

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in _____, California, on _____, 20__.

GROUP: _____

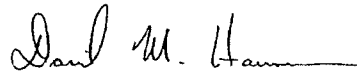
BY: _____

NAME: _____

TITLE: _____

DATE: _____

PACIFICARE OF CALIFORNIA



BY: _____

NAME: David M. Hansen

TITLE: President and CEO

DATE: _____

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**PACIFICARE OF CALIFORNIA
MEDICAL AND HOSPITAL GROUP SUBSCRIBER AGREEMENT
COVER SHEET**

(This Cover Sheet is an integral part of this Agreement)

GROUP NAME: EL DORADO COUNTY

GROUP CODE: 521063-AB1401

GROUP COVERAGE EFFECTIVE DATE: July 1, 2007 through June 30, 2008

PLAN CODE: SQX, HA3, IBD, MPA, 3RK, V05

PLAN DESCRIPTION: SignatureValue (HMO) \$15/100% Plan with Hearing Aid Benefit - \$750 Max, Infertility Basic D&T, PacifiCare Behavioral Health/SMI + Supplement A, Managed Formulary \$10 Generic / \$20 Brand / \$25 Non Formulary Outpatient Prescription Drugs and Vision Care \$5 VSP

HEALTH PLAN PREMIUMS:

Employee Only:	\$ 438.05
Employee + 1 Dependent:	\$ 897.96
Employee + 2 or more Dependents:	\$1,270.28

BILLING CODE: 01*

* Charged entire month if eligible at least one day of the month.

PREMIUMS DUE ON OR BEFORE (refer to Section 3.06): The 1st of the month of coverage to be paid within 15 days

ANNUAL COPAY MAXIMUM PER INDIVIDUAL: \$2000.00

ANNUAL COPAY MAXIMUM PER FAMILY: \$6000.00

CONTINUATION OF BENEFITS ELECTIONS: No

ELIGIBILITY:

Group Eligibility

Minimum hours required per week: N/A

Dependent Member Eligibility

Dependent children are Eligible through age: 18

Students are Eligible through age: 22

Start and End date of coverage: Cobra.

A new spouse, Domestic Partner or children are eligible as set forth in the PacifiCare Evidence of Coverage and Disclosure Form.

ATTACHMENTS: (The following Attachments are an integral part of this Agreement)

- A - Schedule of Benefits, PacifiCare Combined Evidence of Coverage and Disclosure Form
- H- Hearing Aid Benefit
- I- Infertility Basic D&T
- L - PacifiCare Behavioral Health
- R - Outpatient Prescription Drug Benefit
- V - Vision Care

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Updated 3/10/05 w DP Amendment 2005

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**PACIFICARE OF CALIFORNIA
MEDICAL AND HOSPITAL GROUP SUBSCRIBER AGREEMENT
COVER SHEET**

(This Cover Sheet is an integral part of this Agreement)

GROUP NAME: EL DORADO COUNTY

GROUP CODE: 402751-Early Retiree

GROUP COVERAGE EFFECTIVE DATE: July 1, 2007 through June 30, 2008

PLAN CODE: SFQ, HA3, IBD, MPA, 3RK, V05

PLAN DESCRIPTION: SignatureValue (HMO) \$15/100% Plan with Hearing Aid Benefit - \$750 Max, Infertility Basic D&T, PacifiCare Behavioral Health/SMI + Supplement A, Managed Formulary \$10 Generic / \$20 Brand / \$25 Non Formulary Outpatient Prescription Drugs and Vision Care \$5 VSP

HEALTH PLAN PREMIUMS:

Retiree, No Med:	\$ 398.23
Retiree, Spouse No Med	\$ 816.33
Retiree, Spouse, Dependents, No Med	\$1,154.80

BILLING CODE: 03*

*New adds are charged only if enrolled on or before the 15th of the month. New terminations are charged only if terminated after the 15th of the month.

PREMIUMS DUE ON OR BEFORE (refer to Section 3.06): The 1st of the month of coverage.

ANNUAL COPAY MAXIMUM PER INDIVIDUAL: \$2000.00

ANNUAL COPAY MAXIMUM PER FAMILY: \$6000.00

CONTINUATION OF BENEFITS ELECTIONS: No

ELIGIBILITY:

Group Eligibility
Minimum hours required per week: N/A
Dependent Member Eligibility

Dependent children are Eligible through age: 18
Students are Eligible through age: 22

Start and End date of coverage: Coverage starts on the first of the month after retirement. Coverage ends at the end of the month.

A new spouse, Domestic Partner or children are eligible as set forth in the PacifiCare Evidence of Coverage and Disclosure Form.

ATTACHMENTS: (The following Attachments are an integral part of this Agreement)

- * Early Retiree Amendment
- A -** Schedule of Benefits, PacifiCare Combined Evidence of Coverage and Disclosure Form
- H-** Hearing Aid Benefit
- I-** Infertility Basic D&T
- L -** PacifiCare Behavioral Health
- R -** Outpatient Prescription Drug Benefit
- V -** Vision Care

**EARLY RETIREE AMENDMENT TO THE MEDICAL AND HOSPITAL
GROUP SUBSCRIBER AGREEMENT BETWEEN PACIFICARE
("PACIFICARE") AND EL DORADO COUNTY ("GROUP")**

This **EARLY RETIREE AMENDMENT TO THE PACIFICARE OF CALIFORNIA, MEDICAL AND HOSPITAL GROUP SUBSCRIBER AGREEMENT** (this "Amendment"), dated as of July 1, 2007 is made and entered into by and between PacifiCare of California, a California corporation ("PacifiCare") and El Dorado County ("Group").

NOW THEREFORE, in consideration of the application of Group for the benefits provided under this Agreement, and in consideration of the periodic payment of Health Plan Premiums on behalf of Members in advance as they become due, PacifiCare agrees to arrange for or provide medical, surgical, hospital, and related health care benefits subject to all terms and conditions of this Medical and Hospital Group Subscriber Agreement, including the Cover Sheet and Attachments.

The Group Agreement shall be amended to read as follows:

[1]. SECTION [1.] DEFINITIONS

[1.] DEFINITIONS

1.06 Eligible Employee is deleted in its entirety and replaced with the following:

1.06 Early Retiree is a former Group employee who has met the minimum required Retiree participation conditions as determined by Group, who is not entitled to Medicare Parts A and B, who meets the Subscriber eligibility requirements of the PacifiCare Combined Evidence of Coverage and Disclosure Form, who is enrolled in the PacifiCare Early Retiree Health Plan, and for whom all applicable Health Plan Premiums are received by PacifiCare.

1.16 Subscriber shall be amended to read as follows:

1.16 Subscriber/Eligible Retiree is the individual enrolled in the Health Plan for whom the appropriate Health Plan Premium has been received by PacifiCare, and whose retirement or other status, except for family dependency, is the basis for enrollment eligibility.

2. Effect of this Amendment. The Amendment shall not be further amended, modified or revised and the Agreement shall continue in full force and effect and shall be enforced in accordance with its terms and conditions. **This amendment shall expire on June 30, 2008.**

PACIFICARE OF CALIFORNIA

MEDICAL AND HOSPITAL GROUP SUBSCRIBER AGREEMENT

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MEDICAL AND HOSPITAL GROUP SUBSCRIBER AGREEMENT

This Medical and Hospital Group Subscriber Agreement (the "Agreement") is entered into between PACIFICARE OF CALIFORNIA, a California corporation, hereinafter called "PacifiCare," and the employer, association or other entity specified as "GROUP" on the Cover Sheet, hereinafter called "Group."

RECITAL OF FACTS

PacifiCare is a health care service plan which arranges for the provision of medical, hospital and preventive medical services to persons enrolled as Members through contracts with associations of licensed physicians, hospitals and other health care providers. Group is an employer, union, trust, organization, or association which desires to provide such health care for its eligible Subscribers and family Dependents. PacifiCare desires to contract with Group to arrange for the provision of such health care services to Subscribers and family Dependents of Group, and Group desires to contract with PacifiCare to arrange for the provision of such services to its Subscribers and family Dependents.

AGREEMENT

NOW THEREFORE, in consideration of the application of Group for the benefits provided under this Agreement, and in consideration of the periodic payment of Health Plan Premiums on behalf of Members in advance as they become due, PacifiCare agrees to arrange for or provide medical, surgical, hospital, and related health care benefits subject to all terms and conditions of this Medical and Hospital Group Subscriber Agreement, including the Cover Sheet and Attachments.

1. DEFINITIONS

1.01 Agreement is this Medical and Hospital Group Subscriber Agreement, including, but not limited to, the Cover Sheet, Attachments and any amendments thereto.

1.02 Combined Evidence of Coverage and Disclosure Form is the document issued to prospective and enrolled Subscribers disclosing and setting forth the benefits and terms and conditions of coverage to which Members of the Health Plan are entitled.

1.03 Copayments are fees payable to a health care provider by the Member at the time of provision of services which are in addition to the Health Plan Premiums paid by the Group. Such fees may be a specific dollar amount or a percentage of total fees as specified herein, depending on the type of services provided.

1.04 Cover Sheet is the Medical and Hospital Group Subscriber Agreement Cover Sheet which is attached to and an integral part of this Agreement.

1.05 Dependent is any spouse, Domestic Partner or unmarried child (including a step-child, adopted child, child(ren) for whom the Subscriber, the Subscriber's spouse or Domestic Partner has assumed permanent guardianship or a child of a Domestic Partner) of a Subscriber who is enrolled hereunder, who meets all the eligibility requirements set forth in the PacifiCare Combined Evidence of Coverage and Disclosure Form attached to this Agreement and for whom applicable Health Plan Premiums are received by PacifiCare.

1.05(a) Domestic Partner is a person who meets the eligibility requirements, as defined by the Group, and the following:

- (i) Is eighteen (18) years of age or older;
- (ii) Is mentally competent to consent to contract;
- (iii) Resides with the Subscriber and intends to do so indefinitely;
- (iv) Is jointly responsible with the Subscriber for their common welfare and financial obligations;
- (v) Is unmarried; and
- (vi) Is not related by blood to the Subscriber to a degree of closeness that would prohibit marriage in the state of residence.

1.06 Eligible Employee is a Group employee who works a fixed number of hours per week as established by the Group, meets any applicable waiting period required by the Group, and meets the following additional criteria:

(a) Is defined as an employee under state and federal law;

(b) Is actively working or is able to return to active work and has certain rights pertaining to leaves of absence if his or her condition improves. Consultants, temporary labor, suppliers or contractors are not Eligible Employees.

1.07 Enrollment is the execution of a PacifiCare Enrollment form, or a non-standard Enrollment form approved by PacifiCare, by the Subscriber on behalf of the Subscriber and his or her Dependents, and acceptance thereof by PacifiCare, conditioned upon the execution of this Agreement by PacifiCare, and either the execution of this Agreement by Group or the timely payment of applicable Health Plan Premiums by Group. In its discretion and subject to specific protocols, PacifiCare may accept Enrollment through an electronic submission from Group.

1.08 Group is the single employer, labor union, trust, organization, or association identified on the Cover Sheet.

1.09 Group Contribution is the amount of the Health Plan Premium applicable to each Subscriber which is paid solely by the Group or employer and which is not paid by the Subscriber either through payroll deduction or otherwise.

1.10 Group Participation is the number of individuals in the Group who are enrolled as Subscribers expressed as a percentage of the number of individuals in the Group who are eligible to enroll as Subscribers.

1.11 Health Plan is the health plan described in this PacifiCare Medical and Hospital Group Subscriber Agreement, Cover Sheet and Attachments, subject to modification pursuant to the terms of this Agreement.

1.12 Health Plan Premiums are amounts established by PacifiCare to be paid to PacifiCare by Group on behalf of Members in consideration of the benefits provided under this Health Plan; such amounts are set forth in the Cover Sheet of this Agreement.

1.13 Member is the Subscriber or any Dependent who is eligible, enrolled and covered by the PacifiCare.

1.14 Open Enrollment Period is the annual period of not less than thirty (30) days agreed upon by PacifiCare and Group, during which all eligible and prospective Group Subscribers and their Eligible Dependents may enroll in this Health Plan.

1.15 PacifiCare Enrollment Packet is the packet of information supplied by PacifiCare to prospective Members which discloses plan policy and procedure and provides information about Plan benefits and exclusions. The PacifiCare Enrollment Packet contains the PacifiCare Enrollment form or a non-standard Enrollment form approved by PacifiCare, and the PacifiCare Combined Evidence of Coverage and Disclosure Form.

1.16 Subscriber is the individual enrolled in the Health Plan for whom the appropriate Health Plan Premium has been received by PacifiCare, and whose employment or other status, except for family dependency, is the basis for enrollment eligibility.

2. ELIGIBILITY AND ENROLLMENT

2.01 Enrollment Procedure

2.01.01 Application Form. A properly completed, signed application for Enrollment on a form provided by PacifiCare, or on a non-standard form approved by PacifiCare, must be submitted to PacifiCare by Group for each eligible and/or prospective Subscriber, on behalf of the eligible and/or prospective Subscriber and any Eligible Dependents. PacifiCare may, in its discretion and subject to specific protocols, accept Enrollment through an electronic submission from Group.

2.01.02 Time of Enrollment. All applications for Enrollment shall be submitted by prospective Subscribers to the Group during Open Enrollment Periods, except that

prospective Subscribers and their Eligible Dependents who were not eligible during the previous Open Enrollment Period may apply for Enrollment within thirty-one (31) days after becoming eligible. All applications for Enrollment which are not received by PacifiCare within the thirty-one (31) days from the first day the prospective Subscriber or Dependent becomes eligible shall be subject to rejection by PacifiCare. Prospective Subscribers and their Eligible Dependents may reapply at the next Open Enrollment Period in the event an application was not received by PacifiCare within such thirty-one (31) day period. Group shall provide notice to Members of the applicable Open Enrollment Periods.

2.01.03 Notice and Certification. Group shall provide a written notice and certification, prepared by PacifiCare, as part of the PacifiCare Enrollment Packet to Eligible Employees at the commencement of the initial Open Enrollment Period. The written notice and certification section of the PacifiCare application for Enrollment shall provide notice of the availability of coverage under the Health Plan and indicate that an Eligible Employee's failure to elect coverage, on his or her behalf or on behalf of his or her Eligible Dependents during the initial Open Enrollment Period, permits PacifiCare to exclude coverage for a period of up to twelve (12) months until the Employer's next open enrollment period. Group shall require any Eligible Employee declining coverage under the Health Plan on behalf of himself or herself or any Eligible Dependent, to certify on the written notice and certification prepared by PacifiCare, the reason for declining Enrollment in the Health Plan and that he or she has reviewed the notice and certification and understands the consequences of declining coverage under the Health Plan. Group agrees to submit all completed notices and certifications to PacifiCare for:

- a. Each Eligible Employee and/or his or her Eligible Dependents who declined coverage at renewal of this Agreement; and
- b. Each Eligible Employee and/or his or her Eligible Dependents who became eligible during the term of this Agreement specified on the Cover Sheet of this Agreement and who have declined coverage.

2.01.04 Late Enrollment. Please refer to the section of this Agreement entitled Combined Evidence of Coverage and Disclosure Form for a complete description of Late Enrollment procedures.

2.02 Commencement of Coverage. The commencement date of coverage under this Health Plan shall be effective in accordance with the terms of the Cover Sheet and this Agreement. PacifiCare's acceptance of each Member's Enrollment is contingent upon receipt of the applicable Health Plan Premium payment.

2.03 PacifiCare's Liability in the Event of Conversion from a Prior Carrier. In the event PacifiCare replaces a prior carrier responsible for the payment of benefits or provision of services under a group contract within a period of sixty (60) days from the date of discontinuation of the prior contract or policy, PacifiCare will immediately cover all employees and dependents who were validly covered under the previous contract or

policy at the date of discontinuation, and who are eligible for enrollment under this Agreement, without regard to health status or hospital confinement. Notwithstanding the foregoing, with respect to employees or dependents who were totally disabled on the date of discontinuation of the prior contract or policy, and entitled to an extension of benefits pursuant to Section 1399.62 of the California Health & Safety Code or Section 10128.2 of the California Insurance Code under the prior contract or policy, PacifiCare shall not be financially responsible for any payment of benefits or provision of services directly related to any condition which caused the total disability. In such a situation, the prior carrier shall continue to be financially responsible for all benefits or services directly related to any condition which caused the total disability until such extension of benefits is no longer required under California or federal law.

3. GROUP OBLIGATIONS, HEALTH PLAN PREMIUMS AND COPAYMENTS

3.01 Non-Discrimination. Group shall offer PacifiCare an opportunity to market this Health Plan to its employees and shall offer its employees an opportunity to enroll in this Health Plan under no less favorable terms or conditions than Group offers enrollment in other health care service plans or employee health benefit plans.

3.02 Notices to PacifiCare. Group shall forward all completed or amended Enrollment forms for each Member for receipt by PacifiCare within thirty-one (31) days of the Member's initial eligibility. Group acknowledges that any Enrollment applications not received by PacifiCare within such thirty-one (31) day period may be rejected by PacifiCare. Group further agrees to transmit to PacifiCare any Enrollment application amendments pursuant to the Administrative Manual described in Section 8.07 below.

Group shall forward all notices of termination to PacifiCare within thirty-one (31) days after Member loses eligibility or elects to terminate membership under this Agreement. Group agrees to pay any applicable Member Health Plan Premiums through the last day of the month in which notice of termination is received by PacifiCare.

3.03 Notices to Member. If Group or PacifiCare terminates this Agreement pursuant to Section 7 below, Group shall promptly notify all Members enrolled through Group of the termination of their coverage in this Health Plan. Group shall provide such notice by delivering to each Subscriber a true, legible copy of the notice of termination sent from PacifiCare to Group at the Subscriber's then current address. Group shall promptly provide PacifiCare with a copy of the notice of termination delivered to each Subscriber, along with evidence of the date the notice was provided. In the event that PacifiCare terminates this Agreement for non-payment of Health Plan Premiums, Members will receive notice of termination from PacifiCare.

If, pursuant to Sections 3.07.01 and 3.07.02 below, PacifiCare increases Health Plan Premiums payable by the Subscriber, or if PacifiCare increases Copayments or reduces covered services provided under this Agreement, Group shall promptly notify all Members enrolled through Group of the increase or reduction. In addition, Group

shall promptly notify Members enrolled through Group of any other changes in the terms or conditions of this Agreement affecting the Members' benefits or obligations under the Health Plan. Group shall provide such notice by delivering to each Subscriber a true, legible copy of the notice of the Health Plan Premium or Copayment increase or reduction in covered services sent from PacifiCare to Group at the Subscriber's then current address. Group shall promptly provide PacifiCare with a copy of the notice of Health Plan Premium or Copayment increase or reduction in covered services delivered to each Subscriber, along with evidence of the date the notice was provided. PacifiCare shall have no responsibility to Members in the event Group fails to provide the notices required by this Section 3.03.

3.04 Indemnification. Group agrees to indemnify, defend and hold PacifiCare harmless and accept all legal and financial responsibility for any liability arising out of Group's failure to perform its obligations as set forth in this Section 3.

3.05 Rates (Prepayment Fees). The Health Plan Premium rates are set forth in the Health Plan Premiums section of the Cover Sheet and supplemental Health Plan Premium notices.

3.06 Due Date. Health Plan Premiums are due in full on a monthly basis by check or electronic transfer and must be paid directly by Group to PacifiCare on or before the last business day of the month prior to the month for which the premium applies. Failure to provide payment on or before the due date may result in termination of Group, as set forth in Section 7.02.01 below. PacifiCare reserves the right to assess an administrative fee of five percent (5%) of the monthly premium prorated on a thirty (30)-day month for each day it is delinquent thereafter. This fee will be assessed solely at PacifiCare's discretion. In the event that deposit of payments not made in a timely manner are received by PacifiCare after termination of Group, the depositing or applying of such funds does not constitute acceptance, and such funds shall be refunded by PacifiCare within twenty (20) business days of receipt if PacifiCare, in its sole discretion, does not reinstate Group.

3.07 Modification of Rates and Benefits.

3.07.01 Modification of Health Plan Premium Rates. The Health Plan Premium rates set forth on the Cover Sheet and the PacifiCare Enrollment Packet may be modified by PacifiCare in its sole discretion upon thirty (30) days prior written notice mailed postage prepaid to Group. Any such modification shall take effect commencing the first full month following the expiration of the thirty (30)-day notice period.

Notwithstanding the above, if the State of California or any other taxing authority imposes upon PacifiCare a tax or license fee which is levied upon or measured by the monthly amount of Health Plan Premiums or by PacifiCare's gross receipts or any portions of either, then upon thirty (30) days written notice to Group, Group shall remit to PacifiCare, with the appropriate payment, a pro rata amount sufficient to cover all such

taxes and license fees, rounded to the nearest cent.

3.07.02 Modification of Benefits or Terms. The covered services set forth in the Combined Evidence of Coverage and Disclosure Form, the Schedule of Benefits, and the Schedule of Supplemental Benefits in the PacifiCare Enrollment Packet, as well as other terms of this Agreement, may be modified by PacifiCare in its sole discretion upon thirty (30) days written notice mailed postage prepaid to Group. Any such modification shall take effect commencing the first full month following the expiration of the thirty (30)-day notice period.

3.08 Effect of Payment. Except as otherwise provided in this Agreement, only Members for whom Health Plan Premiums are received by PacifiCare are entitled to health care benefits as described in this Agreement, and then only for the period for which such payment is received. Group agrees to pay premium to PacifiCare for the first month of coverage for newborn or adopted children who become eligible as provided in the Combined Evidence of Coverage and Disclosure Form section of this Agreement.

3.09 Continuation of Benefits and Conversion Coverage.

3.09.01 Notice Regarding Continuation Coverage. With the exception of Domestic Partners and their Dependents, upon the occurrence of a qualifying event, as defined by the Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272), as amended by the 1986 Tax Reform Act (P.L. 99-514) and the 1986 Omnibus Budget Reconciliation Act (P.L. 99-509) ("COBRA"), Group shall provide affected Members with written notice of available continuation coverage as required by and in accordance with COBRA and amendments thereto. Group shall be solely responsible for collecting Health Plan Premiums from Members who elect to continue benefits under COBRA and shall transmit such Health Plan Premiums to PacifiCare along with the Group's Health Plan Premiums otherwise due under this Agreement. Group shall maintain accurate records regarding Health Plan Premiums for Members who elect to continue benefits, including qualifying events, terminating events, and other information necessary to administer this continuation of benefits. The obligations to be performed by Group under this Subsection may be performed directly by Group, or wholly or in part through a subsidiary or affiliate of Group, or on behalf of Group by a third party, including but not limited to a COBRA coverage administrator; provided that Group will remain liable to PacifiCare for satisfaction of the obligations to be performed by Group under this Subsection. PacifiCare is not responsible for the acts or omissions of Group or designee and shall be held harmless for any failure by Group to fulfill its obligations, including but not limited to failure to provide proper notice or failure to forward premium payments to PacifiCare within applicable statutory time frames.

3.09.02 Notice of Individual Conversion Rights. Within fifteen (15) days after a Member's coverage terminates, Group shall notify the Subscriber on behalf of the Subscriber and his or her Dependents or, if no Subscriber is available, any terminated Dependent, including a Domestic Partner and his or her Dependents of the availability, terms, and individual conversion rights as set forth in the Combined Evidence of

Coverage and Disclosure Form.

4. BENEFITS AND CONDITIONS FOR COVERAGE

The attached PacifiCare Combined Evidence of Coverage and Disclosure Form, Schedule of Benefits, and additional related attachments included at the end of this Agreement, are an integral part of this Agreement, and include a complete description of the Benefits and Conditions of Coverage of this Health Plan.

5. PARTIES AFFECTED BY THIS AGREEMENT; RELATIONSHIPS BETWEEN PARTIES

5.01 Relationship of Parties. Group is not the agent or representative of PacifiCare and shall not be liable for any acts or omissions of PacifiCare, its agents, employees or providers, or any other person or organization with which PacifiCare has made, or hereafter shall make, arrangements for the performance of services under this Health Plan. Member is not the agent or representative of PacifiCare and shall not be liable for any acts or omissions of PacifiCare, its agents or employees.

5.02 Compliance with the Health Insurance Portability and Accountability Act of 1996. PacifiCare agrees to furnish written certification of prior creditable coverage (“Certificates”) to all eligible Members, as required by the Health Insurance Portability and Accountability Act of 1996 (HIPAA). PacifiCare and Group acknowledge that PacifiCare’s agreement to issue Certificates to all eligible Members relieves Group of its obligation under HIPAA to furnish Certificates. Group acknowledges that PacifiCare must rely completely on eligibility information and data (including, but not limited to, Member’s name and current address) furnished by Group in issuing Certificates to Members. Group agrees to notify PacifiCare of all terminations within thirty (30) days of the termination, and to provide PacifiCare with eligibility information and data within thirty (30) days of its receipt or change. Group agrees to indemnify, defend and hold PacifiCare harmless and accept all legal, financial and regulatory responsibility for any liability arising out of PacifiCare’s furnishing Certificates to eligible members under HIPAA.

6. TERM OF AGREEMENT; RENEWAL PROVISIONS

6.01 Term; Automatic Renewal. The term of this Agreement shall be one (1) year, commencing on the Group Coverage Effective Date set out in the Cover Sheet, unless otherwise indicated on the Cover Sheet or unless this Agreement is terminated as provided herein. This Agreement shall automatically renew for a one (1) year term on each anniversary of the date of commencement of this Agreement or as indicated on the Cover Sheet, unless terminated as provided herein. Renewal of this Agreement shall be subject to modification of rates and benefits pursuant to Section 3.07.

7. TERMINATION

7.01 Termination by Group. Group may terminate this Agreement by giving a minimum of thirty (30) days written notice of termination to PacifiCare. Group termination must always be effective on the first day of the month. Group shall continue to be liable for Health Plan Premiums for all Members enrolled in this Health Plan through Group until the date of termination.

7.02 Termination by PacifiCare.

7.02.01 For Nonpayment of Health Plan Premiums. PacifiCare may terminate this Agreement in the event Group or its designee fails to remit Health Plan Premiums in full by the required date to PacifiCare by giving written notice of termination of this Agreement via first class mail to Group. Nonpayment of Health Plan Premiums includes but is not limited to, payments returned due to non-sufficient funds (NSF) and post-dated checks. Such notice shall specify that payment of all unpaid Health Plan Premiums must be received by PacifiCare within fifteen (15) days of the date of issuance of the notice, and that if payment is not received within the fifteen (15) day period, no further notice shall be given, and coverage for all Members enrolled in this Health Plan shall automatically be terminated effective at the end of the month for which Health Plan Premiums have been actually received by PacifiCare, subject to compliance with notice requirements. After the initial issuance of the notice to Group, PacifiCare will send a HIPAA Certificate of Creditable Coverage to the Subscribers, notifying the Subscriber's that their health care coverage and their Dependent's health care coverage under this Plan has terminated effective the first of the month for which Health Plan Premiums were not received. Subscribers and eligible Dependents will be able to elect either PacifiCare's Individual Conversion Plan or HIPAA Guaranteed Issue product effective the first of the month in which the Member loses coverage.

7.02.01.01 Reinstatement Following Non-Payment of Premium.

Notwithstanding Section 7.02.01, receipt by PacifiCare of all Health Plan Premium payments then due and owing on or before the succeeding Health Plan Premium payment due date will reinstate this Agreement as though it had never been terminated. However, PacifiCare may, in its discretion, elect not to reinstate this Agreement in any of the following circumstances: (1) the notice of termination states that, if Health Plan Premium payment is not received within fifteen (15) days of issuance of the notice of termination, a new application is required and identifies conditions under which a new agreement will be issued or this Agreement reinstated; (2) if payment of Health Plan Premiums is received by PacifiCare more than fifteen (15) days after the issuance of notice of termination, and the Plan refunds such payment within twenty (20) business days of receipt; or, (3) if payment of Health Plan Premiums is received more than fifteen (15) days after issuance of the notice of termination, and PacifiCare issues to Group, within twenty (20) business days of receipt of such Health Plan Premiums, a new Agreement accompanied by written notice stating clearly those respects in which the new

Agreement differs from this Agreement in benefits, coverage or otherwise. In the event PacifiCare receives untimely payments after Group has been terminated, the deposit or application of such funds by PacifiCare does not constitute acceptance of such funds or reinstate group, and such funds may be refunded by PacifiCare at its sole discretion.

7.02.02 Termination for Breach of Material Term. PacifiCare may terminate this Agreement if Group breaches any material term, covenant or condition of this Agreement and fails to cure such breach within thirty (30) days after PacifiCare sends written notice of such breach. For purposes of this Section 7.02.02, material terms of this Agreement specifically include, but are not limited to, Sections 3.01 and 8.03. PacifiCare's written notice of breach shall make specific reference to Group's action causing such breach. If Group fails to cure its breach subject to PacifiCare's satisfaction within thirty (30) days after PacifiCare sends notice of the breach, PacifiCare may terminate this Agreement at the end of the thirty (30)-day notice period.

7.02.03 For Providing Misleading or Fraudulent Information. PacifiCare may terminate this Agreement thirty (30) days after PacifiCare sends written notice to Group if Group provides materially misleading or fraudulent information to PacifiCare in any Group questionnaires or is aware that materially misleading or fraudulent information has been provided on membership Enrollment forms.

7.02.04 For Ceasing to Meet Group Eligibility Criteria. PacifiCare may terminate Group upon thirty (30) days written notice to Group if Group fails to meet any of the following Group eligibility requirements:

(a) Group fails to maintain active Group Participation percentage of seventy-five percent (75%);

(b) For Subscribers without Dependents, Group fails to maintain a Group Contribution equal to seventy-five percent (75%) of the Health Plan Premium;

(c) For Subscribers with Dependents, Group fails to maintain a Group Contribution equal to the dollar amount of the Group Contribution for Subscribers without Dependents;

(d) Group fails to abide by and enforce the conditions of Subscriber Enrollment set forth in this Agreement.

7.02.05 For Changing the Nature of Group's Business. PacifiCare may terminate Group thirty (30) days after PacifiCare sends written notice to Group if Group materially alters the nature of its business. "Materially Alters," for the purposes of this Section 7.02.05, means a significant change in the business conducted by Group after the commencement of this Agreement.

7.02.06 For Loss of Group's Office Location within Geographic Area of

Licensure. PacifiCare may terminate Group if Group no longer maintains an office location within the area in which PacifiCare is licensed as a health care service plan. PacifiCare shall provide Group with thirty (30) days written notice prior to such termination. Group must notify PacifiCare of changes of the Group's office location provided on the Group application within (30) thirty days of the change.

7.03 Return of Prepayment Premium Fees Following Termination. In the event of termination by either PacifiCare (except in the case of fraud or deception in the use of PacifiCare services or facilities, or knowingly permitting such fraud or deception by another) or Group, PacifiCare will, within thirty (30) days, return to Group the pro-rata portion of money paid to PacifiCare which corresponds to any unexpired period for which payment has been received, together with amounts due on claims, if any, less any amounts due to PacifiCare.

8. MISCELLANEOUS PROVISIONS

8.01 Governing Law. This Agreement is subject to the laws of the State of California and the United States of America, including the Knox-Keene Health Care Service Plan Act of 1974, as amended, (codified at Chapter 2.2 of Division 2 of the California Health and Safety Code), and the regulations promulgated thereunder by the California Department of Managed Health Care (codified at Chapter 1 of Division 1 of Title 28 of the California Code of Regulations); the Health Maintenance Organization Act of 1973, as amended, (codified at Subchapter XI of Chapter 6A of Title 42 of the United States Code), and the regulations promulgated thereunder by the Center for Medicare and Medicaid Services (codified at Part 417 of Chapter IV of Title 42 of the Code of Federal Regulations); and, the Employee Retirement Income Security Act of 1974, as amended, (codified at Chapter 18 of Title 29 of the United States Code, and the regulations promulgated thereunder by the United States Department of Labor (codified at Chapter XXV of Title 29 of the Code of Federal Regulations), and the Health Insurance Portability and Accountability Act of 1996, Public law 104-1910 (codified at Section 8.1, title II subtitle F section 261-264). Any provisions required to be in this Agreement by any of the above laws and regulations shall bind PacifiCare, Group and Member whether or not expressly provided in this Agreement.

8.02 PacifiCare Names, Logos and Service Marks. PacifiCare reserves the right to control all use of its name, product names, symbols, logos, trademarks, and service marks currently existing or later established. Group shall not use PacifiCare's name, product names, symbols, logos, trademarks, or service marks without obtaining the prior written approval of PacifiCare.

8.03 Assignment. This Agreement and the rights, interests and benefits hereunder shall not be assigned, transferred, pledged, or hypothecated in any way by either party and shall not be subject to execution, attachment or similar process, nor shall the duties imposed herein be subcontracted or delegated without the approval of the other party. Notwithstanding the above, if PacifiCare assigns, sells or otherwise transfers

substantially all of its assets and business to another corporation, firm or person, with or without recourse, this Agreement will continue in full force and effect as if such corporation, firm or person were a party to this Agreement, provided such corporation, firm or person continues to provide prepaid health services.

8.04 Validity. The unenforceability or invalidity of any part of this Agreement shall not affect the enforceability and validity of the balance of this Agreement.

8.05 Confidentiality. PacifiCare agrees to maintain and preserve the confidentiality of any and all medical records of Member in accordance with all applicable state and federal laws. However, Member authorizes the release of information and access to any and all of Member's medical records for purposes of utilization review, quality review, processing of any claim, financial audit, coordination of benefits, or for any other purpose reasonably related to the provision of benefits under this Agreement to PacifiCare, its agents and employees, Member's participating medical group, and appropriate governmental agencies. PacifiCare shall not release any information to Group which would directly or indirectly indicate to the Group that a Member is receiving or has received covered services, unless authorized to do so by the Member.

8.06 Amendments. This Agreement may be modified by PacifiCare as set forth in Section 3.07, above, or it may be amended upon the mutual written consent of the parties.

8.07 Group Use of Administrative Manual. Group agrees to comply with and conform to policies and procedures in the Administrative Manual provided by PacifiCare. PacifiCare agrees to provide thirty (30) days notice to Group of any changes in the Administrative Manual. In the event of conflict between this Agreement and the Administrative Manual, the terms of this Agreement shall prevail.

8.08 Attachments. The Cover Sheet and Attachments to this Agreement, and all terms and conditions set forth therein, as they are from time-to-time amended by parties, are incorporated by reference herein and made an integral part of this Agreement.

8.09 Use of Gender. The use of masculine gender in this Agreement includes the feminine gender and the singular includes the plural.

8.10 Waiver of Default. The waiver by PacifiCare of any one or more defaults by Group or Member shall not be construed as a waiver of any other or future defaults under the same or different terms, conditions or covenants contained in this Agreement.

8.11 Notices. Any notice required or permitted under this Agreement shall be in writing and either delivered personally or by regular, registered, or certified mail, U.S. Postal Service Express Mail, or overnight courier, postage prepaid, or by facsimile transmission at the addresses set forth below:

If to PacifiCare: PacifiCare of California
Attention: President
P.O. Box 6006
Cypress, California 90630-0006

If to Group or Member, at Group's or Member's last address known to PacifiCare.

Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark date. If sent by regular mail, the notice shall be deemed given forty-eight (48) hours after the notice is addressed and mailed with postage prepaid. Notices delivered by U.S. Postal Service Express mail or overnight courier that guarantees next day delivery shall be deemed given twenty-four (24) hours after delivery of the notice to the United State Postal Service or courier. If any notice is transmitted by facsimile transmission or similar means, the notice shall be deemed served or delivered upon telephone confirmation of receipt of the transmission, provided a copy is also delivered via delivery or mail.

8.12 Acceptance of Agreement. Group may accept this Agreement either by execution of the Agreement or by making its initial payment to PacifiCare of Health Plan Premiums on or before the due date specified on the Cover Sheet. Member accepts the terms, conditions and provisions of this Agreement upon completion and execution of the Enrollment form. Acceptance by any of these methods shall render all terms and provisions of this Agreement binding on PacifiCare, Group and Members.

8.13 Entire Agreement. This Agreement, including all exhibits, attachments and amendments, contains the entire understanding of Group and PacifiCare with respect to the subject matter hereof and it incorporates all of the covenants, conditions, promises, and agreements exchanged by the parties hereto with respect to such matter. This Agreement supersedes any and all prior or contemporaneous negotiations, agreements, representations, or communications, whether written or oral, between Group and PacifiCare with respect to the subject matter of this Agreement.

8.14 Contracting Provider Termination. PacifiCare will provide written notice to Group within a reasonable time if it receives notice that any contracting provider terminates or breaches its contract with PacifiCare, or is unable to perform such contract, if the termination, breach, or inability to perform may materially and adversely affect Group.

8.15 Headings. The headings of the various sections of this Agreement are inserted merely for the purpose of convenience and do not expressly, or by implication, limit or define or extend the specific terms of the section so designated.

8.16 No Third Party Beneficiaries. Except as otherwise expressly indicated in this Agreement, this Agreement shall not create any rights in any third parties who have

not entered into this Agreement, nor shall this Agreement entitle any such third party to enforce any rights or obligations that may be possessed by such third party.

9. ARBITRATION

9.01 Disputes Between Group and PacifiCare. All disputes between Group and PacifiCare shall be resolved by binding arbitration before JAMS, a non-judicial arbitration and mediation service. If the amount at issue is less than \$200,000, then the arbitrator will have no jurisdiction to award more than \$200,000. The JAMS Comprehensive Arbitration Rules and Procedures (“Rules”) in effect at the time a demand for arbitration is made will be applied to the arbitration. The parties will seek to mutually agree on the appointment of an arbitrator; however, if an agreement cannot be reached within thirty (30) days following the date demanding arbitration, the parties will use the arbitrator appointment procedures in the Rules. Arbitration hearings will be held at the neutral administrator’s offices in Orange County, California or at another location agreed upon in writing by the parties. Civil discovery may be taken in such arbitration as provided by California law and civil procedure. The arbitrator(s) selected will have the power to control the timing, scope and manner of the taking of discovery and will have the same powers to enforce the parties’ respective duties concerning discovery as would a Superior Court of California. This includes, but is not limited to, the imposition of sanctions. The arbitrator(s) will have the power to grant all remedies provided by California law. The arbitrator(s) will prepare in writing an award that includes the legal and factual reasons for the decision. The parties will divide equally the fees and expenses of the arbitrator(s) and the neutral administrator. The arbitrator(s) will not have the power to commit errors of law or legal reasoning, and the award may be vacated or corrected pursuant to California law. The Federal Arbitration Act, 9 U.S.C. §§ 1-16, will also apply to the arbitration.

9.02 Disputes Between Member and PacifiCare.

9.02.01 Member Appeals and Grievances. The attached PacifiCare Combined Evidence of Coverage and Disclosure Form includes a complete description of the PacifiCare appeals and grievance procedures and dispute resolution processes for Members.

9.02.02 Binding Arbitration. Any and all disputes of any kind whatsoever, including, but not limited to, claims for medical malpractice (that is as to whether any medical services rendered under the health plan were unnecessary or unauthorized or were improperly, negligently, or incompetently rendered) between Member (including any heirs, successors, or assigns of Member) and PacifiCare except for claims subject to ERISA shall be submitted to binding arbitration. Any such dispute will not be resolved by a lawsuit or resort to court process, except as California law provides for judicial review of arbitration proceedings. Member and PacifiCare are giving up their constitutional rights to have any such dispute decided in a court of law before a jury, and are instead accepting the use of binding arbitration by a single

arbitrator in accordance with the Comprehensive Rules of JAMS, and administration of the arbitration shall be performed by JAMS or such other arbitration service as the parties may agree in writing. The parties will endeavor to mutually agree to the appointment of the arbitrator, but if such agreement cannot be reached within thirty (30) days following the date demand for arbitration is made, the arbitrator appointment procedures in the Comprehensive Rules will be utilized.

Arbitration hearings shall be held in Orange County, California or at such other location as the parties may agree in writing. Civil discovery may be taken in such arbitration as provided by California law and the Code of Civil Procedure. The arbitrator selected shall have the power to control the timing, scope and manner of the taking of discovery and shall further have the same powers to enforce the parties' respective duties concerning discovery as would a Superior Court of California including, but not limited to, the imposition of sanctions. The arbitrator shall have the power to grant all remedies provided by California law. The parties shall divide equally the expenses of JAMS and the arbitrator. In cases of extreme hardship, PacifiCare may assume all or part of the Member's share of the fees and expenses of JAMS and the arbitrator, provided the Member submits a hardship application to JAMS. The approval or denial of the hardship application will be determined solely by JAMS.

The arbitrator shall prepare in writing an award that includes the legal and factual reasons for the decision. The Federal Arbitration Act, 9 U.S.C. §§ 1-16, shall also apply to the arbitration.

9.03 Mandatory Arbitration. Group, Member and PacifiCare agree and understand that any and all disputes, including claims of medical malpractice (that is as to whether any medical services rendered under the health plan were unnecessary or unauthorized or were improperly, negligently, or incompetently rendered), except for claims subject to ERISA, shall be determined by submission to binding arbitration in accordance with the terms of this Agreement. Any such dispute will not be resolved by a lawsuit or resort to court process, except as California law provides for judicial review of arbitration proceedings. Group, Member, and PacifiCare are giving up the constitutional right to have any such dispute decided in a court of law before a jury, and instead is accepting the use of binding arbitration.