

CONSULTANT AGREEMENT

THIS AGREEMENT, entered into this 1st day of September, 2015, by and between CITY OF ALAMEDA, a municipal corporation (the "City"), and Preferred Alliance, a California Corporation (California corporation, partnership, sole proprietor, individual), whose address is 16960 S. Harlan Road, Bldg. 2, Lathrop, CA 95330 (the "Consultant"), is made with reference to the following:

RECITALS:

- A. City is a municipal corporation duly organized and validly existing under the laws of the State of California with the power to carry on its business as it is now being conducted under the statutes of the State of California and the Charter of the City; and
- B. Consultant is specially trained, experienced and competent to perform the special services which will be required by this Agreement; and
- C. Consultant possesses the skill, experience, ability, background, certification and knowledge to provide the services described in this Agreement on the terms and conditions described herein; and
- D. City and Consultant desire to enter into an agreement for Third Party Administrator of Department of Transportation Drug and Alcohol Testing Program upon the terms and conditions herein.

NOW, THEREFORE, it is mutually agreed by and between the undersigned parties as follows:

1. TERM:

The term of this Agreement shall commence on the 1st day of September, 2015, and shall terminate on the 31st day of August, 2018, unless terminated earlier as set forth herein. This contract may be amended to add up to two additional three year terms, based upon satisfactory performance by the vendor and upon the discretion of both parties, with any increases in unit prices to be negotiated and approved by the City Manager.

2. SERVICES TO BE PERFORMED:

Consultant shall perform each and every service set forth in Exhibit "A" "which is attached hereto and incorporated herein by this reference, including all incidental services customarily furnished in accordance with generally accepted practice ("the Services"). City retains the right to modify requested services at any time.

3. COMPENSATION TO CONSULTANT:

A. Consultant shall be compensated for the Services performed in accordance with this Agreement at the hourly rates set forth in Exhibit B. Payment under this contract shall not exceed _\$30,000_. Payment shall be made by checks drawn on the treasury of the City.

B. Additional Services:

(1) City shall pay Consultant for authorized Additional Services in accordance with the schedule of fees attached hereto as Exhibit B. City shall pay only for Additional Services authorized by the City Manager or designee in writing or requested verbally by City and confirmed in writing by Consultant within five (5) working days.

(2) Consultant and City shall agree upon an estimated not-to-exceed cost for any proposed Additional Services or, in the case of a verbal request, Consultant shall provide City with a written estimated not-to-exceed cost for such Additional Services at least one (1) working day prior to commencing the Additional Services. In no event shall City pay for Additional Services made necessary by Consultant's errors or oversights.

C. Within thirty (30) days after receipt of each application for payment, City shall verify the accuracy of the progress payment application, correct the charges where appropriate, and make payment to Consultant in an amount equal to the amount of such application, as verified or corrected by City. If City disagrees with any portion of a billing, the City shall promptly notify Consultant of the disagreement, and the City and the Consultant shall attempt to resolve the disagreement. City's payment of any amounts shall not constitute a waiver of any disagreement and City shall promptly pay all amounts not in dispute. No payment made hereunder shall be evidence of acceptance of any part of the Services.

D. The City may withhold payment, in whole or in part, to the extent reasonably necessary to protect the City from claims, demands, causes of action, costs, expenses, liabilities, losses, damages, or injuries of any kind arising from or related to the Services. Failure by City to deduct any sums from a progress payment shall not constitute a waiver of the City's right to assert a claim against Consultant or to withhold payment at a future time. The City may keep any moneys which would otherwise be payable at any time hereunder and apply the same, or so much as may be necessary therefor, to the payment of any expenses, losses, or damages as determined by the City, incurred by the City for which Consultant is liable under the Agreement or state law.

E. Consultant shall not stop or delay performance of Services under this Agreement on account of payment disputes with City, provided that City continues to make payment of undisputed amounts.

4. SCHEDULE FOR PERFORMANCE:

Time is of the essence regarding the performance of this Agreement. Consultant shall promptly commence performance of the Services upon execution of this Agreement, and shall diligently pursue performance of the Services.

5. STANDARDS OF CARE AND SAFETY REQUIREMENTS:

A. Consultant agrees to perform all the Services in a manner at least equal to the prevailing standards of like professionals in the San Francisco Bay Area and agrees that the Services shall be performed by qualified and experienced personnel who are not employed by the City and have no contractual relationship with City.

B. Consultant shall not maintain, commit, or permit the maintenance or commission of any nuisance in connection with the performance of the Services under this Agreement.

C. The Services performed under this Agreement shall be performed in such a manner as to provide safety to the public and to meet or exceed the safety standards outlined by CAL-OSHA. City reserves the right to issue restraints or cease and desist orders to Consultant when unsafe or harmful acts or conditions are observed or documented relative to the performance of the Services.

D. Consultant shall maintain the work sites free of hazards to persons and/or property resulting from his or her operations. Any hazardous condition noted by Consultant, which is not a result of his or her operations, shall immediately be documented to City.

6. INDEPENDENT PARTIES:

City and Consultant intend that the Consultant's status under this Agreement is that of an independent contractor as defined in Labor Code Section 3353. The manner and means of conducting the Services are under the control of Consultant, except to the extent they are limited by statute, rule or regulation and the express terms of this Agreement. No civil service status or other right of employment will be acquired by virtue of Consultant's services. None of the benefits provided by City to its employees, including but not limited to, unemployment insurance, workers' compensation plans, vacation and sick leave are available from City to Consultant, its employees or agents. Deductions shall not be made for any state or federal taxes, FICA payments, PERS payments, or other purposes normally associated with an employer-employee relationship from any fees due Consultant. Payments of the above items, if required, are the responsibility of Consultant.

7. IMMIGRATION REFORM AND CONTROL ACT (IRCA):

Consultant assumes any and all responsibility for verifying the identity and employment authorization of all of his/her employees performing work hereunder, pursuant to all applicable IRCA or other federal, or state rules and regulations. Consultant shall indemnify and hold City harmless from and against any loss, damage, liability, costs or expenses arising from any noncompliance of this provision by Consultant.

8. NON-DISCRIMINATION:

Consistent with City's policy that harassment and discrimination are unacceptable employer/employee conduct, Consultant agrees that harassment or discrimination directed toward a job applicant, a City employee, or a citizen by Consultant or Consultant's employee or subconsultant on the basis of race, religious creed, color, national origin, ancestry, handicap,

disability, marital status, pregnancy, sex, age, or sexual orientation will not be tolerated. Consultant agrees that any and all violations of this provision shall constitute a material breach of this Agreement.

9. LOCAL HIRE REQUIREMENTS:

Consultant acknowledges the City's local preference policies set forth in Alameda Municipal Code Sections 2-62.1-.6 (extending City contract award preferences to local businesses with fixed addresses in the City), and will comply with any local hiring requirements set forth by the funding source of the contract and/or all applicable law.

10. HOLD HARMLESS:

A. Consultant shall indemnify, defend, and hold harmless City, its City Council, boards, commissions, officials, employees, and volunteers ("Indemnitees") from and against any and all loss, damages, liability, claims, suits, costs and expenses whatsoever, including reasonable attorneys' fees ("Claims"), arising from or in any manner connected to Consultant's performance of Services, whether alleged or actual. If Claims are filed against Indemnitees which allege negligence on behalf of the Consultant, Consultant shall have no right of reimbursement against Indemnitees for the costs of defense even if negligence is not found on the part of Consultant. However, Consultant shall not be obligated to indemnify Indemnitees from Claims arising from the sole or active negligence or willful misconduct of Indemnitees.

B. Neither termination of this Agreement nor completion of the Services shall release Consultant from its obligations under this Section 10.

C. Consultant's compliance with the insurance requirements does not relieve Consultant from the obligations described in this Section 10, which shall apply whether or not such insurance policies are applicable to a claim or damages.

11. INSURANCE:

On or before the commencement of the term of this Agreement, Consultant shall furnish City with certificates showing the type, amount, class of operations covered, effective dates and dates of expiration of insurance coverage in compliance with paragraphs 11 A, B, C, D and E. Such certificates, which do not limit Consultant's indemnification, shall also contain substantially the following statement: "Should any of the above insurance covered by this certificate be canceled or coverage reduced before the expiration date thereof, the insurer affording coverage shall provide thirty (30) days' advance written notice to the City of Alameda by certified mail, Attention: Risk Manager." It is agreed that Consultant shall maintain in force at all times during the performance of this Agreement all insurance required by this Agreement with an insurance company that is acceptable to City and licensed to do insurance business in the State of California. Endorsements naming the City as additional insured shall be submitted with the insurance certificates.

A. COVERAGE:

Consultant shall maintain the following insurance coverage:

(1) **Workers' Compensation and Employers' Liability:** Statutory coverage as required by the State of California.

(2) **General Liability:** Commercial general liability coverage in the following minimum limits:

Bodily Injury: \$1,000,000 each occurrence
 \$2,000,000 aggregate

Property Damage: \$1,000,000 each occurrence
 \$2,000,000 aggregate

If submitted, combined single limit policy with aggregate limits in the amounts of \$2,000,000 will be considered equivalent to the required minimum limits shown above.

(3) **Automotive:** Comprehensive automotive liability coverage in the following minimum limits:

Bodily Injury: \$1,000,000 each occurrence

Property Damage: \$1,000,000 each occurrence

or

Combined Single Limit: \$2,000,000 each occurrence

(4) **Professional Liability:** Professional liability insurance which includes coverage for the professional acts, errors and omissions of Consultant in the amount of at least \$1,000,000.

B. **SUBROGATION WAIVER:** Consultant agrees that in the event of loss due to any of the perils for which he/she has agreed to provide comprehensive general and automotive liability insurance, Consultant shall look solely to his/her insurance for recovery. Consultant hereby grants to City, on behalf of itself and any insurer providing comprehensive general and automotive liability insurance to Consultant with respect to the services of Consultant herein, a waiver of any right to subrogation which any such insurer of Consultant may acquire against City by virtue of the payment of any loss under such insurance.

C. **FAILURE TO SECURE:** If Consultant at any time during the term hereof should fail to secure or maintain the foregoing insurance, City shall be permitted to obtain such insurance in the Consultant's name or as an agent of the Consultant and shall be compensated by the Consultant for the costs of the insurance premiums at the maximum rate permitted by law and computed from the date written notice is received that the premiums have not been paid.

D. **ADDITIONAL INSURED:** City, its City Council, boards and commissions, officers, employees and volunteers shall be named as an additional insured by endorsement under all insurance coverages, except any professional liability insurance, required by this

Agreement. The naming of an additional insured shall not affect any recovery to which such additional insured would be entitled under this policy if not named as such additional insured. An additional insured named herein shall not be held liable for any premium, deductible portion of any loss, or expense of any nature on this policy or any extension thereof. Any other insurance held by an additional insured shall not be required to contribute anything toward any loss or expense covered by the insurance provided by this policy.

E. **SUFFICIENCY OF INSURANCE:** The insurance limits required by City are not represented as being sufficient to protect Consultant. Consultant is advised to confer with Consultant's insurance broker to determine adequate coverage for Consultant.

12. CONFLICT OF INTEREST:

Consultant warrants that it is not a conflict of interest for Consultant to perform the Services required by this Agreement. Consultant may be required to fill out a conflict of interest form if the services provided under this Agreement require Consultant to make certain governmental decisions or serve in a staff capacity as defined in Title 2, Division 6, Section 18700 of the California Code of Regulations.

13. PROHIBITION AGAINST TRANSFERS:

A. Consultant shall not assign, sublease, hypothecate, or transfer this Agreement, or any interest therein, directly or indirectly, by operation of law or otherwise, without prior written consent of City. Any attempt to do so without said consent shall be null and void, and any assignee, sublessee, hypothecate or transferee shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer. However, claims for money by Consultant from City under this Agreement may be assigned to a bank, trust company or other financial institution without prior written consent. Written notice of such assignment shall be promptly furnished to City by Consultant.

B. The sale, assignment, transfer or other disposition of any of the issued and outstanding capital stock of Consultant, or of the interest of any general partner or joint venturer or syndicate member or cotenant, if Consultant is a partnership or joint venture or syndicate or cotenancy, which shall result in changing the control of Consultant, shall be construed as an assignment of this Agreement. Control means fifty percent (50%) or more of the voting power of the corporation.

14. SUBCONSULTANT APPROVAL:

A. Unless prior written consent from City is obtained, no subconsultants shall be used in the performance of this Agreement.

B. In the event that Consultant employs subconsultants, such subconsultants shall be required to furnish proof of workers' compensation insurance and shall also be required to carry general, automobile and professional liability insurance in reasonable conformity to the insurance carried by Consultant. In addition, any work or services subcontracted hereunder shall be subject to each provision of this Agreement.

C. DOT regulated Service Agents used by the Consultant in the fulfillment of its Third Party Administrator duties shall not be considered subconsultants.

15. PERMITS AND LICENSES:

Consultant, at his/her sole expense, shall obtain and maintain during the term of this Agreement, all appropriate permits, certificates and licenses including, but not limited to, a City Business License, that may be required in connection with the performance of Services hereunder.

16. OWNERSHIP OF DOCUMENTS:

Consultant shall confidentially maintain all Documents, Records, Forms and Reports in compliance with DOT Regulations and make such available to the City for inspection upon request.

17. RECORDS:

A. Consultant shall maintain complete and accurate records with respect to sales, costs, expenses, receipts and other such information required by City that relate to the performance of services under this Agreement.

B. Consultant shall maintain adequate records of the Services provided in sufficient detail to permit an evaluation of services. All such records shall be maintained in accordance with generally accepted accounting principles and shall be clearly identified and readily accessible. Consultant shall provide free access to such books and records to the representatives of City or its designees at all proper times, and gives City the right to examine and audit same, and to make transcripts therefrom as necessary, and to allow inspection of all work, data, documents, proceedings and activities related to this Agreement. Such records, together with supporting documents, shall be kept separate from other documents and records and shall be maintained for a period of three (3) years after receipt of final payment.

C. If supplemental examination or audit of the records is necessary due to concerns raised by City's preliminary examination or audit of records, and the City's supplemental examination or audit of the records discloses a failure to adhere to appropriate internal financial controls, or other breach of contract or failure to act in good faith, then Consultant shall reimburse City for all reasonable costs and expenses associated with the supplemental examination or audit.

D. Pursuant to California Government Code Section 8546.7, the parties to this Agreement shall be subject to the examination and audit of representative of the Auditor General of the State of California for a period of three (3) years after final payment under the Agreement. The examination and audit shall be confined to those matters connected with the performance of this Agreement including, but not limited to, the cost of administering the Agreement.

18. NOTICES:

All notices, demands, requests or approvals to be given under this Agreement shall be given in writing, addressed as hereinafter provided.

All notices, demands, requests, or approvals from Consultant to City shall be addressed to City at:

City of Alameda
2263 Santa Clara Avenue
Alameda CA 94501
Attention: Human Resource Analyst

cc: City Attorney's Office

All notices, demands, requests, or approvals from City to Consultant shall be addressed to Consultant at:

Preferred Alliance, Inc.
16960 S. Harlan Road
Lathrop, CA 95330
ATTN: Linda Hollnagel

The parties must designate, in writing, any change in the individual to who notice is to be addressed. Notices shall be deemed to be received upon personal delivery to the addresses above; if sent by overnight delivery, upon delivery as shown by delivery service records; if sent by facsimile, upon receipt as confirmed by the sending facsimile equipment; if by United States Postal Service, five days after deposit in the mail.

19. SUSPENSION AND TERMINATION:

A. The City may suspend this Agreement and Consultant's performance of the Services, wholly or in part, for such period as it deems necessary due to unfavorable conditions or to the failure on the part of the Consultant to perform any provision of this Agreement. Consultant will be paid for satisfactory services performed through the date of temporary suspension. In the event that Consultant's services hereunder are delayed for a period in excess of six (6) months due to causes beyond Consultant's reasonable control, Consultant's compensation shall be subject to renegotiation.

B. If Consultant at any time refuses or neglects to prosecute its Services in a timely fashion or in accordance with the Project schedule, or is adjudicated a bankrupt, or commits any act of insolvency, or makes an assignment for the benefit of creditors without City's consent, or fails to make prompt payment to persons furnishing labor, equipment, materials or services, or fails in any respect to properly and diligently prosecute its services, or otherwise fails to perform fully any and all of the agreements herein contained, Consultant shall be in default.

C. If Consultant fails to cure the default within seven (7) days after written notice thereof, City may, at its sole option, take possession of any Documents (as defined in Section 16)

or other materials (in paper and electronic form) prepared or used by Consultant in connection with the Project and (1) provide any such work, labor, materials or services as may be necessary to overcome the default and deduct the cost thereof from any money then due or thereafter to become due to Consultant under this Agreement; or (2) terminate Consultant's right to proceed with this Agreement.

D. In the event City elects to terminate, City shall have the right to immediate possession of all Documents and work in progress prepared by Consultant, whether located at the Project, at Consultant's place of business, or at the offices of a subconsultant, and may employ any other person or persons to finish the Services and provide the materials therefor. In case of such default termination, Consultant shall not be entitled to receive any further payment under this Agreement until the Services are complete. At that time, if the expenses incurred by City in obtaining Services for the Project exceed such unpaid balance, then Consultant shall promptly pay to City the amount by which such expense exceeds the unpaid balance of the Not-to-Exceed Amount. The expense referred to in the previous sentence shall include expenses incurred by City in causing the services called for under this Agreement to be provided by others, for attorneys' fees, and for any costs or damages sustained by City by reason of Consultant's default or defective work.

E. In addition to the foregoing right to terminate for default, City reserves the absolute right to terminate this Agreement without cause, upon 72-hours' written notice to Consultant. In the event of termination without cause, Consultant shall be entitled to payment which shall be calculated as follows: (1) Payment for Basic Services then satisfactorily completed and accepted by City, plus (2) Payment for Additional Services satisfactorily completed and accepted by City, plus (3) Reimbursable Expenses actually incurred by Consultant, as approved by City. In no event will Consultant be paid more than the Not to Exceed Amount. The amount of any payment made to Consultant prior to the date of termination of this Agreement shall be deducted from the amounts described in (1), (2) and (3) above. Consultant shall not be entitled to any claim or lien against City or the Project for any additional compensation or damages in the event of such termination and payment. In addition, the City's right to withhold funds under Section 3 shall be applicable in the event of a termination for convenience.

F. If this Agreement is terminated by City for default and it is later determined that the default termination was wrongful, such termination automatically shall be converted to and treated as a termination for convenience under this Section, paragraph E and Consultant shall be entitled to receive only the amounts payable hereunder in the event of a termination for convenience.

20. COMPLIANCE WITH LAW:

Consultant shall comply with all state or federal laws and regulations as well as all ordinances, rules and regulations enacted or issued by City (collectively, "Applicable Laws").

21. CONFLICT OF LAW:

A. This Agreement shall be interpreted under, and enforced by the laws of the State of California excepting any choice of law rules which may direct the application of laws of another jurisdiction. The Agreement and obligations of the parties are subject to all valid laws, orders, rules, and regulations of the authorities having jurisdiction over this Agreement (or the successors of those authorities.)

B. Any suits brought pursuant to this Agreement shall be filed with the courts of the County of Alameda, State of California.

22. ADVERTISEMENT:

Consultant shall not post, exhibit, display or allow to be posted, exhibited, displayed any signs, advertising, show bills, lithographs, posters or cards of any kind pertaining to the services performed under this Agreement unless prior written approval has been secured from City to do otherwise.

23. WAIVER:

A waiver by City of any breach of any term, covenant, or condition contained herein shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition contained herein, whether of the same or a different character.

24. INTEGRATED CONTRACT:

This Agreement, including exhibits, represents the full and complete understanding of every kind or nature whatsoever between the parties hereto with regard to the Services, and all preliminary negotiations and agreements of whatsoever kind or nature are merged herein. No verbal agreement or implied covenant shall be held to vary the provisions hereof. Any modification of this Agreement will be effective only by written execution signed by both City and Consultant.

TABLE OF EXHIBITS

Exhibit A	Scope of Services
Exhibit B	Compensation

25. INSERTED PROVISIONS:

Each provision and clause required by law to be inserted into the Agreement shall be deemed to be enacted herein, and the Agreement shall be read and enforced as though each were included herein. If through mistake or otherwise, any such provision is not inserted or is not correctly inserted, the Agreement shall be amended to make such insertion on application by either party.

26. **CAPTIONS:**

The captions in this Agreement are for convenience only, are not a part of the Agreement and in no way affect, limit or amplify the terms or provisions of this Agreement.

IN WITNESS WHEREOF, the parties have caused the Agreement to be executed on the day and year first above written.

Preferred Alliance, A California Corporation

CITY OF ALAMEDA
A Municipal Corporation



Michael Taime
President



Elizabeth Warmerdam
Interim City Manager



David Haumesser
Chief Financial Officer

APPROVED AS TO FORM:



Janet C. Kern
City Attorney

RECOMMENDED FOR APPROVAL:



Stephanie Garrabrant-Sierra
Administrative Services Director



EXHIBIT "A"

Department Of Transportation Program Administration Highlights

A. Random Selection and Scheduling

1. First, the client provides Preferred Alliance with an initial list of eligible employees subject to random drug and alcohol testing, which makes up the *random pool*. This list is up-dated on an as needed basis by the employer, this could mean as often as daily.
2. Next, a random selection is performed using a state-of-the-art data management program. This allows for the creation of an audit trail regarding each aspect of the selection process. The audit record serves to illustrate the non-biased nature of the random selection process.
3. The random drug selection is performed first. The alcohol selection follows as a subset of the drug selection. Random selections are quarterly, or as specified by the Department of Transportation's Federal modality. This does not preclude the employer from conducting unannounced random testing each month, if needed.
4. The frequency of random selections is based upon the employers needs. At a minimum (under DOT guidelines) they must be preformed quarterly, but can also be done bi-monthly or monthly. Each program is customized to fit the individual employer's requirements.
5. A master list containing the names of the covered employees selected for a random drug and/or alcohol test will be sent to the employer's Designated Employer Representative (DER). An employer's confidentiality protocol is stringently followed. When an employer has multiple locations subject to random testing, a specific listing for each designated site manager will be provided.
6. The random eligible pool list will be printed and sent to the DER each month for their review. Preferred Alliance will update the random eligible pool(s) at the direction of the DER.

B. Computer Software/System

Preferred Alliance uses a Windows 2000 Professional platform program called DrugPak, developed by Scanlon Associates. i3Screen (MRO) specifically designed software for the management of drug test results for employers and Third Party Administrators. With DrugPak, Preferred Alliance is able to maintain and generate:

- all random selections
- testing history
- federal and management reports (MIS)
- exportable data for ad-hoc reports
- give clients access to their data via the web

C. Record Retention

Preferred Alliance maintains all records that are required by the DOT for the mandatory period. "Employer" copies of alcohol and drug testing forms are mailed directly to the employer. Positive drug reports (hand signed by the MRO) and semi-annual statistical laboratory reports must be maintained by the "employer".

D. Statistical Recaps

Preferred Alliance will work with the DER to obtain specifications for reports required by management in order to monitor and evaluate the effectiveness and completeness of the program.

E. SAMHSA Certified Laboratories and MRO's (*Substance Abuse & Mental Health Services Administration*)

Preferred Alliance has contracts with several federally certified laboratories, including MedTox Laboratories located in Saint Paul, MN. MedTox Laboratories will be the designated laboratory where all the employer specimens will be sent for forensic testing. MedTox Laboratories will conduct non-DOT drug testing if required by the Employer.

Preferred Alliance also contracts with Medical Review Officers that are certified by either the American Association of Medical Review Officers (AAMRO) or the Medical Review Officer Certification Council (MROCC).

Our MRO Service Provides:

- State of the art electronic transmission options including a service which allows access to information electronically or via the web, 24-hours a day
- Links to approved SAMHSA certified laboratories across the country
- Expert Testimony
- Expeditious turn around times for drug test results through the use of a double blind entry system that alerts MRO staff if a drug test result is not back within 24 hours.

MedTox Laboratories, and Preferred Alliance are members of the Drug and Alcohol Testing Industry Association (DATIA) which is a national association dedicated to fostering professionalism and high ethical practices in the substance abuse testing field.

F. Reporting Drug Test Results

1. The reporting process begins with the Custody and Control Form (CCF). Each CCF is assigned a specific account number to identify it as a client of Preferred Alliance. In that way, the MRO will incorporate reporting procedures that will permit Preferred Alliance to assist in the early identification of positive drug tests.
2. The Medical Review Officer (MRO) is required to communicate the results of all drug tests directly to the DER. Preferred Alliance likewise downloads drug-testing results twice daily to scan for positive tests, and follows-up with the employer to make sure they were notified of a positive test result. This unique duplicate reporting system ensures that positive drug test results are reported to the client efficiently.

G. Turnaround Times

The combination of MedTox Laboratories and MRO Services yields outstanding turnaround times. Most negatives will report out within 24 hours. Positive drug tests take a bit longer – anywhere from 48 to 72 hours. Delays in reporting times occur mainly when the donor fails to follow-up promptly with the MRO or is uncooperative and has little to do with the MRO or MedTox Laboratories.

H. Split Specimen Testing Protocol

Split specimen protocol is clearly defined. The donor contacts the MRO within 72 hours of being notified of a positive drug test by the MRO. The MRO then submits a written request to the lab asking that the split specimen be sent out to a different certified laboratory for confirmation testing. *Unless otherwise specified* the standing order will require the MRO to select the laboratory that will conduct the confirmation test of the split.

The company's drug testing policy should state who is responsible for paying for the confirmation test. DOT has made the employer initially responsible for the cost of the test, and permits the employer to workout means for obtaining reimbursements. Preferred Alliance consults with employers as to how to include this specification into company policies.

I. Work-site Collection & Testing

Preferred Alliance oversees a team of Breath Alcohol Technicians and collectors serving the Northern California region. Preferred Alliance contracts with On Site Health & Safety in Southern and Northern California, a company specializing exclusively in workplace on-site DOT drug and alcohol testing.

Our method of work-site testing is designed to be:

- secure
- convenient
- cost-effective in reducing compensable lost time

J. Collection Site Network

Preferred Alliance has developed its own network of collection facilities across much of the country through Kaiser Occupational Health Centers, Lexis Nexis a company specializing in a nationwide collection site network management. Additionally, Lexis Nexis has developed an 800 number Post Accident Testing Program serving the entire country.

K. Consolidated Billing

Another advantage to our preferred provider arrangements is the ability for us to provide our clients with a consolidated bill. Typically, our fee includes all of the services you contract for under Preferred Alliance *and* its providers. Keeping track of one piece of paper makes it easier for our clients to keep track of costs.

L. Breath Alcohol Tests (BAT)

Preferred Alliance requires each BAT to fax or hand carry a copy of the test results to our operations department. Additionally, each BAT will be instructed to contact DER in the event of one of the following circumstances:

- Refusal to test/canceled test
- Disruptive behavior
- Test result equal or above 0.02 BAC
- Shy lung

M. Drug & Alcohol Tests

As a part of our testing process we will supply each DER with a Preferred Alliance test request form that provides instructions to the BAT or collector should a circumstance require their immediate notification.

N. Reporting Methods

Our Medical Review Officer reports out results in a variety of ways allowing for a highly customized reporting system. Via i3Screen, you can access test result data via computer, the web, email and fax telephone.

O. Training & Education

Preferred Alliance helps you meet the supervisory training requirement for reasonable suspicion testing in three ways.

1. First we offer supervisory training classes in our home office in Lathrop, California.
2. Two, we can send a trainer to your facility to provide "on-site" supervisory training and employee education.
3. Three, we have an On Line training program for sale that can be used as a free standing teaching aid, which meets the supervisory training requirement of the federal regulations.

EXHIBIT "B"

Fees for Services:

Employer shall pay PA according to the following schedule:

Preferred Alliance Random Fee Schedule ON SITE TESTING

Company Random Pool Size	Per Driver/ Per Month Rate	Payment Terms
1-5	\$14.76	Annual
6-10	\$12.91	Monthly
11-20	\$11.48	Monthly
21-60	\$ 8.07	Monthly
61-99	\$ 7.22	Monthly
over 100	\$ 6.81	Monthly

Preferred Alliance Off-Site Random Fee Schedule

Company Random Pool Size	Per Driver/ Per Month Rate	Payment Terms
1-5	\$12.42	Annual
6-10	\$10.32	Monthly
11-20	\$ 9.08	Monthly
21-60	\$ 7.60	Monthly
61-99	\$ 6.92	Monthly
over 100	\$ 6.56	Monthly

PA will bill Employer the **Driver Rate** according to the size of its random pool each month. The contract fee covers the cost of the program's administration and all random drug and breath alcohol tests. ***The initial set-up fee of \$ 259.00 is to be paid in advance unless other arrangements have been made.*** The above contract fee schedule is for calendar year 2015.

The Driver Rate monthly fee assumes the Employer is enrolled with PA for the entire calendar year. Should the Employer enroll in PA after January an additional amount may be due to cover the costs to conduct random tests to bring the Employer's program current up to the point of enrollment.

Should Employer arrange for testing using entities not affiliated with PA to conduct testing other than PA's random drug and alcohol testing may be the case in post-accident or reasonable suspicion testing, it is the obligation of the Employer to pay the cost of such testing and collection at the fee for service billed rate;

Employer shall pay PA \$63.00 for Pre-Employment, Reasonable Suspicion, Return-To-Duty, Follow-Up or Post-Accident drug test as may be requested by Employer. The fee includes the services of a Medical Review Officer (M.R.O.), Laboratory, supplies, Specimen Collection, recordkeeping and reporting. Should the Employer order a breath alcohol test (by itself) the Employer shall pay PA a fee of \$40.00.