSA Contributions to the HSA. Terms and conditions of coverage and benefits (e.g., eligible medical expenses, claims procedures, etc.) will be provided by and are set forth in the HSA, not this Cafeteria Plan. The terms and conditions of each Employee's HSA trust or custodial account are described in the HSA trust or custodial agreement provided by the applicable trustee/custodian to each electing Employee and are not a part of this Cafeteria Plan.

The HSA is not an employer-sponsored employee benefit plan. It is a savings account that is established and maintained by an HSA trustee/custodian outside this Cafeteria

Plan to be used primarily for payment or reimbursement of “qualified eligible medical expenses” as set forth in Code Section 223(d)(2). The Employer has no authority or control over the funds deposited in the HSA. Even though this Cafeteria Plan may allow Employer Discretionary Contributions as well as Employee pretax Salary Reduction contributions to an HSA, the HSA is not intended to be an ERISA benefit plan sponsored or maintained by the Employer.

(g) Expenses. A separate HSA trustee/custodial fee may be assessed by the Employee’s HSA trustee/custodian.

(h) Plan Provisions Controlling/Severability. In the event that the terms or provisions of any summary or description of this Amendment are interpreted as being in conflict with the provisions of this Article or the Cafeteria Plan, the provisions of this Article and the Cafeteria Plan shall be controlling.

Should any part of this Article subsequently be invalidated by a court of competent jurisdiction, the remainder of the Article shall be given effect to the maximum extent possible."

SPARROW HEALTH SYSTEM

Dated: _____, 2015 By: _____
Its: _____

By its signature below, Sparrow Carson Hospital hereby agrees to become a participating Employer in the Sparrow Cafeteria Plan effective January 1, 2016, and agrees to be bound by the terms of the Cafeteria Plan as amended from time to time.

SPARROW CARSON HOSPITAL

Dated: _____, 2015 By: _____
Its: _____

SCHEDULE A

HSA-ELIGIBLE COLLECTIVE BARGAINING UNITS

Employees who are members of the collective bargaining units that are listed in this Schedule A shall be eligible to participate in the HSA Benefit that is described in Article XI of the Sparrow Cafeteria Plan as of the corresponding Effective Date of Eligibility.

Collective Bargaining Unit	Effective Date of Eligibility

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