



*Service, Quality, Community*

**BOARD OF WATER AND POWER COMMISSIONERS**  
**SPECIAL MEETING AGENDA**  
**September 22, 2016**  
**9:00 AM**

**CITY OF BIG BEAR LAKE,**  
**DEPARTMENT OF WATER AND POWER**  
**41972 GARSTIN DRIVE**  
**BIG BEAR LAKE, CALIFORNIA 92315**  
[WWW.BBLDWP.COM](http://WWW.BBLDWP.COM)

**BOARD MEMBERS**

Don Smith, Chair  
Bob Tarras, Vice-Chair  
Craig Hjorth, Treasurer  
Alan Lee, Commissioner  
Kris Saukel, Commissioner

**OPEN SESSION**

**CALL MEETING TO ORDER**

**PLEDGE OF ALLEGIANCE**

**PUBLIC FORUM**

The public may address the Board by completing a speaker card. All remarks shall be addressed to the Board as a body only. There is a three minute maximum time limit when addressing the Board. Please note that California law prohibits the Board from taking action on any item not appearing on the agenda.

**1. DISCUSSION/ACTION ITEMS**

**1.1 IBank Loan Resolution for Big Bear Blvd. Pipeline Project**

Resolution No. DWP 2016-XX, accepting the terms and conditions of a \$1,050,000 IBank loan arrangement, authorizing the Board Chair or Treasurer to carry out such terms and conditions and declaring its intent to issue tax-exempt obligations to be used to reimburse the City Of Big Bear Lake, Department of Water and Power for expenditures prior to the issuance of such tax-exempt obligations.

**1.2 Employee Benefits Renewal**

Board to review and consider authorizing staff to renew employee health, dental, vision, life, and employee elected insurance policies for benefit year commencing on October 1, 2016 to September 30, 2017.

**ADJOURNMENT**

I hereby certify under penalty of perjury, under the laws of the State of California that the foregoing agenda was posted in accordance with the applicable legal requirements. Dated this 16<sup>th</sup> day of September, 2016.

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Jack P. Roberts, Secretary to the Board  
City of Big Bear Lake, Department of Water and Power

# AGENDA REPORT



*Service, Quality, Community*

**DATE:** September 22, 2016  
**TO:** Board of Commissioners  
**FROM:** Reginald A. Lamson, General Manager  
**RE: IBank Loan Terms and Conditions & Resolution  
No. DWP 2016-XX**

## **Background**

At the May 11, 2016 Special Board Meeting, the DWP Board of Commissioners approved Resolution No. DWP 2016-05 authorizing the submission of the application for a low interest loan to partially fund the Big Bear Blvd. Pipeline Replacement Project with IBank. DWP applied for funding from IBank in the amount of \$1,050,000. IBank has conditionally agreed to lend DWP \$1,050,000 for a 30 year term at an interest rate of 2.7%, plus a 0.3% annual fee and a loan origination fee of \$10,500. Attached are the proposed Resolution and a sample of the terms and conditions (Pico Water District) of a typical IBank loan. Approval of this Resolution does not obligate the DWP to finalize this loan. The City will consider a similar Resolution on September 26, 2016 and the IBank Board will consider authorizing the loan at their September 27, 2016 Board meeting. Once all approvals have occurred, then IBank staff will draft final loan documents for our review and consideration.

## **Financial Impact**

Annual debt service associated with the IBank loan is expected to be approximately \$54,000. For FY 2016/17, this will be funded from unrestricted reserves.

A debt reserve account for approximately \$54,000 will need to be deposited with the Trustee, which will reduce unrestricted cash by that amount.

A onetime loan origination fee of \$10,500 will be funded from unrestricted reserves.

When received, proceeds from the IBank will replenish capital improvement reserves which were allocated to this project.

## **Recommendation**

- 1) Review the Terms and Conditions
- 2) Approve Resolution No. DWP 2016-XX
- 3) Instruct staff to submit a comparable IBank Loan Resolution for the City Council to consider.
- 4) Instruct the Board Chair or Board Treasurer to sign final loan documents with IBank.
- 5) Approve attached budget adjustment.

**RESOLUTION NO. 2016-XX**

**A RESOLUTION OF THE BOARD OF COMMISSIONERS  
OF THE CITY OF BIG BEAR LAKE,  
DEPARTMENT OF WATER AND POWER,  
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA  
AUTHORIZING THE INCURRING OF AN OBLIGATION, PAYABLE TO THE  
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK, FOR  
FINANCING TO FUND THE 12” BIG BEAR BOULEVARD PIPELINE  
REPLACEMENT 2016 PROJECT, ACCEPTING THE TERMS AND CONDITIONS,  
AND APPROVING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH**

WHEREAS, the DWP Board of Commissioners has determined that it is in its best interests to enter into the Loan Arrangement and to authorize the Board Chair or Treasurer to comply with the terms and conditions of the Financing Agreement; and

WHEREAS, the DWP has determined to secure the Financing Agreement issuing tax-exempt obligations in a principal amount of not to exceed \$1,050,000 (the “Obligations”); and

WHEREAS, the DWP intends to incur certain expenditures for a portion of the Project and expects to incur certain other expenditures relating to the Project and to pay for such expenditures from the DWP’s moneys on hand prior to the receipt of proceeds of the Financing Agreement and the execution and delivery of the Obligations (the “Reimbursement Expenditures”); and

WHEREAS, the California Infrastructure and Economic Development Bank (“IBank”) administers financing programs to assist local governments with the financing of eligible projects in accordance with in Section 63000 *et seq.* of the California Government Code (the “Act”); and

WHEREAS, IBank created the California Lending for Energy and Environmental Needs Center (“CLEEN Center”) pursuant to the provisions of the Act; and,

WHEREAS, IBank’s Criteria, Priorities and Guidelines for the Selection of Projects for IBank Financing under the California Lending for Energy and Environmental Needs Center, approved on August 25, 2015, and as may thereafter be amended from time to time (the “Criteria”), establishes requirements for the financing of projects pursuant to various programs under the CLEEN Center; and

WHEREAS, the City of Big Bear Lake, Department of Water and Power (“Borrower”), has applied to IBank for financing the costs of construction, construction contingency, engineering, design, permits, environmental, project administration, and construction management to the 12” Big Bear Boulevard Pipeline Replacement 2016 Project (“Project”) in an amount not to exceed \$1,050,000 to be repaid from the Water Utility Revenue Fund; and

WHEREAS, the Act and the Criteria require the Borrower to make, by resolution of its governing body, certain findings prior to a Project being selected for financing by IBank; and

WHEREAS, the Borrower reasonably expects that a financing arrangement (“Obligation”) in an amount not expected to exceed \$1,050,000 will be entered into under and memorialized by one or more financing agreements and related documents (collectively, the “Financing Agreements”) and that certain proceeds of such Obligation will be used to reimburse the Borrower for Project expenditures incurred or paid prior to incurring the Obligation; and

WHEREAS, the Borrower acknowledges that IBank intends to fund its various programs under the CLEEN Center, in part, with the proceeds of tax exempt bonds and, as such, expects to have certain compliance obligations that may require it to have the Borrower enter into new financing agreements to replace the Financing Agreements (the “Replacement Agreements”) on terms and conditions substantially identical to the original Financing Agreements.

NOW, THEREFORE, be it resolved by the BOARD OF COMMISSIONERS of the CITY OF BIG BEAR LAKE, DEPARTMENT OF WATER AND POWER (the “DWP Board”) as follows:

Section 1. The DWP Board hereby approves, confirms, ratifies and affirms all actions of the Borrower’s representatives, employees and officers heretofore taken in connection with, or with respect to, submitting an application for financing for the Project and the consideration and approval of the Obligation and the Financing Agreements; and in connection therewith finds and certifies that:

- a. The Project facilitates effective and efficient use of existing and future public resources so as to promote both economic development and conservation of natural resources.
- b. The Project develops and enhances public infrastructure in a manner that will attract, create, and sustain long-term employment opportunities;
- c. That the Project is consistent with the 5-year Capital Improvement Plan of the Department of Water and Power, and the General Plan of the City of Big Bear Lake, and any elements of the General Plan of San Bernardino County that are applicable to the Borrower and the Project;
- d. The proposed financing is appropriate for the Project;
- e. The Project is consistent with the Criteria; and
- f. It has considered (i) the impact of the Project on California’s land resources and the need to preserve such resources; (ii) whether the Project is economically or socially desirable; (iii) whether the project is consistent with, and in furtherance of the State Environmental Goals and Policy Report (as defined in the Criteria); and (iv) whether the Project is in furtherance of the GHG Reduction Goals (as defined in the Criteria).

Section 2. Pursuant to its resolution No. DWP 2016-05 dated May 11, 2016, the Borrower previously declared its official intent to use certain proceeds of the Obligation to reimburse itself for expenditures reimbursable with the proceeds of tax exempt bonds or other tax exempt securities under the provisions of the Internal Revenue Code of 1986, as amended, and those U.S. Treasury Regulations implementing such provisions (collectively, "Federal Tax Law"). This declaration was made solely for purposes of establishing compliance with applicable requirements of Federal Tax Law and its date is controlling for purposes of reimbursement under Federal Tax Law. Such declaration did not and does not bind the Borrower to make any expenditure, incur any indebtedness, or proceed with the Project.

Section 3. The Chair of the DWP Board or the Treasurer of the DWP Board is hereby authorized and directed to act on behalf of the City of Big Bear Lake, Department of Water and Power in all matters pertaining to its application for financing from the IBank, and the execution of related financial documents including, but not limited to, the authority pledge Borrower revenues, including the Water Enterprise Revenue Fund, to the repayment of the Obligation and to provide covenants relating to the Obligation and as to any other security or collateral securing the Obligation, provided that the principal amount of the financing does not exceed \$1,050,000, the interest rate of the financing does not exceed 2.70%, and the term of the financing is for no more than 30 years.

Section 4. If the Obligation is approved by the IBank and the City Council of the City of Big Bear Lake, the Chair of the DWP Board or the Treasurer of the DWP Board is authorized to enter into and sign financing documents and any amendments thereto, including, but not limited to the Financing Agreements and the Replacement Agreements, with the IBank for the purpose of financing the Obligation.

Section 5. This resolution shall become effective immediately upon adoption.

PASSED, APPROVED and ADOPTED this 22<sup>nd</sup> day of September, 2016 by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Vernon D. Smith, Chair  
DWP Board of Commissioners

Attest:

\_\_\_\_\_  
Jack Roberts, Secretary to the Board  
DWP Board of Commissioners

## ATTACHMENT A

### Description of the Project

Generally, the Project involves replacement of a water treatment and distribution pipeline, including, but not limited to, all necessary design, engineering, permitting, entitlement, construction, equipping, construction management, project administration, and general project development activities. More specifically, the Project consists of the following components:

- The replacement of approximately 4,000 LF of pipeline
- Replacement of all the water service lines connected to the Big Bear Blvd. Transmission Main
- Replacement of three fire services and eight hydrants
- Installation of approximately 200 LF of pipeline on Georgia Street and Big Bear Blvd.
- Replacement of one water service line connected to the Georgia St. Distribution Main
- Other components necessary or desirable in connection with an infrastructure project of this type and that are consistent with the applicable requirements of the IBank Act and the Criteria.

## ATTACHMENT B

### Financing Terms

1. **Applicant/Borrower:** City of Big Bear Lake – Department of Water and Power (DWP)
2. **Project:** 12" Big Bear Blvd. Pipeline Replacement 2016
3. **Amount of Financing:** \$1,050,000
4. **Maturity:** Thirty (30) years
5. **Repayment/Security:** Senior lien on Net Revenues on parity with the outstanding liens of the 1996 Water Revenue Refunding Bonds, 2010 Water Revenue USDA Bonds, 2012 Water Revenue USDA Bonds, and 2013 Water Revenue USDA Bonds.
6. **Interest Rate:** 2.70%
7. **Fees:** City to pay an origination fee of 1.00%, \$10,500, upon loan closing, and an annual fee of 0.30% of the outstanding principal balance.
8. **Not an Unconditional Commitment:** IBank's resolution shall not be construed as an unconditional commitment to finance the Project, but rather IBank's approval pursuant to the Resolution is conditioned upon entry by IBank, the City and the DWP into a Financing agreement, in form and substance satisfactory to IBank.
9. **Limited Time:** The Board's approval expires 120 days from the date of its adoption. Thus, the City, the DWP and IBank must enter into the Financing agreement no later than 120 days from such date. Once the approval has expired, there can be no assurances that IBank will be able to provide the Financing to the City or consider extending the approval period.
10. **ISRF Program Financing Agreement Covenants and Conditions:** The financing agreement shall include, among other things, the following covenants and conditions:
  - a. The DWP must maintain rates and charges in an amount sufficient to ensure that Net Revenues produce a minimum 1.20 times aggregate annual debt service ratio for outstanding obligations. The specifics of any and all debt covenants will be provided in a supplement to the 1996 Trust Indenture, to be finalized by IBank, the City and the DWP.
  - b. The DWP will be prohibited from issuing future debt senior to the IBank financing.
  - c. New parity debt permitted if Net Revenues are at least 1.20 times the MADS taking into consideration the MADS payable in any Fiscal Year on the proposed parity debt.
  - d. Subordinate debt ("Subordinate Debt") permitted if Net Revenues are at least 1.00 times the sum of the MADS on all outstanding debt, payable from Net Revenues, including the proposed Subordinate Debt.
  - e. The DWP will maintain rates sufficient for all debt service payable from Net Revenues, and to take actions to increase rates or fund a rate stabilization fund if the debt service coverage ratios fall below required levels.
  - f. The DWP to comply with the requirements of the Criteria and all applicable laws, regulations, and permitting requirements associated with public works projects.
  - g. The DWP to submit audited financial statements to IBank annually within 240 days of fiscal year end.
  - h. The DWP to submit to IBank annual certifications demonstrating compliance with foregoing covenants and other terms and conditions of the Financing agreement with the City's audited financial statements.
  - i. The DWP to submit other information to IBank as may be requested from time-to-time.
  - j. In implementing rates and charges, the City and the DWP will covenant to ensure that its rate structure conforms to the requirements of Proposition 218. Further, the DWP is to notify IBank immediately upon the filing of any legal challenge to its rates or charges.

- k. DWP to provide to IBank an opinion of counsel as to satisfaction of the Fund's existing parity debt conditions as a condition of the Financing.

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## **INSTALLMENT SALE AGREEMENT**

by and between the

**PICO WATER DISTRICT,**  
as Purchaser

and the

**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK (“IBANK”),**  
as Seller

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Dated as of June 1, 2016

Agreement No. ISRF 16-112

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## INSTALLMENT SALE AGREEMENT

THIS INSTALLMENT SALE AGREEMENT, is made and entered into as of June 1, 2016 (as defined in Section 1.01, the “Agreement”), by and between PICO WATER DISTRICT, a county water district duly organized and validly existing under the laws of the State of California, as purchaser (the “Purchaser” or “District”), and the CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (“IBank”), duly organized and validly existing pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act, constituting Division 1 of Title 6.7 of the California Government Code (commencing at section 63000 thereof) as now in effect and as it may from time to time hereafter be amended (the “Act”), as Seller. IBank and the Purchaser are hereinafter at times collectively referred to as the “Parties” and individually as a “Party.”

### WITNESSETH:

WHEREAS, on or about February 17, 2016, the Purchaser adopted Resolution No. 187-R, in substantially the same form as set forth in Exhibit A attached hereto, authorizing the purchase from IBank of a Facility, as defined herein, as evidenced by this Agreement;

WHEREAS, in or about December 2008 the Purchaser completed its 2008 Water System Master Plan identifying and prioritizing various pipeline replacement projects intended to increase the flow capacity of the Purchaser’s pipeline infrastructure;

WHEREAS, the Facility (as defined in Section 1.01) generally consists of the highest priority pipeline replacement projects identified in the Purchaser’s 2008 Water System Master Plan

WHEREAS, the Purchaser’s staff issued Proposition 218 notices necessary for the rates and charges increases required to support the Purchaser’s water system, including the Facility;

WHEREAS, not having received written protests against the proposed increases from a majority of parcels subject to the revised schedule of rates and charges, the Purchaser’s Board of Directors adopted the revised schedule of rates and charges pursuant to the terms of Ordinance No. 61, and related documents, on November 12, 2014;

WHEREAS, the Purchaser sought financing for the aforementioned improvements from IBank and IBank wishes to provide such financing;

WHEREAS, IBank has issued, or intends to issue, tax-exempt bonds (“Proceeds Bonds” as defined in Section 1.01), the proceeds of which may be used to provide all or a portion of the Facility Funds (as defined in Section 1.01);

WHEREAS, IBank may pledge its rights, including the rights to receive payments, under this Agreement to secure bonds that it has issued, or intends to issue, for the benefit of its programs (“Secured Bonds” as defined in Section 1.01), and the Purchaser acknowledges that the issuance or existence of both the Proceeds Bonds and the Secured Bonds impacts its rights and obligations as described herein; and

NOW, THEREFORE, in consideration of the promises and the mutual agreements herein contained, the parties do hereby agree as follows:

## ARTICLE I

### DEFINITIONS

SECTION 1.01. Definitions. Unless the context clearly otherwise requires, the capitalized terms in this Agreement shall have the respective meanings set forth below.

“Act” means the Bergeson-Peace Infrastructure and Economic Development Bank Act, constituting Division 1 of Title 6.7 of the California Government Code (commencing at section 63000 thereof) as now in effect and as it may from time to time hereafter be amended.

“Additional Payments” means the payments made pursuant to Section 2.06.

“Agreement” means this Installment Sale Agreement, between IBank and the Purchaser, as originally entered into and as amended from time to time pursuant to the provisions hereof.

“Business Day” means any day, Monday through Friday, which is not a legal holiday of the State or the trustee of the Proceeds Bonds or Secured Bonds.

“Certificate of the Purchaser” means a request or certificate, in writing, signed by a duly authorized representative of the Purchaser.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor statute thereto, and any regulations promulgated thereunder.

“Criteria” means the “Criteria, Priorities and Guidelines for the Selection of Projects for Financing under the ISRF Program” dated August 25, 2015, as may thereafter be amended from time to time.

“Current Revenues” means revenues which are both received by the Purchaser and utilized for the payment of Purchase Price under this Agreement within a six month period.

“Debt Service” means, for any Fiscal Year, the sum of interest, and principal due and payable under this Agreement during such Fiscal Year, the IBank Annual Fee for such Fiscal Year, any Parity Debt Service and any Senior Debt Service for such Fiscal Year.

“Effective Date” means June 1, 2016, the date on which this Agreement becomes effective and binding on the Purchaser and IBank.

“Enterprise Fund” means the water enterprise fund established by the Purchaser and in which all System Revenues are deposited and maintained by the Purchaser pursuant to Section 3.02 and in which IBank has a certain security interest pursuant to the terms of this Agreement. The Purchaser’s Enterprise Fund is composed of the funds received from water production,

storage, treatment, transmission, distribution and delivery services provided to the Purchaser's customers.

"Event of Default" means any of the events described in Section 7.01.

"Facility" means those improvements financed with the Facility Funds provided by and to be sold by IBank to the Purchaser pursuant to terms and conditions of this Agreement as more particularly described in Exhibit B, hereto.

"Facility Delivery" shall have the meaning set forth in Section 2.02 hereof.

"Facility Funds" mean the moneys provided by IBank to the Purchaser, as agent for IBank, pursuant to this Agreement to purchase and/or construct the Facility as set forth in Section 2.05.

"Facility Funds Reduction Request" means any written request of the Purchaser to reduce the amount of Facility Funds not yet disbursed.

"Fiscal Year" means any twelve month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve month period selected and designated by the Purchaser as its official fiscal year period.

"IBank Annual Fee" means the fee payable to IBank pursuant to Section 2.06.

"Independent Accountant" means any certified public accountant or firm of certified public accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by the Purchaser who, or each of whom:

- (a) Is in fact independent and not under the direct or indirect control of the Purchaser or IBank;
- (b) Does not have any substantial interest, direct or indirect, in the Purchaser, IBank or the Facility; and
- (c) Is not connected with the Purchaser or IBank as an officer or employee of the Purchaser or IBank, but who may be regularly retained to make reports to the Purchaser or IBank.

"Independent Consultant" means any consultant or firm of such consultants judged by the Purchaser to have experience in matters relating to the collection of System Revenues or other experience with respect to the financing of System projects, as appropriate, appointed and paid by the Purchaser who, or each of whom:

- (a) Is in fact independent and not under the direct or indirect control of the Purchaser, IBank, or the Facility;
- (b) Does not have any substantial interest, direct or indirect, in the Purchaser or IBank; and

(c) Is not connected with the Purchaser or IBank as a member, officer or employee of the Purchaser, but who may be regularly retained to make reports to the Purchaser or IBank.

“Installment Payments” means the principal and interest payments to be made by the Purchaser to IBank in payment of the Purchase Price hereunder.

“Interest Payment Date” means February 1 and August 1 of every year in which the Purchase Price remains unpaid.

“Investment Property” means any security or obligation, any annuity contract, or any other investment-type property, but does not include any Tax-Exempt Obligation unless such obligation is a “specified private activity bond” within the meaning of section 57(a)(5)(C) of the Code.

“Liquidated Damages Charge” has the meaning set forth in Section 2.06(a)(4).

“Liquidated Damages Period” has the meaning set forth in Section 5.03(f).

“Maximum Annual Debt Service” means as of the date of calculation, the greatest total Debt Service payable in any Fiscal Year during which this Agreement is in effect.

“Maximum Rate” has the meaning set forth in Section 8.22.

“Net System Revenues” means, for any Fiscal Year, all System Revenues received by the Purchaser for such Fiscal Year less the Operations and Maintenance Costs for such Fiscal Year.

“Nongovernmental Persons” means any person or entity other than any state, or political subdivision of a state, but excludes the United States and its agencies or instrumentalities.

“Operations and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the Purchaser for maintaining and operating the System, determined in accordance with generally accepted accounting principles, consistently applied, including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the System in good repair and working order, and including all administrative costs of the Purchaser that are charged directly or apportioned to the operation of the System, such as salaries and wages of employees, overhead, taxes (if any), the cost of permits and licenses to operate the System and insurance premiums, and including all other reasonable and necessary costs of the Purchaser or charges required to be paid by it to comply with the terms hereof; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

“Origination Fee” means a payment in the amount of fifty-two thousand five hundred dollars (\$52,500) that shall be due and payable by the Purchaser on the Effective Date.

“Parity Debt” means any loan, bond, note, advance, installment sale agreement, capital lease or other evidence of indebtedness payable from and secured by a first lien on the Net

System Revenues on parity with the Installment Payments and Additional Payments, issued or incurred pursuant to and in accordance with the provisions of Section 2.11.

“Parity Debt Instrument” means any instrument evidencing, governing, or securing Parity Debt, including without limitation the indenture relating to such Parity Debt, as applicable.

“Parity Debt Service” means, for any Fiscal Year, the sum of: (1) the principal and interest due and payable during such Fiscal Year for all outstanding Parity Debt, and (2) annual fees, if any, under Parity Debt.

“Payment Account” means the funds or accounts (or any portions of any funds or accounts), established pursuant to Section 2.03(c) hereof, that will hold monies that the Purchaser expects to use to pay the Purchase Price under this Agreement.

“Phase I Environmental Site Assessment” means an investigation of the environmental condition of the Facility, including all improvements and real property as well as surrounding improvements and real property, to determine the possibility of contamination, based on visual observation, interviews with knowledgeable persons, and the review of records and databases, in a manner consistent with the current standards and practices employed typically by State Registered Environmental Assessors, or other professionals licensed in the State as engineers or geologists, performing environmental assessments in the same general geographic location as the Facility.

“Phase II Environmental Site Assessment” means the in situ sampling and laboratory analysis of any contamination discovered in connection with a Phase I Environmental Site Assessment, in a manner consistent with the current standards and practices employed typically by State Registered Environmental Assessors, or other professionals licensed in the State as engineers or geologists, performing environmental assessments in the same general geographic location as the Facility.

“Preliminary Costs” means architectural, engineering, survey or soil testing costs, reports such as environmental impact reports, Phase I Environmental Site Assessments, Phase II Environmental Site Assessments, feasibility studies, rate studies and CEQA reports, as well as other costs incident to the start of construction, but not land acquisition, site preparation or similar costs.

“Prepayment Request” means any written request of the Purchaser to prepay all or a portion of the principal component of the Purchase Price.

“Proceeds Bonds” means bonds issued, or to be issued, by IBank the proceeds of which may be used, in whole or part, to provide the Facility Funds.

“Prop 218 Law” means, collectively, the California Constitution article XIII D, the statutes implementing it, and the published California Appellate Court and Supreme Court decisions interpreting it in effect on the Effective Date and as such law may be amended or interpreted from time to time.

“Purchase Price” means the principal amount plus the interest thereon owed by the Purchaser to IBank under the conditions and terms hereof for the payment of the costs of the Facility, and the incidental costs and expenses related thereto paid by IBank.

“Purchaser Representative” shall have the meaning set forth in Section 8.10 hereto.

“Rate Challenge” shall have the meaning set forth in Section 5.26.

“Replacement Agreement Covenant” shall have the meaning set forth in Section 5.11.

“Report” means a document in writing signed by an Independent Consultant or an Independent Accountant, and including:

(a) A statement that the person or firm making or giving such Report has read the pertinent provisions of this Agreement to which such Report relates;

(b) A brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(c) A statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

“Reporting Covenants” shall have the meaning set forth in Section 5.03(f).

“Secured Bonds” means bonds of one or more series issued, or to be issued, by IBank to which certain rights of IBank under this Agreement, including the right to receive the Installment Payments, may be from time to time pledged or assigned directly or indirectly as security for such bonds.

“Senior Debt” means the obligations evidenced by any Senior Debt Instrument and any additional loan, bond, note, advance, installment sale agreement, or other indebtedness or capital lease of the Purchaser payable from and secured by a first lien on the Net System Revenues which is senior to the lien established by this Agreement.

“Senior Debt Instruments” means any instrument evidencing, governing, or securing Senior Debt, including without limitation any indenture relating to such Senior Debt, as applicable.

“Senior Debt Service” means, for any Fiscal Year, the amounts required to be paid pursuant to any Senior Debt Instrument.

“State” means the State of California.

“Subordinate Debt” means any loan, bond, note, advance, installment sale agreement, or other indebtedness or capital lease of the Purchaser payable from and secured by a lien on Net Systems Revenues which is subordinate to the lien established by this Agreement.

“Subordinate Debt Instruments” means any instrument evidencing, governing or securing Subordinate Debt, including without limitation any indenture relating to such Subordinate Debt, as applicable.

“Subordinate Debt Service” means for any Fiscal Year, the amounts required to be paid pursuant to any Subordinate Debt Instrument.

“System” means the entire water production, storage, treatment, transmission, distribution, and delivery system owned or operated by the Purchaser, including but not limited to all facilities, properties, works and improvements at any time owned, operated or determined to be part of the System by the Purchaser for the production, storage, treatment, transmission, distribution, and delivery of water within the service area of the Purchaser, together with any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements or additions thereto hereafter acquired, constructed or installed by the Purchaser.

“System Revenues” means, for each Fiscal Year, all gross income and revenue received or receivable by the Purchaser from the ownership or operation of the System, determined in accordance with generally accepted accounting principles, consistently applied, including all rates, fees and charges (including connection fees and charges) received by the Purchaser for the services of the System, and all other income and revenue howsoever derived by the Purchaser from the ownership or operation of the System or arising from the System, and also including all legally available income from the deposit or investment of any money in the Enterprise Fund or any rate stabilization fund, and the proceeds of any taxes, but excluding in all cases (i) any refundable deposits made to establish credit, and advances or contributions in aid of construction; and (ii) any income or revenue derived from the sale of recycled water that the Purchaser had originally purchased from the Central Basin Municipal Water District.

“Tax Exempt Obligation” means any obligation the interest on which is excluded from gross income for federal income tax purposes pursuant to section 103 of the Code or section 103 of the Internal Revenue Code of 1954, as amended, and Title XIII of the Tax Reform Act of 1986, as amended, as well as stock in a regulated investment company to the extent at least ninety-five percent (95%) of income to the stockholder is treated as interest that is excludable from gross income under section 103 of the Code.

#### SECTION 1.02. Rules of Construction.

Except where the context otherwise requires, words imparting the singular number shall include the plural number and vice versa, and pronouns inferring the masculine gender shall include the feminine gender and vice versa. All references herein to particular articles or sections are references to articles or sections of this Agreement. The headings, subheadings and Table of Contents herein are solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meanings, construction or effect. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in interpreting this Agreement.

## ARTICLE II

### TERMS OF SALE

#### SECTION 2.01. Purchase and Sale.

IBank hereby agrees to sell to the Purchaser and the Purchaser hereby agrees to purchase from IBank the Facility under and subject to the terms of this Agreement. This Agreement constitutes a continuing agreement between the Purchaser and IBank to secure the full and final payment of the Purchase Price, subject to the covenants, agreements, provisions and conditions herein contained.

#### SECTION 2.02. Design, Acquisition, Construction and Sale of the Facility.

(a) IBank hereby agrees to perform all necessary acts, including but not limited to acquisition, entitlement, permitting, installation, design, remediation and improvement, to construct and deliver an operational Facility (“Facility Delivery”) for the benefit of, and to sell the Facility to, the Purchaser. In order to implement this provision, IBank hereby appoints the Purchaser as its agent for the purpose of performing all of the foregoing acts in connection with the acquisition, entitlement, permitting, installation, design, remediation, improvement, construction, and delivery of an operational Facility; and the Purchaser hereby accepts such appointment and agrees to perform all acts necessary to achieve Facility Delivery, including, but not limited to, entry into such engineering, design and construction contracts and purchase orders as may be necessary, as agent for IBank, to achieve Facility Delivery. The Purchaser hereby agrees that as such agent it will cause the Facility Delivery to be diligently pursued and completed as soon as reasonably possible given the nature of, and inherent challenges in connection with, the construction of the Facility and prevailing market conditions. IBank hereby agrees to sell, and hereby sells, the Facility to the Purchaser. The Purchaser hereby agrees to purchase, and hereby purchases, the Facility from IBank. Notwithstanding the foregoing, it is hereby expressly understood and agreed that IBank shall have no obligations whatsoever for Facility Delivery and shall be, except for providing the Facility Funds, under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the Purchaser (whether as agent for IBank or otherwise) for any of the actions associated with the Facility Delivery and that all such costs and expenses shall be paid by the Purchaser, regardless of whether Facility Funds are sufficient to cover all such costs.

(b) In the event IBank is served with a stop payment notice in connection with the Facility, the Purchaser shall within thirty (30) days cause such stop payment notice to be discharged or released, whether by payment of the sum requested in such stop payment notice, by procurement of a stop payment notice release bond, or by any other legally available means. IBank shall withhold from the Purchaser amounts sufficient to pay the claim stated in the stop payment notice, and to otherwise comply with applicable law, until such stop payment notice is released and/or discharged to IBank’s satisfaction, in its sole and absolute discretion.

SECTION 2.03. Payment of Purchase Price; Term; Interest Rates.

(a) The Purchase Price to be paid by the Purchaser to IBank hereunder is the sum of the principal amount of the Purchaser's obligation hereunder plus interest, subject to prepayment as provided in Section 2.08. Interest shall accrue on the entire principal balance, whether or not disbursed, as set forth in the amortization schedule of Exhibit E hereto.

(b) For purposes of this Agreement:

(1) The principal amount of the Purchase Price to be paid by the Purchaser to IBank hereunder is five million two hundred fifty thousand dollars (\$5,250,000).

(2) The term of this Agreement is thirty (30) years from the Effective Date.

(3) The interest rate is three and eighty-four one-hundredths percent (3.84%) per annum.

(c) For purposes of compliance with Federal Tax laws applicable to IBank's Proceeds Bonds and/or Secured Bonds, the Purchaser hereby establishes a "Payment Account" within the Enterprise Fund and agrees to deposit monies intended for paying such Installment Payments in the Payment Account until the time that such Installment Payments become due and payable whereupon the Purchaser would take steps to pay Installment Payments as provided herein.

(d) Installment Payments of principal and interest shall be as set forth in the amortization schedule of Exhibit E hereto.

(1) The first principal payment shall be due August 1, 2017.

(2) Interest only payments will be based upon the total principal component of the Purchase Price, including the amounts not disbursed, using an interest rate of three and eighty-four one-hundredths percent (3.84%) per annum.

(3) The Purchaser shall receive a credit against interest owed based upon the actual interest earned by IBank on the undisbursed Facility Funds or the interest rate on the Agreement, whichever is lower.

(e) Commencing on the day following the end of the interest only period, the principal component of the Purchase Price shall be fully amortized over the remaining term of this Agreement. If any portion of the principal of the Purchase Price is prepaid in part pursuant to Section 2.05 hereof, the schedule of the principal payments shall be modified to reflect such partial prepayment.

(f) The obligation of the Purchaser to pay the Purchase Price by paying the Installment Payments and Additional Payments is, subject to Section 5.10, absolute and unconditional; and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made as provided in Section 8.05), the Purchaser shall not discontinue or suspend any Installment Payments or Additional Payments required to be paid

by it under this Agreement when due, whether or not the Facility or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part; and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

SECTION 2.04. Payment on Business Days.

Whenever in this Agreement any amount is required to be paid on a day that is not a Business Day, such payment shall be required to be made on the Business Day immediately following such day and no further interest shall accrue.

SECTION 2.05. Disbursement of Facility Funds.

(a) IBank shall disburse Facility Funds solely for the purposes set forth in Exhibit H hereto. The aggregate sum of disbursements for each category set forth in Exhibit H shall not exceed the corresponding amounts set forth in Exhibit H. Upon compliance with disbursement conditions set forth herein and receipt of a written request for disbursement, IBank will disburse Facility Funds to the Purchaser in amounts of at least five thousand dollars (\$5,000). All requests for payment shall be accompanied by information and documentation as may be requested by IBank to determine the amount of Facility Funds to be disbursed.

(b) Each disbursement request shall specify one or more of the following for costs included in the disbursement request:

(1) The Purchaser previously paid the costs and is requesting reimbursement;

(2) The Purchaser will pay the costs directly upon receipt of funds from IBank; or

(3) IBank is requested to pay the disbursement directly to the party owed the funds instead of the Purchaser.

(c) By submitting to IBank a disbursement request of the type set forth in subparagraph (b)(1), above, the Purchaser represents and warrants that it has previously paid the costs indicated in such disbursement request. By submitting to IBank a disbursement request of the type set forth in subparagraph (b)(2), above, the Purchaser represents and warrants that it will pay the costs indicated in such request directly upon receipt of funds from IBank.

(d) No Facility Funds shall be disbursed unless and until IBank receives documentation, satisfactory to IBank, demonstrating that the Purchaser has incurred costs that constitute both reasonable and necessary components of the Facility and which are consistent with the cost categories, amounts and requirements described in this Agreement.

(e) Unless otherwise consented to in writing by IBank, the Purchaser must both: (1) begin Facility construction no later than six months after the Effective Date; and (2) submit invoices to IBank for the entire amount of the Facility Funds no later than 35 months

after the Effective Date. If the Purchaser fails to meet either of these conditions, IBank may elect to withhold any and all undisbursed Facility Funds pursuant to Section 2.14 herein.

(f) Notwithstanding any contrary provisions of this Agreement or any related documents, under no circumstances will IBank be obligated to make disbursements in excess of the lesser of (i) actual Facility costs incurred in connection with the completion of the Facility or (ii) the amount of the Facility Funds.

(g) Not more than ninety-five percent (95%) of each invoice payable from Facility Funds designated for construction shall be disbursed until IBank receives a recorded notice of completion for the Facility or other evidence of completion satisfactory to IBank and the Purchaser has met all conditions precedent to final disbursement set forth herein.

SECTION 2.06. Additional Payments.

(a) The Purchaser shall pay Additional Payments to IBank as follows:

(1) A payment of the IBank Annual Fee on August 1st of each year during the term of this Agreement, commencing August 1, 2017, in an amount equal to three tenths of one percent (0.3%) of the outstanding principal component of the remaining Installment Payments as set forth in Exhibit E; and

(2) Amounts in each year as shall be required by IBank for the payment of extraordinary expenses of IBank in connection with an Event of Default, the enforcement of this Agreement or any amendments hereto requested by the Purchaser, including all expenses, fees and costs of accountants, trustees, and attorneys, litigation costs, insurance premiums and all other extraordinary costs of IBank. Extraordinary expenses and extraordinary costs are those expenses and costs related to this Agreement in excess of ordinary and customary expenses and costs incurred as part of the IBank Annual Fee pursuant to this Section 2.06. Such Additional Payments shall be billed by IBank from time to time, together with any appropriate supporting documents for such extraordinary costs or expenses; and

(3) The Purchaser shall deposit the IBank Annual Fee with IBank not later than August 1st of each year and the Purchaser shall pay to IBank the amount billed pursuant to subsection (2) within thirty (30) days from the date of the invoice. Any amounts not promptly paid shall accrue interest at the lesser of twelve percent (12%) per annum or the maximum rate permitted by law.

(4) Unless expressly waived by IBank in writing, in the event the Purchaser fails to cure any Reporting Covenants noncompliance as set forth in Section 5.03(f) or fails to cure any Replacement Agreement Covenant noncompliance within 30 days after receipt by the Purchaser of the replacement agreement from IBank as set forth in Section 5.11 of this Agreement, an amount equal to one quarter of one percent (0.25%) of the outstanding component of the Purchase Price, shall automatically be imposed monthly as liquidated damages charged to the Purchaser and not as a penalty (the "Liquidated Damages Charge"), and shall continue to be imposed throughout the Liquidated Damages Period. The Purchaser shall be obligated to pay the Liquidated Damages Charge as Additional Payments. Such Additional Payment shall be reflected in an IBank invoice to the Purchaser. The Purchaser agrees that, under the

circumstances existing as of the date of this Agreement, such Liquidated Damages Charge represents a reasonable estimate of the costs and expenses IBank will incur as a result of the Purchaser's noncompliance with the Reporting Covenants and/or the Replacement Agreement Covenant. Nothing herein shall be construed as an express or implied agreement by IBank to forbear on its exercise of any other rights or remedies provided by this Agreement, as a waiver of such rights or remedies, or as a waiver of any default or Event of Default under this Agreement.

SECTION 2.07 Reserved.

SECTION 2.08. Limitations on Prepayment and Facility Funds Reductions.

(a) Authorized Prepayment Period. At any time, after ten (10) years from the Effective Date (the "Authorized Prepayment Period), the Purchaser is permitted to prepay all or a portion of the outstanding principal amount of the Purchase Price as follows: (i) if the prepayment date is on or after ten (10) years after the Effective Date but prior to eleven (11) years after the Effective Date, the prepayment amount shall be one hundred two percent (102%) of the principal amount being prepaid; (ii) if the prepayment date is on or after eleven (11) years after the Effective Date but prior to twelve (12) years after the Effective Date, the prepayment amount shall be one hundred one percent (101%) of the principal amount being prepaid; and (iii) if the prepayment date is on or after twelve (12) years after the Effective Date, the prepayment amount shall be one hundred percent (100%) of the principal amount being prepaid. Further, the Purchaser shall pay to IBank all accrued interest through the date of prepayment, plus any interest due and owing, plus any Additional Payments, plus the *pro rata* portion of the IBank Annual Fee.

(b) No Right to Prepayment during Early Prepayment Period. Unless otherwise consented to in writing by IBank pursuant to this Section 2.08, the Purchaser is not permitted to prepay all or a portion of the principal component of the Purchase Price during the period commencing with the Effective Date and ending with the date that is ten (10) years after the Effective Date (the "Early Prepayment Period).

(c) Facility Funds Reduction Treated as a Prepayment. The Purchaser may request that the amount of Facility Funds not yet disbursed be reduced ("Facility Funds Reduction Request") thereby reducing the amount of financing; provided, however that any such request shall be treated in the same manner as a full or partial Prepayment Request and must satisfy the requirements set forth in this Section 2.08 including, but not limited to the requirement for IBank consent.

(d) Written Request Required. Regardless of whether the prepayment period then in effect is the Early Prepayment Period or the Authorized Prepayment Period, the Purchaser must provide IBank with its written Prepayment Request or Facility Funds Reduction Request, as the case may be, at least ninety (90) days prior to the requested prepayment or reduction date. IBank will not accept any prepayment funds from the Purchaser unless and until the requirements of this Section 2.08 have been met.

(e) Consent to Early Prepayment or Facility Funds Reduction. If, during the Early Prepayment Period, IBank elects to approve a Prepayment Request or Facility Funds

Reduction Request, it will provide a written consent (“Early Prepayment Consent”) setting forth the conditions of its consent, including, but not limited to the amount of prepayment premium applicable to the Prepayment Request or Facility Funds Reduction Request, as determined by IBank at its discretion (“Prepayment Premium”).

(f) Amendment for Partial Prepayment or Facility Funds Reduction. If IBank provides the Purchaser with an Early Prepayment Consent for (i) a prepayment of a portion of the outstanding principal component of the Purchase Price; or (ii) a reduction of the Facility Funds amount, IBank and the Purchaser shall enter into an amendment to this Agreement reflecting the terms of the Early Prepayment Consent and the Purchaser shall pay to IBank all accrued interest through the date of prepayment; plus any interest due and owing; plus the portion of the outstanding principal component of the Purchase Price approved for prepayment; plus the Prepayment Premium, plus any Additional Payments, plus the *pro rata* portion of the IBank Annual Fee.

SECTION 2.09. Validity of Pledge and First Lien.

The pledge of the Net System Revenues and all legally available amounts in the Enterprise Fund constitute a valid pledge of and first position lien on all of the Net System Revenues and all legally available amounts in the Enterprise Fund on parity with the lien(s) securing the Parity Debt, if any.

SECTION 2.10. Limited Obligation.

The Purchaser’s obligation to make Installment Payments is a special obligation of the Purchaser payable solely from Net System Revenues as provided herein and does not constitute a debt of the Purchaser or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction.

SECTION 2.11. Permitted Additional Parity Debt.

(a) The Purchaser may, after the Effective Date, issue or incur Parity Debt in such principal amount as shall be determined by the Purchaser subject to the requirements for additional obligations as set forth in all existing Parity Debt Instruments and the following specific conditions, which are hereby made conditions precedent to the Purchaser’s issuance and delivery of such Parity Debt , provided that to the extent that an existing Parity Debt Instrument conflicts with any of the requirements set forth in this Section 2.11, the more restrictive provision shall prevail:

(1) No Event of Default hereunder or under any other instrument secured by System Revenues shall have occurred and be continuing, and the Purchaser shall otherwise be in compliance with all covenants set forth in this Agreement; and

(2) Net System Revenues calculated on generally accepted accounting principles, consistently applied, and excluding the proceeds of any taxes and also excluding any balances in any fund at the beginning of the period of the computation, as shown by the books of the Purchaser for the latest Fiscal Year, or any more recent twelve month period selected by the

Purchaser ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Parity Debt is issued or incurred, as shown by the books of the Purchaser, plus, at the option of the Purchaser, either or both of the items below designated in subsections (b)(1) and (b)(2), shall have amounted to at least 1.2 times the Maximum Annual Debt Service taking into consideration the maximum annual debt service payable in any Fiscal Year on the proposed Parity Debt, as set forth in the Report of an Independent Accountant or Independent Consultant delivered to IBank; provided, however, that where the proposed Parity Debt is with IBank, no Report of an Independent Accountant or Independent Consultant shall be required.

(b) Either or both of the following allowances may be added to Net System Revenues for the purpose of meeting the condition contained in subsection (a)(2) above:

(1) An allowance for increased System Revenues from any additions to or improvements or extensions of the System to be made with the proceeds of such proposed Parity Debt, and also for System Revenues from any such additions, improvements, or extensions which have been made from moneys from any source but which, during all or any part of such Fiscal Year or any more recent twelve month period, were not in service, all in an amount equal to ninety percent (90%) of the estimated additional average annual System Revenues to be derived from such additions, improvements, and extensions for the first thirty six (36) month period following closing of the proposed Parity Debt, all as shown in the Report of an Independent Accountant or Independent Consultant delivered to IBank; provided however, that in those instances where the proposed Parity Debt is with IBank, no Report of an Independent Accountant or Independent Consultant shall be required; and/or

(2) An allowance for increased System Revenues arising from any increase in the charges made for service from the System which has become effective prior to the incurring of such proposed Parity Debt but which, during all or any part of such Fiscal Year or any more recent twelve (12) month period, was not in effect in an amount equal to one hundred percent (100%) of the amount by which System Revenues would have been increased if such increase to charges had been in effect during the whole of such time period and any period prior to the incurring of such proposed Parity Debt, as shown in the Report of an Independent Accountant or Independent Consultant delivered to IBank; provided however, that where the proposed Parity Debt is with IBank, no Report of an Independent Accountant or Independent Consultant shall be required.

(c) For purposes of making the calculations set forth in subsection (a)(2):

(1) If any Parity Debt includes capital appreciation bonds, then the accreted value payment thereof shall be deemed a principal payment and interest that is compounded and paid as accreted value shall be deemed due on the scheduled redemption or payment date of such capital appreciation bond;

(2) If any Parity Debt includes interest payable pursuant to a variable interest rate formula, the variable interest rate portion of such Parity Debt for periods when the actual interest rate cannot yet be determined, shall be assumed to be the maximum interest rate under the Parity Debt.

(d) The Purchaser shall deliver to IBank, prior to incurring or issuing such proposed Parity Debt, a copy of the proposed Parity Debt Instrument and Certificate of the Purchaser certifying that the conditions precedent to the issuance of such Parity Debt set forth in subsections (a) and (b) above have been satisfied and, as applicable, the Report required by subsections (a) and (b) above has been delivered; provided however, that where the proposed Parity Debt is with IBank, no copy of the proposed Debt Instrument nor Report shall be required and the certification required by this Section 2.11(d) may be made as part of the Parity Debt Instrument for the new IBank Parity Debt.

(e) Notwithstanding subsections (a)(2), (b), (c), and (d) above, proposed Parity Debt to be issued for the purpose of refunding outstanding Parity Debt may be issued without compliance with subsections (a)(2), (b), (c) and (d) above, so long as such refunding results in lower Parity Debt Service in each Fiscal Year after such refunding and the final maturity date of the refunding Parity Debt is no later than the final maturity date of the refunded Parity Debt. The Purchaser shall deliver to IBank the Parity Debt Instrument for such refunding within 30 days of such Parity Debt issuance.

SECTION 2.12. The Purchaser's Obligation for Other Facility Costs.

The Purchaser acknowledges and agrees that the amount of IBank's obligations under this Agreement is limited to the amount of the Facility Funds. As such, it is the Purchaser's obligation to pay all other costs associated with or needed for completion of the Facility in excess the Facility Funds amount.

SECTION 2.13. Facility Description.

For the purposes of this Agreement, the description of the Facility shall be as set forth in Exhibit B hereto.

SECTION 2.14. Withholding of Facility Funds.

(a) IBank may withhold all or any portion of the Facility Funds in the event that:

(1) The Purchaser has violated any of the material terms, provisions, conditions, commitments, representations, warranties, or covenants of this Agreement, as determined by IBank in its reasonable discretion, or if an Event of Default has occurred; or

(2) The Purchaser is unable to demonstrate, to the satisfaction of IBank in its reasonable discretion, the ability to complete the Facility or to maintain adequate progress toward completion thereof.

(b) In the event that Facility Funds are withheld from the Purchaser, IBank shall notify the Purchaser of the reasons, identify any additional conditions to be met in order to resume disbursements and advise the Purchaser of the time in which to remedy the failure or violation or satisfy the applicable conditions.

(c) If Facility Funds are withheld pursuant to this section, the Purchaser remains obligated to repay the entire amount of the Purchase Price but to the extent applicable, the Purchaser may request that the withheld amount be applied as a prepayment pursuant to Section 2.08.

SECTION 2.15. Reserve Account.

In the event that (i) the Purchaser incurs Parity Debt in accordance with the requirements of Section 2.11; and (ii) such Parity Debt requires the Purchaser to establish a reserve fund or account, the Purchaser shall establish, fund, and maintain a reserve account in favor of IBank in an amount equal to the reserve requirement of such Parity Debt, so long as any obligations under this Agreement remain outstanding. Said reserve account shall be established and funded immediately upon the closing of the Parity Debt Transaction.

SECTION 2.16. Permitted Subordinate Debt.

The Purchaser may issue or incur Subordinate Debt following the Effective Date in such principal amount as shall be determined by the Purchaser subject to the following specific conditions precedent to the issuance or incurrence of such Subordinate Debt.

(a) No Event of Default hereunder, and no default under any other obligation or instrument secured by Net System Revenues, shall have occurred and be continuing, and the Purchaser shall be in compliance with all covenants of this Agreement and any other instrument securing, evidencing, governing, or relating to other obligations secured by, Net System Revenues.

(b) Net System Revenues calculated pursuant to generally accepted accounting principles, consistently applied, and excluding the proceeds of any taxes and also excluding any balances in any fund at the beginning of the period of the computation, as shown by the books of the Purchaser for the latest Fiscal Year, or any more recent twelve (12) month period selected by the Purchaser ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Subordinate Debt is issued or incurred, as shown by the books of the Purchaser, shall have amounted to at least 1.0 times the aggregate sum of the Maximum Annual Debt Service of all debt secured by Net System Revenues and the maximum annual debt service payable in any Fiscal Year on all Subordinate Debt, including the proposed Subordinate Debt, as set forth in the Report of an Independent Accountant or Independent Consultant delivered to IBank.

ARTICLE III

PLEDGE OF REVENUES; APPLICATION OF FUNDS

SECTION 3.01. Pledge of Net System Revenues.

The Installment Payments and Additional Payments and all Parity Debt shall be equally secured by a pledge of and first lien on all of the Net System Revenues and all legally available amounts in the Enterprise Fund, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The Net System Revenues and all legally

available amounts in the Enterprise Fund are hereby pledged in their entirety to the payment of Installment Payments and Additional Payments. The Net System Revenues and all legally available amounts in the Enterprise Fund shall be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Purchaser. Neither the Installment Payments, the Additional Payments nor this Agreement is a debt of IBank, the State or any of its political subdivisions (other than the Purchaser) and neither IBank, the State nor any of its political subdivisions (other than the Purchaser) is liable thereon.

SECTION 3.02. System Revenues to be Deposited in the Enterprise Fund.

In order to carry out its obligation to pay the Installment Payments and Additional Payments, the Purchaser agrees and covenants that it shall maintain the Enterprise Fund as a distinct fund separate and apart from the Purchaser's other funds. All System Revenues received by it shall be deposited when and as received in trust in the Enterprise Fund and shall be applied and used only as and in the order provided herein: The Purchaser shall pay all Operations and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operations and Maintenance Costs the payment of which is not then immediately required) from the Enterprise Fund as they become due and payable, and all remaining money on deposit in the Enterprise Fund shall then be used to pay Section 3.03 amounts. After making all the set asides and payments hereinabove required to be made in each Fiscal Year, the Purchaser may expend in such Fiscal Year any remaining money in the Enterprise Fund for any lawful purpose of the Purchaser. The Purchaser agrees and covenants to maintain the Enterprise Fund so long as any portion of the Purchase Price remains unpaid.

SECTION 3.03. Priority of Payments Made from the Enterprise Fund.

The Purchaser shall promptly pay the following amounts in the following order and at the following times:

(a) Installment Payments and Additional Payments.

(1) The Purchaser shall promptly pay to IBank the principal portion of the Installment Payments, which is due at IBank by August 1<sup>st</sup> of each year, as set forth on the Exhibit E amortization schedule. The Purchaser shall promptly pay to IBank the interest portions of Installment Payments, which are due at IBank by each Interest Payment Date.

(2) The Purchaser shall promptly pay to IBank Additional Payments due pursuant to Section 2.06 of this Agreement.

(b) Approved Parity Debt Payments.

Payment of Parity Debt Service as it becomes due and payable on Parity Debt acknowledged by IBank as of the date hereof or pursuant to Parity Debt issued or incurred in accordance with Section 2.11 hereof and any amounts needed to replenish reserve accounts established for the Parity Debt.

(c) Approved Subordinate Debt Payments.

Payment of Subordinate Debt Service as it becomes due and payable on Subordinate Debt pursuant to Subordinate Debt issued or incurred in accordance with Section 2.16 hereof.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

SECTION 4.01. Organization; Authority.

The Purchaser is duly organized and existing as a county water district under the laws of the State and has all necessary power and authority to enter into and perform its duties (including, but not limited to, the authority to set rents, fees, rates and charges without the approval of any other governing body and to pledge the Net System Revenues or those certain amounts on deposit in the Enterprise Fund) under this Agreement.

SECTION 4.02. Agreement Valid and Binding.

This Agreement has been duly authorized, executed and delivered by the Purchaser and constitutes the legal, valid and binding obligation of the Purchaser, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

SECTION 4.03. No Conflict in Execution of Agreement.

The execution and delivery by the Purchaser of this Agreement and compliance with the provisions hereof will not conflict with or constitute a breach of or default by the Purchaser under any law, administrative regulation, court decree, resolution, charter, by-law, or any agreement to which the Purchaser is subject or by which it is bound or by which its properties may be affected.

SECTION 4.04. No Litigation.

There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending, or to the Purchaser's best knowledge, threatened against the Purchaser to restrain or enjoin the execution or delivery of this Agreement, or in any way contesting or affecting the validity of this Agreement, or contesting the powers of the Purchaser to enter into or perform its obligations under this Agreement, or that would affect the Purchaser's ability to perform its obligations under this Agreement, including, but not limited to, the pledge of Net System Revenues and legally available amounts on deposit in the Enterprise Fund.

SECTION 4.05. No Breach or Default.

The Purchaser is not in breach of or in default under any applicable law or administrative regulation of the State or the United States, the Constitution of the State (including article XVI, section 18 thereof), any applicable judgment or decree, any agreement, indenture, bond, note, resolution, agreement or other instrument to which the Purchaser is a party or is otherwise subject which, if not resolved in favor of the Purchaser, would have a material adverse impact on the Purchaser's ability to perform its obligations under this Agreement and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.

SECTION 4.06. No Consent, Approval or Permission Necessary.

No consent or approval of any trustee or holder of any indebtedness of the Purchaser, and no consent, permission, authorization, order or licenses of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement or the consummation of any transaction contemplated herein, except as have been obtained or made and as are in full force and effect.

SECTION 4.07. Accuracy and Completeness of Information Submitted to IBank. The information relating to the Purchaser and its System submitted by the Purchaser to IBank, including, but not limited to, all information in the application for Facility Funds was true at the time submitted to IBank and, as of the Effective Date, remains true and correct in all material respects; and such information did not and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made.

SECTION 4.08. Financial Statements of the Purchaser.

The Purchaser's financial statements that have been furnished to IBank were prepared in conformity with generally accepted accounting principles, consistently applied, and fairly present in all material respects the financial condition of the Purchaser as of the date thereof and the results of its operations for the period covered thereby. There has been no material adverse change in the business, condition (financial or otherwise), or operations of the Purchaser since the date of such financial statements.

SECTION 4.09. Licenses, Permits and Approvals for Completion of Facility.

The Purchaser has obtained or will obtain all licenses, permits and approvals from any governmental agency or authority having jurisdiction over the Purchaser now required for Facility Delivery and will obtain all licenses, permits, and approvals as required in the future.

SECTION 4.10. Authority to Operate the System.

The Purchaser has obtained or will obtain all licenses, permits, and approvals from any governmental agency or authority having jurisdiction over the Purchaser now required for the operation of the System and will obtain all licenses, permits, and approvals as required in the future.

SECTION 4.11. Valid Title; No Conflict.

(a) The Purchaser, upon completion of the Facility, will have good and valid title to the Facility sufficient to carry out the purposes of this Agreement.

(b) To the best of the Purchaser's knowledge no officer or official of IBank has any material interest whatsoever in the Facility or in the transactions contemplated by this Agreement.

(c) All applicable local governmental agency, State and federal government certificates, approvals, permits and authorizations required in order to complete construction and commence operations of the Facility have been obtained or will be obtained as soon as practicable.

SECTION 4.12. Other Liens; No Lien Senior to IBank Lien.

As of the Effective Date, there is no Senior Debt or any other debt or obligation that places a lien on or in any way encumbers the Purchaser's Net System Revenues other than the first lien established by Section 3.01 of this Agreement. Further, the Purchaser warrants and represents that the lien on Net System Revenues and certain amounts on deposit in the Enterprise Fund established by Section 3.01 of this Agreement is not junior to any lien.

SECTION 4.13. Purchaser's Compliance with Prop 218 Law.

The Purchaser hereby represents and warrants that to the Purchaser's best knowledge and based on its analysis and understanding of existing California legal authorities and laws current in effect, as of the Effective Date, the rates, fees and charges it imposes on its customers are legal, valid and comply with the Prop 218 Law. The Purchaser further specifically warrants and represents that (i) the rates, fees and charges it imposes on its customers do not exceed, in the aggregate, the funds required to operate the System, and (ii) to the Purchaser's best knowledge, its method of allocating rates, fees and charges among users of the System complies with the proportionality requirements of the Prop 218 Law.

SECTION 4.14. No Challenge to Purchaser's Rates, Fees and Charges.

The Purchaser hereby represents and warrants that, as of the Effective Date, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or, to the Purchaser's best knowledge, threatened against the Purchaser challenging Purchaser's compliance with the Prop 218 Law as it applies to Purchaser's rates, fees and charges.

SECTION 4.15. Continuing Validity of Representations and Warranties.

Unless the representations and warranties set forth in this Article IV are limited by their express terms to a specific time period or a point in time, the foregoing representations and warranties are true, accurate, and correct as of the Effective Date and shall continue to be true, accurate, and correct throughout the term of this Agreement.

ARTICLE V

AFFIRMATIVE COVENANTS OF THE PURCHASER

SECTION 5.01. Punctual Payment.

The Purchaser hereby covenants to punctually pay, or cause to be paid, all payments required hereunder when due and in all other respects in strict conformity with the terms of this Agreement, and to faithfully observe and perform all of the conditions, covenants, and requirements of this Agreement.

SECTION 5.02. Payment of Claims.

The Purchaser hereby covenants that, from time to time, it will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies, which, if unpaid, might become liens or charges upon the properties owned by the Purchaser, including the System, or upon the System Revenues or any part thereof, or upon any funds in the hands of IBank, or which might impair the security for the payment of the Installment Payments or Additional Payments. Provided, however, nothing herein contained shall require the Purchaser to make any such payment so long as the Purchaser in good faith shall contest the validity of said claims and shall act promptly to remove any liens or charges arising from said claims, by, among other things, obtaining surety bonds to cause the release of such liens or charges.

SECTION 5.03. Books and Accounts; Financial Statements.

(a) The Purchaser hereby covenants that it will keep proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the System Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of IBank or its designee upon at least forty-eight (48) hours' prior notice.

To the extent that any continuing disclosure certificates entered into by the Purchaser in connection with other debt or obligations require the information required in subsections (b) through (e), the Purchaser may submit a copy of the information and materials required by such continuing disclosure certificate instead of providing separate statements setting forth the required information.

(b) The Purchaser shall prepare and file with IBank annually as soon as practicable, but in any event not later than two hundred forty (240) days after the close of each Fiscal Year, so long as this Agreement has not been discharged by IBank, an audited financial statement of the Purchaser relating to the System Revenues and the Enterprise Fund for the

preceding Fiscal Year, prepared by an Independent Accountant; provided, however, that in the event that such audited financial statement is not available by the above-referenced filing date, an unaudited financial statement may be substituted therefore. In the event an unaudited financial statement is submitted, the Purchaser shall file the audited financial statement with IBank as soon as it becomes available. The Purchaser will furnish to IBank such reasonable number of copies of such audited financial statements as may be required by IBank for distribution (at the expense of the Purchaser).

(c) Simultaneously with the delivery of the annual financial statements, the Purchaser shall deliver to IBank a Certificate of the Purchaser stating the following:

- (1) The number of System users as of the end of the Fiscal Year;
- (2) Calculation of the coverage ratios described in Section 5.06 and a certification that adopted rates and charges comply with the requirements of that section;
- (3) Notification of the withdrawal of any System user generating four percent (4%) or more of System Revenues since the last reporting date;
- (4) Any significant System facility retirements or expansions planned or undertaken since the last reporting date;
- (5) Notification of any Parity Debt or Subordinate Debt incurred since the last reporting date and certification that there has been no default or noncompliance under any obligation secured by System Revenues;
- (6) Certification that no Event of Default has occurred or is continuing and no other event has occurred or is continuing, which, with the passing of time or the giving of notice or of both, would constitute an Event of Default;
- (7) Certification that the Purchaser is in compliance with the terms of this Agreement, including without limitation the Tax Covenants set forth in Section 5.07 hereof;
- (8) Notification of any other event or circumstance that would materially affect completion of the Facility or the payment of the Purchase Price;
- (9) Certification that the Purchaser's previous payments of sums due under this Agreement did not include any funds attributable to funds derived from the sale of recycled water that the Purchaser had originally purchased from the Central Basin Municipal Water District.; and
- (10) Such other information as may be reasonably requested by IBank.

(d) The Purchaser shall, upon request, furnish to IBank, in a format provided by IBank, information concerning employment and other public benefits connected to the Facility.

(e) The Purchaser shall notify IBank forthwith upon the service of a stop payment notice, or the filing of any stop payment notice litigation, or any other legal proceeding which may impact the completion of the Facility.

(f) The Purchaser's covenants set forth in paragraphs 5.03(b) through (d) hereof are hereinafter referred to as the "Reporting Covenants." In the event the Purchaser fails to comply timely with the Reporting Covenants, starting on the date that is the thirty-first day (31<sup>st</sup> day) after the applicable due date of any Reporting Covenant and continuing until the date the Purchaser actually cures its noncompliance (the "Liquidated Damages Period"), the Purchaser shall be obligated to pay the Liquidated Damages Charge in accordance with Section 2.06(a)(4) hereof.

SECTION 5.04. Protection of IBank's Security and Rights.

The Purchaser will preserve and protect the security for payment of the Installment Payments, Additional Payments, and the rights of IBank. From and after the Effective Date, the Agreement shall be incontestable by the Purchaser.

SECTION 5.05. Payments of Taxes and Other Charges.

The Purchaser will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges, or charges in lieu thereof, which may hereafter be lawfully imposed upon the Purchaser, the System, or the System Revenue when the same shall become due. Nothing herein contained shall require the Purchaser to make any such payment so long as the Purchaser in good faith shall contest the validity of said taxes, assessments, or charges and shall have established adequate reserves for the payment thereof. The Purchaser will duly observe and conform to all valid requirements of any governmental authority relative to the System or any part thereof.

SECTION 5.06. Maintenance of System Revenues; Rate Covenant.

(a) The Purchaser hereby covenants that, to the fullest extent permitted by law, it will fix, prescribe, charge, and collect, or cause to be fixed, prescribed, charged, and collected, in each Fiscal Year, such rates, fees, and charges for the use of and for the service furnished by the System so that Net System Revenues realized are in an amount which will be sufficient to be at least equal to one hundred twenty percent (120%) of annual Debt Service, and at least equal to one hundred percent (100%) of the sum of annual Debt Service and annual Subordinate Debt Service for such Fiscal Year.

(b) The Purchaser further covenants that, to the fullest extent permitted by law, it will fix, prescribe, charge, and collect, or cause to be fixed, prescribed, charged, and collected, in each Fiscal Year, such rates, fees, and charges for the use of and for the service furnished by the System so that System Revenues realized are in an amount which will be sufficient to pay the following amounts in the following order or priority:

(1) All Operations and Maintenance Costs estimated by the Purchaser to become due and payable in such Fiscal Year;

(2) The Installment Payments and the principal and interest on any outstanding Parity Debt as they become due and payable during such Fiscal Year, without preference or priority;

(3) All amounts, if any, required to restore the balance of any reserve fund required under this Agreement or any reserve fund or accounts required under any Parity Debt Instrument, for any outstanding Parity Debt, to the full amount of any such reserve requirement; and

(4) All payments required to meet any other obligations of the Purchaser which are charges, liens, or encumbrances upon, or with are otherwise payable from, the System Revenues or the Net System Revenues during such Fiscal Year, including any Additional Payments.

(c) If for any reason Net System Revenues, or System Revenues, as applicable, prove insufficient to comply with the requirements of subsections (a) and (b), the Purchaser first will engage an Independent Consultant to recommend revised rents, rates, fees, charges, or assessments, or any combination thereof, and the Purchaser will, subject to any applicable requirements and restrictions imposed by law, including, but not limited to, the Prop 218 Law, and subject to the good faith determination of the Purchaser that such recommendations, in whole or in part, are in the best interests of the Purchaser, take all actions necessary to increase System Revenues through any combination of increased rents, rates, fees, charges, or assessments and that it will do so not later than one hundred eighty (180) days following the date on which Net System Revenues first fail to meet the requirements of this Section 5.06. The Purchaser may make adjustments from time to time in such rents, rates, fees, and charges and may make such classification thereof as it deems necessary, but shall not reduce the rents, rates, fees, and charges then in effect unless the Net System Revenues from such reduced rents, rates, fees, and charges will at all times be sufficient to meet the requirements of this section.

#### SECTION 5.07. Tax Covenants.

The Purchaser recognizes that the Facility Funds may be derived from the proceeds of, or payments made hereunder may be pledged to secure, bonds issued or to be issued by IBank, the interest on which is excluded from gross income for federal income tax purposes under Section 103 of the Code. In order to maintain the tax-exempt status of, and perform its obligations with respect to, the Proceeds Bonds and Secured Bonds, the Purchaser will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Proceeds Bonds or Secured Bonds under the Code, and the Purchaser specifically agrees to comply with all terms and conditions contained herein and to provide annual certification of its compliance with the tax covenants set forth in this Section 5.07. The Purchaser will not directly or indirectly use or make any use of the Facility Funds or any other funds of the Purchaser, or take or omit to take any action, if such use or action would cause the Proceeds Bonds or Secured Bonds to be “arbitrage bonds” subject to federal income taxation by reason of section 148 of the Code. The provisions of this Section 5.07 shall survive the discharge of the Purchaser’s obligations hereunder and shall apply to any trustee or other successor or assignee described in Section 8.02.

(a) Eligible Uses of Facility Funds. Unless otherwise agreed to by IBank, Facility Funds shall be used exclusively for the following purposes: (i) to pay or reimburse the Purchaser for capital expenditures paid with respect to the Facility that meet the requirements of subsection (b) of this Section 5.07; (ii) the Origination Fee; and (iii) initial operating expenses directly associated with the Facility (in aggregate amount not exceeding five percent (5%) of the amount of the Facility Funds).

(b) Allocation of Facility Funds to Expenditures. On February 17, 2016 the Purchaser adopted a resolution stating its official intent to be reimbursed from the proceeds of a borrowing to finance costs of the Facility (the "Reimbursement Resolution"). Absent written agreement by IBank, all expenditures of Facility Funds will be to pay or reimburse the Purchaser for capital expenditures with respect to the Facility that are either:

i) costs that are Preliminary Costs incurred with respect to the Facility prior to the start of construction and in an aggregate amount not exceeding twenty percent (20% of the Facility Funds;

ii) costs paid by the Purchaser no earlier than the date which is sixty (60) days prior to the date of the adoption of the Reimbursement Resolution; or

iii) costs paid by the Purchaser on or after the Effective Date.

In addition, Facility Funds shall be allocated to paying or reimbursing the Purchaser for capital expenditures no later than eighteen months after the later of the date the expenditure was paid or the date the Facility is placed in service, but in the case of costs described in clause (ii), above, such allocations must be made in all events no later than three years after the cost was paid.

(c) Prohibited Uses of Facility Funds. The Purchaser will not loan any of the Facility Funds to any other person or entity. The Purchaser will not use Facility Funds directly or indirectly to make principal, interest, or premium payments with respect to any bond, note, certificate of participation or other obligation of the Purchaser or any person or entity that is a related party to the Purchaser within the meaning of Treasury Regulation Section 1.150-1(b).

(d) Expectations Regarding Facility Funds and Facility; No Change in Use. The Purchaser reasonably expects and consistent with this Section 5.07 hereof to use all Facility Funds and all of the Facility for the entire stated term to maturity of this Agreement. The Purchaser does not expect that the Facility or any part thereof will be sold or otherwise disposed of so long as the Purchaser's obligations under this Agreement are not discharged. Absent written agreement by IBank, the Purchaser hereby agrees that it will use all Facility Funds and all of the Facility as set forth in this Section 5.07.

(e) Funds for Making Installment Payments. All amounts used to fund the Payment Account will be deemed to have been made from the Payment Account by using a first-in, first-out accounting method. The Purchaser agrees that the amounts used to pay Purchase Price shall be both received by the Purchaser and utilized for the payment of Purchase Price within a thirty (30) day period. The Payment Account will be used primarily to achieve a proper matching of revenues and Purchase Price payments within each year; a matching of revenues

means that revenue and Purchase Price payments come in and go out at approximately the same level and the Payment Account is cleared out to a very low balance at least one time during the year. Current Revenues in the Payment Account shall be invested without regard to yield so long as the Purchaser complies with this section.

(f) Nongovernmental Use of Facility Funds and Facility. The Purchaser understands that the Facility Funds and the Facility are subject to certain restrictions on the use of the Facility Funds or the Facility by any Nongovernmental Person, other than use as a member of the general public. For this purpose a Nongovernmental Person will be treated as “using” Facility Funds to the extent the Nongovernmental Person:

1. borrows Facility Funds, or
2. acquires an ownership or lease interest with respect to any portion of the Facility;
3. uses any portion of the Facility (e.g., as a service provider, operator, or manager), except pursuant to a contract that meets the requirements of subsection (g) of this Section 5.07;
4. in the case of a Facility that provides water, electricity, or natural gas, acquires such output from the Facility (except pursuant to generally applicable and uniformly applied rates that are available to the general public).

The Purchaser hereby represents and covenants that it will not allow more than five percent (5%) of the Facility Funds or more than five percent (5%) of the Facility to be used directly or indirectly by any Nongovernmental Person, other than as a member of the general public.

(g) Management Contracts. The Purchaser understands that an arrangement with any person or organization (other than a state or local governmental unit) which provides for such person or organization to manage, operate, or provide services with respect to the Facility (a “Service Contract”) can give rise to Nongovernmental Use. The guidelines set forth in Revenue Procedure 97-13, as amended or amplified, including by Notice 2014-67 (the “Guidelines”) set forth situations where a service contract will be treated as not giving rise to a Nongovernmental Use. Service Contracts that relate to the use or operation of the Facility by a “service provider,” as that term is used in the Guidelines (the “Service Providers”), will satisfy the Guidelines if, among other ways of satisfying the Guidelines, the requirements of each of the following requirements is satisfied:

(i) The compensation of the Service Provider under the contract must be reasonable for the services rendered.

(ii) The contract must not provide for any compensation for services based, in whole or in part, on a share of net profits from the operation of the Facility. Generally, compensation is not based on a share of net profits if such compensation is based

on a “capitation fee” or a “per-unit fee.” Under the Guidelines, “capitation fee” means a fixed periodic amount for each person for whom the Service Provider assumes the responsibility to provide all needed services for a specified period (so long as the quantity and type of services actually provided to covered persons varies substantially). Under the Guidelines, a “per-unit fee” means a fee based on a unit of service provided (e.g., a stated dollar amount for each specified medical procedure performed). Further, compensation based on a percentage of gross revenues or a percentage of expenses (but not both) will generally not be considered as based on a share of net profits.

(iii) A productivity reward for services in any annual period during the term of the contract generally also does not cause the compensation to be based on a share of net profits of the financed facility if (a) the eligibility for the productivity award is based on the quality of the services provided under the management contract, rather than increases in revenues or decreases in expenses of the facility; and (b) the amount of the productivity award is a stated dollar amount, a periodic fixed fee, or a tiered system of stated dollar amounts or periodic fixed fees based solely on the level of performance achieved with respect to the applicable measure.

(iv) A Service Contract providing for a compensation arrangement that satisfies any one of the following paragraphs will meet the Guidelines:

(1) All of the compensation for services is based on a stated amount; periodic fixed fee; a capitation fee; a per-unit fee; or a combination of the preceding. The compensation for services also may include a percentage of gross revenues, adjusted gross revenues, or expenses of the facility (but not both revenues and expenses). The term of the contract, including all renewal options, does not exceed five years. Such contract need not be terminable by the Purchaser prior to the end of the term. For purposes of this subsection 5.07(g)(iv)(a), a tiered productivity award as described in subsection 5.07(g)(iii) will be treated as a stated amount or a periodic fixed fee, as appropriate.

(2) For a contract with a term, including renewal options, that is not longer than (i) the lesser of 10 years or 80 percent of the reasonably expected useful life of the financed property, or (ii) the lesser of 15 years or 80 percent of the reasonably expected useful life of the financed property, at least 80 percent (in the case of a contract with a term described in (i) hereof) or at least 95 percent (in the case of a contract with a term described in (ii) hereof) is based on a periodic fixed fee. For purposes of this paragraph, a fee does not fail to qualify as a periodic fixed fee as a result of a one-time incentive award during the term of the contract under which compensation automatically increases when a gross revenue or expense (but not both) is reached if that award is equal to a single, stated dollar amount.

(v) The Service Provider may not have a role or relationship with the qualified user (or the Purchaser) that, in effect, substantially limits the ability of the qualified user to exercise its rights, including cancellation rights, under the Service Contract. Accordingly, not more than 20 percent of the voting power of the governing body of the qualified user (or the Purchaser) in the aggregate may be vested in the Service

Provider and its directors, officers, shareholders and employees. Furthermore, the group of persons belonging to both the governing board of the qualified user (or the Purchaser) and the Service Provider may not include the chief executive officers of the qualified user (or the Purchaser) and the Service Provider, or their respective governing bodies. Finally, neither the qualified user nor the Purchaser may be members of the same “controlled group” (within the meaning of Treasury Regulations § 1.150-1(f)) or Related Person as the Service Provider.

The Purchaser shall coordinate with IBank to ensure any extension, renewal or new operations and maintenance agreement relating to the Facility and commencing after the Effective Date meets the requirements for qualified management contracts under the Code.

(h) No Other Replacement Proceeds. The Purchaser is not using any Facility Funds and hereby agrees that it will not use any Facility Funds to replace funds of the Purchaser which are or will be used to acquire Investment Property reasonably expected to produce a yield that is materially higher than the yield on the Installment Payments under this Agreement.

(i) Federal Guarantee. The Purchaser will not directly or indirectly use or permit the use of any Facility Funds or take or omit to take any action that would cause the Proceeds Bonds or Secured Bonds to be obligations that are “federally guaranteed” within the meaning of section 149(b) of the Code. In furtherance of this covenant, the Purchaser will not allow the payment of principal or interest under this Agreement to be guaranteed (directly or indirectly) in whole or in part by the United States or any agency or instrumentality thereof.

(j) No Hedge Bonds. The Purchaser reasonably expects that more than eighty-five percent (85%) of the Facility Funds will be expended for the purposes of this Agreement within three years of the Effective Date.

#### SECTION 5.08. Maintenance and Operation of System.

The Purchaser hereby covenants that, so long as any portion of the Purchase Price is unpaid, it will at its own cost and expense maintain, preserve, keep, and operate the System, and every portion thereof, in good condition, repair and working order as necessary to operate the System for its intended purpose in compliance with all laws, rules, regulations, codes, and ordinances, subject only to normal wear and tear and that it will from time to time make or cause to be made all necessary and proper repairs, replacements, and renewals necessary to maintain the System in such a condition. IBank will have no responsibility or obligation for any of these matters. The Purchaser further covenants that it will operate the System in an efficient and economical manner, and will pay all Operations and Maintenance Costs as they become due and payable.

#### SECTION 5.09. Assumption of Obligations.

The obligations of the Purchaser under this Agreement may not be assumed by another entity except in connection with a transfer of the entire System by the Purchaser and only upon prior written approval of IBank and receipt by IBank of:

(1) an opinion of counsel experienced in matters relating to the tax-exempt status of interest on any obligations secured by this Agreement, and approved by IBank, to the effect that such transfer would not cause interest on the obligations to be included in gross income for federal income tax purposes;

(2) a Report signed by an Independent Consultant or Independent Accountant concluding that such transfer would not materially adversely affect the security for the Installment Payments, Additional Payments, or the rights of IBank; and

(3) evidence satisfactory to IBank that the entity assuming the Purchaser's obligation hereunder is eligible pursuant to the Act.

SECTION 5.10. Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds.

(a) If prior to the termination of the term hereof (i) the Facility or any other improvements in or on the Facility are damaged or destroyed (each of which is hereinafter called "Damaged Improvements") by a peril covered by a policy of insurance described in Section 5.22 hereof (an "Insured Peril"); or (ii) title to, or the right to possession, use, or occupancy, whether permanent or temporary, of, the Facility or any portion thereof or the estate of the Purchaser or IBank in the Facility or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the Purchaser and IBank will cause the net proceeds of any loss or claim paid by an insurer under an insurance policy, or condemnation award, resulting from any damage or destruction to any portion of the Facility, or taking of the Facility, (the "Net Proceeds") to be transferred to IBank and applied as follows:

(1) Net Proceeds Exceeding Costs. Within one hundred twenty (120) days of the date of said Insured Peril, the Purchaser shall obtain written estimate(s) of the (i) cost of the repair, replacement, and reconstruction of the Damaged Improvements (collectively referred to herein as the "Reconstruction"), and (ii) Net Proceeds available to pay such costs. Copies of such estimate(s) shall be provided to IBank. If the one hundred twenty (120) day period is insufficient to obtain said estimates, the period may be reasonably extended by the Purchaser upon the approval of IBank, in its reasonable discretion. If the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by IBank in respect of the Facility) exceed the estimated costs of Reconstruction, the Damaged Improvements shall be repaired, replaced, and reconstructed to the same or better quality as existed before the damage occurred. The Purchaser shall commence and manage the Reconstruction and shall complete the Reconstruction as soon as reasonably possible after the occurrence of such damage. Any balance of Net Proceeds remaining after the Reconstruction has been completed shall be transferred to IBank for the payment of unpaid Purchase Price and Additional Payments. Net Proceeds remaining after payment of the amounts specified in the previous sentence shall be transferred to the Purchaser.

(2) Costs Exceeding Net Proceeds. If the estimated costs of Reconstruction exceed the Net Proceeds (not including proceeds of any policy of title insurance or

condemnation award received by IBank in respect of the Facility), the Purchaser, in its sole discretion, may elect to budget and appropriate to the Reconstruction the amount of such excess, and to manage the Reconstruction as set forth in Section 5.10(a)(5). The Purchaser shall exercise this election by written notice thereof delivered to IBank within thirty (30) days after the Purchaser obtains the written estimate(s).

(3) Net Proceeds Sufficient to Prepay All Unpaid Installment Payments. If the Purchaser does not exercise the election to reconstruct pursuant to the above subsection and Net Proceeds are at least sufficient to prepay all unpaid amounts of the Purchase Price and any due and owing Additional Payments, such Net Proceeds shall be transferred to IBank to prepay, without penalty or premium, such Purchase Price and any due and owing Additional Payments. If the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by IBank in respect of the Facility) exceed the amount necessary to prepay the unpaid Purchase Price and any due and owing Additional Payments, the Purchaser shall be entitled to the amount of proceeds remaining after such prepayment.

(4) Net Proceeds Insufficient to Prepay All Unpaid Installment Payments. If the Purchaser does not exercise the election to reconstruct pursuant to Section 5.10(a)(2) and Net Proceeds are insufficient to prepay the unpaid Purchase Price hereunder, the Purchaser, in its sole discretion, may elect to budget and appropriate funds to cause the prepayment, without penalty or premium, of the Purchase Price and due and owing Additional Payments and the Net Proceeds, together with such funds, shall be transferred to IBank with directions to apply the proceeds to the prepayment of the Purchase Price and due and owing Additional Payments; provided, that if the Purchaser elects not to appropriate funds for such prepayment, the Purchaser shall apply Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by IBank in respect of the Facility) to the Reconstruction. If the Purchaser, in its sole discretion, elects to budget or appropriate funds for the prepayment of the unpaid Purchase Price and due and owing Additional Payments, the Purchaser shall transfer such funds to IBank for the prepayment of Purchase Price and due and owing Additional Payments.

(5) Management of Reconstruction. If the Facility or any part thereof becomes Damaged Improvements, the Purchaser shall promptly cause, manage, and supervise the Reconstruction.

(b) The proceeds of any policy of title insurance or condemnation award received by IBank in respect of the Facility shall be applied to prepay, without penalty or premium, the Purchase Price.

SECTION 5.11. Entry into Replacement Agreement.

The Purchaser acknowledges that IBank intends to issue, has issued, or may issue, Secured Bonds or Proceeds Bonds subsequent to the Effective Date of this Agreement, and that one requirement of the Secured Bonds and/or Proceeds Bonds will be the re-entry by the Purchaser into an agreement to replace this Agreement. So long as the terms of the replacement

agreement are substantially identical to the term of this Agreement, the Purchaser hereby covenants and agrees to execute the replacement agreement and any related documents and to provide required certifications in a timely manner. The Purchaser understands and acknowledges that time is of the essence with respect to entry into such replacement agreement as such timing is mandated by Federal tax laws applicable to IBank's Proceeds Bonds and/or Secured Bonds. The Purchaser's covenant set forth in this Section 5.11 is hereinafter referred to as the "Replacement Agreement Covenant."

SECTION 5.12. Further Assurances.

The Purchaser will adopt, make, execute, and deliver any and all such further resolutions, instruments, and assurances as may be reasonably required by IBank as necessary or proper to carry out the intention or to facilitate the performance of this Agreement and for the better assuring and confirming unto IBank of the rights, remedies, and benefits provided in this Agreement.

SECTION 5.13. Agreement to Complete Facility Delivery.

(a) The Purchaser agrees that it will perform all acts necessary to complete Facility Delivery, and construct, acquire, improve or install other facilities and real and personal property deemed by the Purchaser necessary for the operation of Facility. The Purchaser may supplement or amend the Facility description with written approval from IBank from time to time, provided that no such supplement or amendment shall cause the Facility or any portion thereof to fail to constitute an eligible project under the Act.

(b) At any time, upon request of IBank, the Purchaser agrees to make available to IBank for review and copying all then current plans and specifications for the Facility. The Purchaser may identify any proprietary information in such plans and specifications and, to the extent legally permissible, IBank agrees to keep such information confidential. Provided, however, for the avoidance of doubt, and not by limitation of the foregoing, IBank may disclose any such confidential information in connection with any Proceeds Bonds or Secured Bonds or in the event IBank is served with a subpoena, a valid discovery request, a notice to appear and produce documents, or a valid Public Records Act request, seeking, or that could be construed reasonably as seeking, such confidential information.

(c) As soon as the Facility is completed, the Purchaser shall evidence such completion by providing a certificate to IBank stating that (i) construction of the Facility has been completed substantially in accordance with the final plans and specifications therefor and all labor, services, materials, and supplies used in construction have been paid for, and (ii) all other facilities necessary in connection with the Facility have been constructed, acquired, and installed in accordance with the final plans and specifications therefor, and all costs and expenses incurred in connection therewith have been paid. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights of the Purchaser against third parties for the payment of any amount not then due and payable which exist at the date of such certificate or which may subsequently exist.

(d) The Purchaser shall notify IBank forthwith upon the filing of a stop payment notice in connection with the Facility, the tender of a claim against any payment or performance bond related to the Facility, the recordation of a mechanics lien against Facility, the filing of litigation in connection with the Facility, the issuance of a mandatory or prohibitory injunction related to the Facility, or any other legal proceeding which may impact the completion of the Facility.

SECTION 5.14. Collection of Rates, Fees and Charges.

The Purchaser will have in effect at all times rules and regulations requiring each user of the System to pay the rates, fees, and charges applicable to the services provided by the System to each user. The Purchaser will not permit any part of the System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm, or person, or by any public agency (including the United States of America, the State, and any city, county, district, political subdivision, public corporation, or agency of any thereof); provided, that the Purchaser may without charge use the services provided by the System.

SECTION 5.15. The Purchaser's General Responsibility.

The Purchaser is solely responsible for the Facility Delivery and the operation and maintenance of the Facility. Any review or approval of plans, specifications, bid documents, or other construction documents by IBank is solely for the purpose of proper administration of Facility Funds by IBank and shall not be deemed to relieve or restrict the Purchaser's responsibility or result in any duty, obligation, or responsibility on the part of IBank or the officers and agents thereof.

SECTION 5.16. The Purchaser's Assurances and Commitments.

(a) Compliance with Laws, Regulations and IBank Policy.

The Purchaser shall at all times comply, and require its direct contractors, and their subcontractors, to comply with all requirements, federal and State laws, rules and regulations, and all local ordinances applicable to the Facility. This specifically includes, but is not limited to any applicable prevailing wage, environmental, procurement and safety requirements set forth in the Criteria. The Purchaser agrees that its failure to act in accordance with the provisions of this subsection (a) will not result in any duty, obligation or responsibility on the part of IBank or the officers and agents thereof.

(b) Facility Construction Activities.

The Purchaser shall ensure that adequate supervision and inspection of Facility construction activities are maintained. IBank, either by itself or through its designee, reserves the right to conduct an audit of the Purchaser's construction expenditures during construction and for up to three years following receipt by IBank of notice of completion or other evidence of completion satisfactory to IBank. IBank, at its discretion, may require the Purchaser to conduct an interim and/or a final audit at the Purchaser's expense, such audit to be conducted by and a Report prepared by an Independent Accountant.

SECTION 5.17. Facility Access.

The Purchaser shall ensure that IBank or its designee have suitable access to the Facility site at all reasonable times so long as the Purchase Price remains unpaid and shall include provisions ensuring such access in all contracts and subcontracts relating to the Facility.

SECTION 5.18. Operation and Maintenance of the Facility.

The Purchaser agrees to commence operation of the Facility upon the completion thereof. The Purchaser covenants and agrees that it will, at its own cost and expense, operate and maintain the Facility, and every portion thereof, in accordance with all governmental laws, ordinances, approvals, rules, codes, regulations, and requirements including, without limitation, such zoning, sanitary, pollution and safety ordinances and laws, and such rules and regulations thereunder as may be binding upon the Purchaser. The Purchaser further covenants and agrees that it will, at its own cost and expense, maintain, preserve, keep, and operate the Facility and will maintain, keep, preserve, and operate the same, now or hereafter at any time constituting part of the Facility, in good repair, working order and condition as necessary to operate the Facility for their intended purposes, subject only to normal wear and tear, and that it will from time to time make or cause to be made all needful and proper replacements, repairs, renewals, and improvements, in each case to the extent necessary so that the efficiency and value of the Facility shall not be impaired. IBank shall have no responsibility or obligation for any of these matters or for the making of additions or improvements to the Facility.

SECTION 5.19. Performance and Payment Bonds.

(a) The Purchaser shall require its direct contractor(s) for the Facility to certify under penalty of perjury, and provide the Purchaser with a copy of such certification, which shall be available for IBank's inspection, if requested, that, in connection with the construction of the Facility, it has obtained a bond or bonds by one or more authorized surety companies satisfactory to the Purchaser; such surety companies must be authorized to do business in California, be an admitted surety insurer, and have an agent for service of process in California.

(b) Said bonds shall be in the following amounts and for the following purposes: (i) a performance bond(s) in an amount not less than one hundred percent (100%) of the total amount of the construction agreement(s) for the Facility, guaranteeing the faithful performance of the terms of the Facility construction agreement(s), including the maintenance of the work required under the Facility construction agreement(s) for a period of one year from the date of the Purchaser's final acceptance, and the prompt correction of any defective work or labor done, or defective materials furnished, pursuant to the Facility construction agreement(s) and (ii) a payment bond(s) in an amount not less than one hundred percent (100%) of the total amount of the Facility construction agreement(s), securing payment to the subcontractors and to persons renting equipment or furnishing labor or materials to such subcontractors or to the Purchaser's direct contractors, or to any other claimant as defined in Civil Code Section 8004, under the Facility construction agreement(s).

SECTION 5.20. Continuing Disclosure.

If requested by IBank, the Purchaser hereby covenants and agrees to furnish certain financial and operating data pertaining to the Purchaser that may be required to either: (i) enable IBank to issue any, or perform its obligations under existing, Proceeds Bonds or Secured Bonds; or (ii) enable any underwriter of any Proceeds Bonds or Secured Bonds to comply with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

SECTION 5.21. Notice of Purchaser Event of Default.

The Purchaser covenants that it will deliver to IBank, immediately after the Purchaser shall have obtained knowledge of the occurrence of an Event of Default or a failure as described in Section 7.01, the written statement of an authorized officer of the Purchaser setting forth the details of such Event of Default or failure, and the action which the Purchaser proposes to take with respect thereto.

SECTION 5.22. Maintenance of Insurance.

The Purchaser will procure and maintain or cause to be procured and maintained insurance on the System with responsible insurers, or as part of a reasonable system of self-insurance, in such amounts and against such risks (including damage to or destruction of the System) as are usually covered in connection with systems similar to the System. The Purchaser shall on the Effective Date, and annually on each anniversary of the Effective Date thereafter, provide a Certificate of the Purchaser to IBank certifying that such insurance is in effect. Further, the Purchaser will cause to be procured and maintained a standard, commercially reasonable, commercial general liability policy of the direct contractor(s) for the Facility with a minimum combined single limit of one million dollars (\$1,000,000) for personal injury or death of one or more persons, and for property damage, in each accident or event (subject to a deductible clause of not to exceed one hundred thousand dollars (\$100,000)). The Purchaser and IBank shall be named as an additional insured under such insurance policy. The Purchaser shall also cause to be procured and maintained a standard, commercially reasonable, worker's compensation insurance policy of the direct contractor(s) for the Facility in an amount equal to at least the required statutory minimum. The Purchaser and IBank shall be named as an additional insured under such insurance policy.

SECTION 5.23. No Payment from Funds Derived from Central Basin Municipal Water District; Certification.

The Purchaser will not make payment of any sum due under this Agreement, or any portion thereof, from funds derived from the sale of recycled water that the Purchaser had originally purchased from the Central Basin Municipal Water District. Further, the Purchaser covenants to certify annually, as set forth in paragraph 5.03(c)(9) hereof, that payments made to IBank under this Agreement did not include any funds attributable to revenues derived from the sale of recycled water the Purchaser originally purchased from the Central Basin Municipal Water District.

SECTION 5.24. Compliance with Contracts.

The Purchaser will comply with, keep, observe, and perform all agreements, conditions, covenants, and terms, express or implied, required to be performed by it contained in all contracts for the use of the System, and all other contracts affecting or involving the System to the extent that the Purchaser is a party thereto.

SECTION 5.25. Facility Useful Life Certification.

As soon as practical, but in any event prior to the initial disbursement of Facility Funds, the Purchaser shall provide IBank with a signed Certificate of the Purchaser from the Purchaser's General Manager certifying that the useful life of the Facility exceeds thirty (30) years. Said Certificate of the Purchaser shall be substantially in the form set forth in Exhibit F attached hereto and incorporated herein by this reference.

SECTION 5.26 Covenant to Comply with Prop 218 Law.

The Purchaser shall at all times ensure that the rates, fees and charges imposed on its customers comply with the Prop 218 Law. In the event any party (or parties) institutes litigation or an administrative proceeding challenging the Purchaser's rates and charges or any other aspect of its compliance with Prop 218 Law (collectively, a "Rate Challenge"), the Purchaser shall as soon as practicable, but no later than 30 days after the Purchaser becomes aware of the Rate Challenge, provide IBank with written notice of such Rate Challenge. Further, the Purchaser will expeditiously take steps to (i) diligently defend against the Rate Challenge; or (ii) conform its rates or other practices in a manner that fully addresses the deficiencies underlying the Rate Challenge. Purchaser shall provide IBank with a second written notice indicating its chosen course of action as soon as practicable.

ARTICLE VI

NEGATIVE COVENANTS OF THE PURCHASER

SECTION 6.01. Limitation on Additional Obligations; No Senior Debt.

The Purchaser hereby covenants that the Purchaser will not issue or incur Senior Debt until the Purchase Price has been paid in full and this Agreement has been discharged pursuant to Section 8.05. The Purchaser may issue or incur Parity Debt meeting the requirements of Section 2.11 herein. The Purchaser may issue or incur Subordinate Debt upon compliance with the requirements of Section 2.16 herein.

SECTION 6.02. Disposition of Property.

The Purchaser hereby covenants that it will not authorize or effect the disposition of real or personal property constituting more than ten percent (10%) of the value of the System unless the Purchaser first obtains a Report, and provides a copy to IBank, of: (i) an Independent Consultant concluding that such disposition will not substantially adversely affect the security for the payment of the Installment Payments and Additional Payments; and (ii) a nationally-recognized bond counsel concluding that such disposition will not cause the interest on any

Secured Bonds or Proceeds Bonds to no longer be excluded from federal gross income. The Purchaser hereby covenants that it will not dispose of any portion of the Facility while the Purchase Price is unpaid except for property that is not operating or is worn out, and for the dedication of public streets and public and private utility easements.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES

#### SECTION 7.01. Events of Default and Acceleration.

(a) Each of the following events shall constitute an Event of Default hereunder:

(1) Failure by the Purchaser to pay any Installment Payment or interest or prepayment premium (if any) or any Additional Payment pursuant to Section 3.03(a) when and as the same shall become due and payable;

(2) Failure by the Purchaser to observe and perform any of the covenants, agreements or conditions on its part contained in this Agreement, other than as referred to in the preceding subsection (1), or if any representation or warranty fails to be true and correct in all material respects, for a period of sixty (60) days after written notice has been given to the Purchaser by IBank, or to the Purchaser and IBank, specifying such failure and requesting that such failure be remedied; provided, however, that if the failure stated in such notice can be corrected, but not within such sixty (60) day period, IBank may consent to an extension of such time if corrective action is instituted by the Purchaser within such sixty (60) day period and diligently pursued until such failure is corrected;

(3) The filing by the Purchaser of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Purchaser (provided that if such a petition is involuntary and filed without the consent of the Purchaser, it is not dismissed within ninety (90) days of being filed), seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Purchaser or of the whole or any substantial part of its property;

(4) Any representation or other written statement made by the Purchaser contained in this Agreement, the application for financing or in any instrument furnished in compliance with or in reference thereto shall prove to have been incorrect in any material respect;

(5) An unexcused failure by the Purchaser, while any amounts remain outstanding and owing to IBank under this Agreement, to pay amounts due under any bond, note, installment sale agreement, capital lease, or other agreement or instrument to which it is a party relating to the borrowing of money, if such unpaid amount shall exceed fifty thousand dollars (\$50,000);

(6) The occurrence of an event of default with respect to any Parity Debt or any Subordinate Debt which causes all principal of such Parity Debt or Subordinate Debt to become due and payable immediately;

(b) If an Event of Default has occurred and is continuing, IBank may (i) declare the principal of the Purchase Price, together with the accrued interest on all unpaid installments thereof, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in this Agreement to the contrary notwithstanding, and (ii) exercise any other remedies available to IBank in law or at equity. Immediately upon becoming aware of the occurrence of an Event of Default, IBank shall give notice of such Event of Default to the Purchaser by telephone, telecopier, facsimile or other telecommunication device, promptly confirmed in writing. This provision, however, is subject to the condition that if, at any time after the principal of the Purchase Price shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Purchaser shall deposit with IBank a sum sufficient to pay all installments of principal of the Purchase Price due prior to such declaration and all accrued interest thereon, with interest on such overdue Installment Payments at the rate of the lesser of twelve percent (12%) per annum or the maximum rate permitted by law, and the reasonable expenses of IBank (including but not limited to attorney's fees and costs), and any and all other defaults known to IBank (other than in the payment of principal of and interest on the Purchase Price due and payable solely by reason of such declaration), including the payment of Additional Payments due and owing, shall have been made good or cured to the satisfaction of IBank or provision deemed by IBank to be adequate shall have been made therefor, then, and in every such case, IBank may, by written notice to the Purchaser, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 7.02. Remedies.

Upon the occurrence of an Event of Default IBank shall have the following rights, in addition to its rights under Section 7.01:

(a) By mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Purchaser or any member, officer, or employee thereof, and to compel the Purchaser or any such member, officer, or employee to perform and carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained herein;

(b) By suit in equity to enjoin any acts or things which are unlawful or violate the rights of IBank; or

(c) By suit in equity to require the Purchasers and its members, officers, and employees to account as the trustee of an express trust.

SECTION 7.03. Application of Funds upon Default.

All amounts received by IBank pursuant to any right given or action taken by IBank under provisions of this Agreement, or otherwise held by IBank upon the occurrence of an Event of Default, shall be applied by IBank in the following order:

- (a) First, to the payment of the costs and expenses of IBank, including reasonable compensation to their agents and attorneys, including IBank employees, as set forth in Section 2.06; and
- (b) Second, to the payment of the whole amount of Installment Payments then due and unpaid, with interest on overdue Installment Payments at the rate of the lesser of twelve percent (12%) per annum or the maximum rate permitted by law; provided, however, that in the event such amounts shall be insufficient to pay in full the amount of such Installment Payments, then such amounts shall be applied in the following order of priority:
  - (1) First, to the payment of all installments of interest on the Purchase Price then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full;
  - (2) Second, to the payment of principal of all installments of the Purchase Price then due and unpaid, other than principal having come due and payable solely by reason of acceleration pursuant to Section 7.01, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full;
  - (3) Third, to the payment of principal of the Purchase Price then due and unpaid and having come due and payable solely by reason of acceleration pursuant to Section 7.01, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full; and
- (c) Third, to the payment to IBank of other Additional Payments as described in Section 2.06.

SECTION 7.04. No Waiver.

Nothing in this Article VII or in any other provision of this Agreement shall affect or impair the obligation of the Purchaser, which is absolute and unconditional, to pay from the Net System Revenues and other amounts pledged hereunder, all payments due hereunder, or affect or impair the right of action, which is also absolute and unconditional, of IBank to institute suit to enforce such payment by virtue of the contract embodied in this Agreement.

A waiver of any default by IBank shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of IBank to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default, or an acquiescence therein, and every power and remedy conferred upon IBank by this Article VII may be enforced and exercised from time to time and as often as shall be deemed expedient by IBank.

If a suit, action, or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to IBank, the Purchaser and IBank shall be restored to their former positions, rights, and remedies as if such suit, action, or proceeding had not been brought or taken.

SECTION 7.05. Remedies Not Exclusive.

No remedy herein conferred upon or reserved to IBank is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder, or now or hereafter existing at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by law.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. California Law; Venue.

This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State. Any action or proceeding arising out of this Agreement shall be filed and maintained in the Superior Court in and for the County of Sacramento, California, or in the United States District Court in and for the Eastern District of California, unless otherwise expressly agreed to by IBank in its sole and absolute discretion.

SECTION 8.02. Assignment of IBank's Rights.

The Purchaser hereby agrees and acknowledges that IBank's rights, including but not limited to the right to receive Installment Payments and Additional Payments under this Agreement may, in IBank's sole and absolute discretion, be assigned by IBank to a trustee or another party for the purpose of securing the payment of any bonds, notes, or other obligations issued by IBank and secured by this Agreement and the Installment Payments and Additional Payments, without the need for consent by the Purchaser. The Purchaser agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which IBank or the trustee may request, in their sole and absolute discretion, in connection with any such assignment by IBank.

SECTION 8.03. Third Party Beneficiaries.

The trustee for any Proceeds Bonds or Secured Bonds is hereby expressly designated as a third party beneficiary hereunder for the purpose of enforcing any of the rights hereunder assigned to said trustee and for the purpose of said trustee enforcing its own rights. Nothing in this Agreement, expressed or implied, is intended to give to any person other than IBank, the Purchaser, and any trustee under any Proceeds Bonds or Secured Bonds, any right, remedy, or claim under or by reason of this Agreement. All covenants, stipulations, promises, or agreements contained in this Agreement by and on behalf of the Purchaser shall be for the sole and exclusive benefit of IBank, any trustee under any Proceeds Bonds or Secured Bonds, and their permitted assigns.

SECTION 8.04. Successor Entities.

Whenever in this Agreement either the Purchaser or IBank is named or referred to, such reference shall be deemed to include the permitted successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the Purchaser or IBank shall bind and inure to the benefit of the respective permitted successors and assigns thereof, whether so expressed or not. The trustee for the Proceeds Bonds will be IBank's initial assignee.

SECTION 8.05. Discharge of Agreement.

(a) If the Purchaser shall pay and discharge the entire amount of its obligation hereunder by paying or causing to be paid the principal of, interest, and prepayment premium (if any) on the Purchase Price and Additional Payments, as and when the same become due and payable, then, at the election of the Purchaser, but only if all other amounts then due and payable hereunder shall have been paid or provision for their payment made, the pledge of and lien upon the Net System Revenues and all legally available amounts in the Enterprise Fund provided for in this Agreement and all other obligations of IBank and the Purchaser under this Agreement with respect to the Purchase Price shall cease and terminate, except only (i) the obligation of the Purchaser to pay or cause to be paid to IBank, from the amounts so deposited with IBank or such other fiduciary, all sums due with respect to this Agreement and all expenses and costs of IBank, and (ii) the obligations of the Purchaser under Sections 5.07 and 8.14. Notice of such election shall be filed with IBank.

(b) All or any portion of unpaid principal installments of the Purchase Price shall, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in this section (except that the Purchaser shall remain liable for such Purchase Price payment, but only out of such money or securities deposited with the trustee or other fiscal agent approved by IBank for such payment), if (i) there shall have been deposited with the trustee or other fiscal agent approved by IBank either money in an amount which shall be sufficient, or federal securities (as defined below) which are not subject to redemption prior to maturity except by the holder thereof (including any such federal securities issued or held in book entry form), or tax-exempt obligations of a state or a political subdivision thereof which have been defeased under irrevocable escrow instructions with federal securities, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with IBank, shall be sufficient to pay when due the Installment Payments of such portions thereof on and prior to their payment dates or their dates of prepayment, as the case may be, and the Prepayment Premiums, if any, applicable thereto, and (ii) an opinion of nationally recognized bond counsel acceptable to IBank is filed with IBank to the effect that the action taken pursuant to this section will not cause the interest on the Proceeds Bonds or Secured Bonds to be includable in gross income under the Code for federal income tax purposes. As used in this section, "federal securities" means United States of America Treasury bills, notes, bonds, or certificates of indebtedness, or obligations of, or obligations guaranteed directly or indirectly by, the United States of America, or securities evidencing ownership interests in such obligations or in specified portions of the interest on or principal of such obligations.

SECTION 8.06. Amendment.

No term or provision of this Agreement may be waived or otherwise modified except by a written agreement signed by the Parties. The Parties acknowledge and agree that the previous sentence shall be interpreted, enforced, and adhered to strictly, notwithstanding any legal doctrine, rule, statute, or case law that may permit oral modification of this Agreement, or that may find under certain circumstances the portion of this Section 8.06 requiring all modifications to this Agreement be in writing is waived orally or by the Parties' conduct. To the greatest extent permissible under the law, the Parties hereby agree to waive any legal doctrine, rule, statute, or case law that permits, or could be construed to permit, modification of this Agreement by means other than a writing signed by both Parties.

SECTION 8.07. Waiver of Personal Liability.

No member, officer, agent, or employee of the Purchaser shall be individually or personally liable for the payment of the principal of, premium, if any, or the interest under this Agreement; but nothing herein contained shall relieve any such member, officer, agent, or employee from the performance of any official duty provided by law.

SECTION 8.08. Arm's Length Transaction.

The Purchaser acknowledges and agrees that (i) the transaction contemplated by this Agreement is an arm's-length commercial transaction, (ii) in connection therewith and with the financing discussions, undertakings and procedures leading up to the consummation of such transaction, IBank is and has been acting solely as a principal and is not acting as the agent or fiduciary of or in any way advising the Purchaser, (iii) IBank has not assumed an advisory or fiduciary responsibility in favor of the Purchaser with respect to the financing contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether IBank has provided other services or is currently providing other services to the Purchaser on other matters) and IBank has no obligation to the Purchaser with respect to the financing contemplated hereby except the obligations expressly set forth in this Agreement and (iv) the Purchaser has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

SECTION 8.09. Notices.

All written notices to be given under this Agreement shall be given by first-class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time, except that notices from the Purchaser to IBank shall be given by registered mail, or by telecommunication confirmed in writing. Notice shall be effective forty-eight (48) hours after deposit in the United States mail, postage prepaid or, in the case of any notice to IBank, or in the case of personal delivery to any person, upon actual receipt at the address set forth below:

If to IBank:

California Infrastructure and Economic Development Bank  
Attn: ISRF Unit Manager, Agreement Number ISRF 16-112  
P.O. Box 2830  
Sacramento, CA 95812-2830

For overnight mail or personal delivery only:

California Infrastructure and Economic Development Bank  
Attn: ISRF Unit Manager, Agreement Number ISRF 16-112  
1325 J Street, Suite 1823  
Sacramento, CA 95814

With a copy to the General Counsel of IBank at the same address.

If to the Purchaser:                   Pico Water District  
  P.O. Box 758  
  4843 Church Street  
  Pico Rivera, CA 90660  
  Attn.: General Manager

Or to such other address as may be designated in writing by the Purchaser.

SECTION 8.10.    Contact Persons.

(a)     The Executive Director of IBank or such other person as designated in writing by IBank shall manage this Agreement for IBank and shall have authority to make determinations and findings with respect to each controversy arising under or in connection with the interpretation, performance, or payment for work performed under this Agreement.

(b)     The Purchaser's contact person shall be its General Manager, or such other person as may be designated in writing by the Purchaser (the "Purchaser Representative"). The Purchaser's General Manager shall be the Purchaser Representative for the administration of this Agreement and shall have full authority to act on behalf of the Purchaser and may designate in writing another person or persons authorized to request disbursement of Facility Funds. All communications given to the Purchaser's General Manager shall be as binding as if given to the Purchaser.

SECTION 8.11.    Partial Invalidity.

The illegality, unenforceability, or invalidity of any provision of this Agreement with regard to any Party or circumstance shall not render that provision illegal, unenforceable, or invalid with regard to any other Party or circumstance. All provisions of this Agreement, in all other respects, shall remain legal, enforceable, and valid to the fullest extent permitted by law. If any provision of this Agreement is held to be illegal, unenforceable, or invalid by a court of competent jurisdiction, then such provision shall be deemed severed from this Agreement and this Agreement shall be construed and enforced as if such illegal, unenforceable, or invalid provision had never been part hereof.

SECTION 8.12. Binding Effect.

This Agreement shall inure to the benefit of and shall be binding upon IBank and the Purchaser and their respective successors and assigns.

SECTION 8.13. Entire Agreement.

Except as expressly stated herein, this Agreement, together with the exhibits and attachments hereto, constitutes the entire agreement among the Parties. Except as expressly stated herein, there are no understandings, agreements, representations or warranties, express or implied, not specified herein or therein regarding this Agreement or the Facility financed hereunder. Any terms and conditions of any purchase order or other document submitted by the Purchaser in connection with this Agreement which are in addition to or inconsistent with the terms and conditions of this Agreement will not be binding on IBank and will not apply to this Agreement.

SECTION 8.14. Indemnification.

The Purchaser shall, to the fullest extent permitted by law, indemnify, protect, hold harmless, save and keep harmless IBank and its members, directors, officers, attorneys, advisors, employees, and agents (collectively, the “Indemnified Parties”) from and against any and all liability, obligations, losses, claims, demands, damages, actions, causes of action, liens, stop payment notices, or costs whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses as incurred, penalties and interest (collectively, a “Claim”), arising out of, related to or as the result of entering into this Agreement, and the acquisition, construction, operation, use, condition, or possession of the Facility and any portion thereof, including without limitation:

(1) any accident in connection with the operation, use, condition, or possession of the Facility resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the Purchaser or IBank;

(2) patent, trademark or copyright infringement, or similar claims as a consequence of the operation, use, occupancy, or maintenance of the Facility;

(3) strict liability in tort as a consequence of the operation, use, occupancy, or maintenance of the Facility;

(4) any Claim based upon any environmental law or regulation relating to the Facility;

(5) any Claim of any nature directly arising from or related to the Facility, which Claim is based upon the operation of the Facility from and after the Effective Date;

(6) the existence, placement, delivery, storage, or release of hazardous materials on or from the Facility or contamination of property, arising therefrom;

(7) either (a) the application of the Facility Funds, or other amounts treated as “gross proceeds” of the Proceeds Bonds or Secured Bonds in such manner that any portion of the Proceeds Bonds or Secured Bonds becomes an “arbitrage bond” within the meaning of Code sections 103(b)(2) and 148, with the result that interest on the Proceeds Bonds or Secured Bonds is or becomes subject to federal income taxation of the holder of the Proceeds Bonds or Secured Bonds; or (b) if as a result of any act, failure to act, or use of the proceeds of any portion of the Facility Funds or the Facility, or any misrepresentation or inaccuracy in any of the representations, warranties, or covenants contained in this Agreement or the enactment of any federal legislation or the promulgation of any federal rule or regulation after the date of this Agreement, all or any portion of the interest on any portion of the Proceeds Bonds or Secured Bonds becomes subject to federal income taxation;

(9) the consummation or carrying out of any of the transactions contemplated by this Agreement or any related document; and

(10) information provided by the Purchaser which is used in connection with the Proceeds Bonds or the Secured Bonds.

The indemnification arising under this Section 8.14 shall continue in full force and effect notwithstanding the full payment of all obligations hereunder and shall survive the termination of this Agreement for any reason. Any party seeking indemnity hereunder shall promptly give notice to the Purchaser of any Claim or liability hereby indemnified against upon learning of any circumstances giving rise to any such Claim or liability. The Purchaser’s obligation to indemnify, defend, protect, hold harmless, save, and keep harmless the Indemnified Parties as provided in this Section 8.14 shall arise immediately upon any Claim covered under this Section 8.14 being asserted against an Indemnified Party, whether orally, in writing, or in any court or administrative action or proceeding.

SECTION 8.15.     Expectations.

The undersigned is an authorized representative of the Purchaser acting for and on behalf of the Purchaser in executing this Agreement. To the best of the knowledge and belief of the undersigned, there are no other facts, estimates or circumstances that would materially change the expectations as set forth herein, and said expectations are reasonable.

SECTION 8.16.     Section Headings.

All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision hereof.

SECTION 8.17.     Time of the Essence.

Subject to the remainder of this Section 8.17, time is of the essence with respect to this Agreement and the performance of each obligation contained in this Agreement. Whenever the time for performance of any obligation under this Agreement, or if under this Agreement a Party

must act by a particular time or date, or if an act is effective only if done by a particular time or date, and the last date for performance of such obligation or the doing or effectiveness of such act falls on a Saturday, Sunday, or legal holiday in the State, the time for performance of such obligation or the doing or effectiveness of such act shall be extended to the next day that is not a Saturday, Sunday, or a legal holiday in the State. The first day shall be excluded and the last day shall be included when computing the time in which an obligation is to be performed or an act is to be done under this Agreement. Unless otherwise provided herein all time periods shall end at 5:00 p.m. California time.

SECTION 8.18. Form of Documents.

The form and substance of all documents and instruments to be delivered to IBank under the terms of this Agreement, if any, shall be at all times subject to IBank's approval, in its reasonable discretion. No document or instrument delivered to IBank, or to be delivered to IBank, or which is subject to the approval of IBank, shall be amended, modified, superseded, or terminated in any respect whatsoever without IBank's prior written approval.

SECTION 8.19. Waiver of Consequential Damages.

To the fullest extent permitted by law, the Purchaser shall not assert, and hereby waives, any claim against IBank on any theory of liability for special, indirect, consequential, or punitive damages (as opposed to direct actual damages) arising from, or in connection with, this Agreement.

SECTION 8.20. Nondiscrimination.

(a) During the performance of this Agreement, the Purchaser shall ensure that any direct contractor and its subcontractors constructing the Facility shall not deny the contracts' benefits to any person on the basis of race, color, religion, ancestry, national origin, ethnic group identification, marital status, gender, sex, sexual orientation, age, medical condition, physical handicap or disability, mental disability, political affiliation, or position in a labor dispute, nor shall they discriminate unlawfully against any employee or applicant for employment because of race, color, religion, national origin, ethnic group identification, ancestry, physical handicap or disability, mental disability, medical condition, marital status, age, gender, sex, sexual orientation, political affiliation, or position in a labor dispute. The Purchaser shall ensure that any direct contractor and its subcontractor shall ensure that the evaluation and treatment of employees and applicants for employment are free of such discrimination.

(b) The Purchaser shall ensure that any direct contractor and its subcontractors constructing the Facility shall comply with the applicable provisions of the Fair Employment and Housing Act (Government Code section 12900 et seq.), the regulations promulgated thereunder (Title 2, California Code of Regulations, section 7285.0 et seq.), the provisions of Article 9.5, Chapter 1, Part 1, Division 3, Title 2 of the Government Code (sections 11135-11139.5) and any regulations promulgated thereunder.

(c) The Purchaser shall ensure that any direct contractor and its subcontractors constructing the Facility shall not knowingly give preferential treatment of any kind whatsoever in connection with any business transaction related to the construction or operation of the Facility to any of its affiliates or to any business enterprise in which the Purchaser has any financial interest, but in such business transactions shall deal at all times with such affiliates and enterprises on the same basis as though dealing with any other parties.

(d) The Purchaser shall ensure that any direct contractor and its subcontractors constructing the Facility shall, with respect to the Facility, give written notice of their obligations under this section to labor organizations representing employees of the Purchaser and any contractor or subcontractor performing work on the Facility which have a collective bargaining or other contract with the Purchaser, such contractor or subcontractor.

(e) The Purchaser shall ensure that any direct contractor and its subcontractors constructing the Facility shall include the provisions of this section in all subcontracts to perform work with respect to the Facility.

SECTION 8.21. Execution in Counterparts.

This Agreement shall become enforceable upon its execution and delivery. This Agreement may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

SECTION 8.22. Usury Savings.

Nothing herein shall be construed as entitling IBank to charge, receive, or collect interest in a sum greater than the maximum interest rate permitted to be charged by IBank to the Purchaser under applicable law (the "Maximum Rate"). The Parties intend that this Agreement shall comply with applicable law and that the rate or rates of interest charged hereunder shall not exceed the Maximum Rate. If the occurrence of any circumstance, event or contingency should cause such interest to exceed interest at the Maximum Rate, any such excess amount shall be applied to the reduction of the unpaid principal component of the Installment Payments. As used herein, the term "applicable law" shall mean the law in effect as of the date hereof; provided, however, that in the event there is a change in the law which results in a different permissible rate of interest, then this Agreement shall be governed by such new law as of its effective date.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by the respective officers, all as of the Effective Date.

CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK, as Seller

By \_\_\_\_\_  
Teveia Barnes  
Executive Director

Date \_\_\_\_\_

PICO WATER DISTRICT, as Purchaser

By \_\_\_\_\_  
Mark Grajeda  
General Manager

Date \_\_\_\_\_



# AGENDA REPORT



*Service, Quality, Community*

**DATE:** September 22, 2016

**TO:** Board of Commissioners

**FROM:** Reginald A. Lamson, General Manager

**PREPARED BY:** Jack Roberts, Human Resources/Secretary to the Board

**RE:** **Employee Benefits Renewal**

**Background:**

DWP employee health and wellness benefits are on an annual renewal cycle that runs from October 1 to September 30 of each year. This year, our benefits broker, Beneflex, went to market to find the best values and coverage for DWP. Per the represented employees' MOU, DWP must provide an HMO medical option with providers in the Bear Valley. The attached exhibits display full invoice cost, a portion of which is absorbed by employees receiving the cafeteria allowances. Additionally, the full invoice amounts contain premiums for COBRA participants, which are fully reimbursable to the DWP. Costs discussed in this report reflect the DWP's expense incurred excluding cafeteria amounts. The following is a synopsis of the market analysis for medical and ancillary coverage:

**Medical**

The DWP offers employer-paid HMO medical coverage to represented employees and their dependents. PPO coverage is available to employees who pay a cost differential for the PPO coverage.

Beneflex looked at 49 different medical coverage options from six different companies for the basic HMO coverage. Beneflex also looked at 29 different medical coverage options from six different companies for PPO coverage. This year saw cost increases to premiums ranging from 8.1% to 26.4% for HMO and PPO coverage. Staff recommends going with HealthNet Platinum HMO 20, which is most similar to the current HMO plan (the current HMO HealthNet plan is no longer available).

Staff also recommends offering two PPO options to employees – HealthNet PPO Gold and HealthNet PPO Silver. If the cost of PPO coverage is more than the internal composite cost of the same class of HMO coverage, the employee is responsible for covering the cost difference.

In addition to the above HMO and PPO options, staff recommends we offer Kaiser HMO as an additional option. Ten of the 25 employees that receive medical coverage expressed interest in switching to Kaiser HMO if it is an option. Kaiser HMO is a more economical option than HealthNet HMO, so employees can switch to Kaiser HMO with no additional cost to the employee and a cost savings for the DWP. Kaiser HMO does not have providers in the Bear Valley, otherwise Kaiser would be the recommended option.

The current estimated total invoice amount of medical coverage, based on all employees selecting the same coverage as last year, HealthNet HMO and HealthNet PPO, is \$326,888.52, this premium is below the threshold established in the MOU for represented employees in 2012 that would require employees to contribute an additional 2% for health coverage.

### **Ancillary Coverage**

Beneflex looked at five different companies and priced out providing substantially the same coverage as what DWP currently has in-place. Beneflex recommended DWP consider going with a company called GIS Benefits to streamline the ancillary benefits we provide – using one vendor instead the four we currently use. By going to GIS Benefits, DWP will benefit from consolidated billing; on-line or paper enrollment and maintenance (as preferred by individual employees); a one-stop shop for employees and employer; no-cost flexible spending account administration (saving \$140 per year); continuity of providers (except employee elected coverage, but employees can elect to continue that coverage); and reduced staff time. Staff recommends selecting GIS Benefits for the ancillary benefits coverage at a cost to the DWP of \$33,379.32 for the 2016/2017 benefit year. To gain the benefits of the GIS Benefits system and service, the DWP will be required to carry four lines of coverage through MetLife or affiliated companies. The following is a breakout of the different Ancillary Coverage:

#### **Dental**

The DWP offers employer-paid Dental coverage to represented employees and their dependents. Beneflex considered five different providers for Dental Coverage. MetLife is DWP's current dental provider, allowing for continuity of coverage and there are two dentists in Bear Valley that accept MetLife Dental. Beneflex recommended maintaining MetLife, which had a 6% increase from the current plan year, which equates to annual cost to the DWP of \$22,712.16. Staff concurs with Beneflex's recommendation.

#### **Vision**

The DWP offers employer-paid Vision coverage to all employees and their dependents. Beneflex considered six different providers for Vision Coverage and recommends going with MetLife for Vision Coverage to take advantage of the GIS Benefits platform and service. Staff concurs with Beneflex's recommendation. The MetLife vision option is accepted by the same two optometrists in Bear Valley that accept DWP's current coverage, so there will be no interruption in vision care. The MetLife vision plan offers higher quality lens products for employees as well. The cost of Vision Coverage with the recommended change to MetLife is an increase of \$1,038/year (20.7%) from the current year which equates to an annual cost to the DWP of \$6,041.16. If the DWP elected to maintain the existing vision benefits with EyeMed the cost to the DWP would increase \$149.52/year (3%) but the DWP would not receive the benefit of the GIS Benefits platform, which staff believes will increase efficiency.

#### **Life/AD&D**

The DWP offers \$50,000 in employer-paid Life/AD&D coverage to employees. Beneflex considered five different providers for Life & ADD Coverage and recommends that DWP stay with the current provider, MetLife. Staff concurs with Beneflex's recommendation. The cost of employer provided Life and AD&D through MetLife is a 8.4% increase from the current year which equates to an annual cost to the DWP of \$4,656.

The existing four providers have proposed cost increases over last year's premiums. If DWP stayed with the existing four providers for Dental, Vision, Life/AD&D, and flexible spending account benefits, then the total cost to the DWP for the four plans would be \$32,630.84 vs. \$33,379.32 for the

recommended GIS Benefits package. The difference between the two options is \$748.48 and staff believes the added benefits of the GIS package are worth the slightly higher cost.

**Employee Elected Coverage**

The DWP offers employee elected coverage for voluntary life insurance, short-term disability, long-term disability, critical illness, and flexible spending accounts. Beneflex looked at two different providers for employee elected coverage – American Fidelity (our current provider) and Trans-America through GIS Benefits. Although these policies are paid 100% by the employees, staff believes it is important to offer coverage that is valuable to employees and cost effective. Comparing the coverage from both providers, the coverage offered through GIS Benefits appears to offer enhanced policies for employees. For instance, American Fidelity offers a policy which covers employees in the event they are stricken with cancer. The policy that GIS Benefits is offering, at slightly less cost to employees, is a critical illness policy that covers everything the American Fidelity policy covers, plus a significant number of illnesses that are outside the umbrella of cancer.

Medical and Ancillary benefits for DWP employees are critical to attracting and keeping talented employees. It is staff’s goal to balance the cost of employee benefits and the cost to rate payers. The estimated cost of the proposed staff recommended benefits package is below the benefits cost threshold that was established in the current represented employees MOU. Employees selecting a HMO option will not have an additional deduction from their paycheck for the employer provided benefit package.

**Financial Impact:**

The estimated annual cost to the DWP of the proposed benefits package is \$285,391 compared to \$274,175 incurred in FY 2015/16 and \$273,360 incurred in FY 2014/15.

The FY 16/17 Budget included assumed increases in benefits costs as follows: Medical – 5%; Dental – 3%; Vision – 2%; Life/AD&D – 2% for a total of \$287,170. Based upon expected elections for coverage and current staffing, staff believes the current budget is adequate to cover the cost of the recommended changes to coverage and providers.

The table below shows the cost to the DWP of a ‘status quo’ renewal compared to adding the GIS platform. Costs exclude employees covered through the cafeteria plan and any COBRA participants.

Coverage Type	DWP Costs		
	Current Cost	Status Quo Renewal	Add GIS Option
Medical	\$242,158.20	\$252,011.52	\$252,011.52
Dental	21,531.6	22,712.16	22,712.16
Vision	5,003.16	5,152.68	6,041.16
Life/AD&D	4,266.00	4,626.00	4,626.00
FSA	140.00	140.00	--
Total	\$273,098.96	\$284,642.36	\$285,390.84
Change from Current		\$11,543.4	\$12,291.88
Change from FY 2016/17 Budget		(\$2,527.64)	(\$1,779.16)

**Recommendation:**

- 1) Authorize the staff recommendation to offer HealthNet HMO Platinum, HealthNet PPO Gold and Silver, and Kaiser HMO as options for employees.
- 2) Authorize the staff recommendation to offer ancillary benefits through GIS Benefits.

# October 1, 2016 Health & Welfare Renewal Presentation



Beneflex Insurance Services, LLC  
License # 0198732  
(805) 684-5100  
Presented September 13, 2016

# DWP - City of Big Bear Lake

## Health & Welfare Annual Cost Summary

Coverage	Current	Renewal	Renewal Option	Option A	Option B	Option C	Option D
<b>Proposed Changes</b>		Renew with Current Plans & Carriers	Renew with Current Medical Plans, move vision to MetLife/GIS	Downgrade HMO plan, move vision to MetLife/GIS	Downgrade HMO & PPO plan, move vision to MetLife/GIS	Move all to Silver PPO, move vision to MetLife/GIS	Kaiser HMO option, move vision to MetLife/GIS
<b>Medical/Rx</b>	\$282,003.24	\$326,050.08	\$326,050.08	\$304,853.88	\$287,449.08	\$326,498.16	\$309,110.04
<b>Dental</b>	\$32,153.64	\$34,082.88	\$34,082.88	\$34,082.88	\$34,082.88	\$34,082.88	\$34,082.88
<b>Vision</b>	\$5,369.52	\$5,529.96	\$6,483.72	\$6,483.72	\$6,483.72	\$6,483.72	\$6,483.72
<b>Basic Life/AD&amp;D</b>	\$4,408.20	\$4,780.20	\$4,780.20	\$4,780.20	\$4,780.20	\$4,780.20	\$4,780.20
<b>Total Annual Grand Total</b>	<b>\$323,934.60</b>	<b>\$370,443.12</b>	<b>\$371,396.88</b>	<b>\$350,200.68</b>	<b>\$332,795.88</b>	<b>\$371,844.96</b>	<b>\$354,456.84</b>
<b>\$ Difference v. Current</b>	N/A	\$46,508.52	\$47,462.28	\$26,266.08	\$8,861.28	\$47,910.36	\$30,522.24
<b>% Difference v. Current</b>		14.4%	14.7%	8.1%	2.7%	14.8%	9.4%

# DWP - City of Big Bear Lake

## Marketing List

Carrier	Current/ Quoted	Declined	Comments
<b>Medical/Rx</b>			
Aetna	X		Not competitive
Anthem	X		Not competitive
Blue Shield	X		Not competitive
HealthNet	X		Current
Kaiser	X		Presented
United HealthCare	X		No UHC Hospitals in Big Bear/Arrowhead
<b>Dental</b>			
MetLife	X		Current
<b>Vision</b>			
EyeMed	X		Current
<b>Voluntary Long Term Disability</b>			

# DWP - City of Big Bear Lake

## Medical Market Check

Coverage	Current Enrollment	Current HealthNet	Renewal HealthNet	Option A Anthem	Option B Anthem	Option C Anthem	Option D Blue Shield
<b>HMO</b>		<u>Platinum HMO 20</u>	<u>Platinum HMO 20</u>	<u>Platinum HMO 25</u>	<u>Gold PPO 20/30%</u>	<u>Gold PPO 500/20%</u>	<u>Gold Full PPO 0/20</u>
Employee Only	7						
Employee + Spouse	4	Age rated	Age rated				
Employee + Child(ren)	6						
Employee + Family	3						
<b>HMO Total Annual Cost</b>	<b>20</b>	<b>\$216,276.00</b>	<b>\$245,922.36</b>	<b>\$303,016.08</b>	<b>\$287,102.76</b>	<b>\$284,699.04</b>	<b>\$256,947.60</b>
<b>\$ Difference v. Current</b>		N/A	\$29,646.36	\$86,740.08	\$70,826.76	\$68,423.04	\$40,671.60
<b>% Difference v. Current</b>			13.7%	40.1%	32.7%	31.6%	18.8%
<b>PPO</b>		<u>Gold PPO 80</u>	<u>Gold PPO 80</u>	<u>Gold PPO 20/30%</u>	<u>Gold PPO 20/30%</u>	<u>Gold PPO 500/20%</u>	<u>Gold Full PPO 0/20</u>
Employee Only	1						
Employee + Spouse	3	Age rated	Age rated				
Employee + Child(ren)	0						
Employee + Family	1						
<b>PPO Total Annual Cost</b>	<b>5</b>	<b>\$65,727.24</b>	<b>\$80,127.72</b>	<b>\$77,661.84</b>	<b>\$77,661.84</b>	<b>\$77,011.56</b>	<b>\$69,514.56</b>
<b>\$ Difference v. Current</b>		N/A	\$14,400.48	\$11,934.60	\$11,934.60	\$11,284.32	\$3,787.32
<b>% Difference v. Current</b>			21.9%	18.2%	18.2%	17.2%	5.8%
<b>Annual Grand Total</b>	<b>25</b>	<b>\$282,003.24</b>	<b>\$326,050.08</b>	<b>\$380,677.92</b>	<b>\$364,764.60</b>	<b>\$326,498.16</b>	<b>\$326,462.16</b>
<b>\$ Difference v. Current</b>		N/A	\$44,046.84	\$98,674.68	\$82,761.36	\$44,494.92	\$44,458.92
<b>% Difference v. Current</b>			15.6%	35.0%	29.3%	15.8%	15.8%
<b>\$ Difference v. Renewal</b>		N/A	N/A	\$54,627.84	\$38,714.52	\$448.08	\$412.08
<b>% Difference v. Renewal</b>				16.8%	11.9%	0.1%	0.1%

# DWP - City of Big Bear Lake

## Medical Cost Comparison

Coverage	Current Enrollment	Current HealthNet	Renewal HealthNet	Upgrade Option HealthNet	Option A HealthNet	Option B HealthNet	Option C HealthNet	Option D Kaiser
<b>HMO</b>		<u>Platinum HMO 25</u>	<u>Platinum HMO 20</u>	<u>Platinum HMO 10</u>	<u>Gold HMO 30</u>	<u>Gold HMO 40</u>	<u>Silver PPO 1500/45</u>	<u>Platinum 90 HMO 0/20</u>
Employee Only	7							
Employee + Spouse	4	Age rated	Age rated	Age rated	Age rated	Age rated	Age rated	Age rated
Employee + Child(ren)	6							
Employee + Family	3							
<b>HMO Total Annual Cost</b>	<b>20</b>	<b>\$216,284.40</b>	<b>\$245,922.36</b>	<b>\$256,056.48</b>	<b>\$224,726.16</b>	<b>\$219,322.32</b>	<b>\$252,192.96</b>	<b>\$228,982.32</b>
<b>\$ Difference v. Current</b>		N/A	\$29,637.96	\$39,772.08	\$8,441.76	\$3,037.92	\$35,908.56	\$12,697.92
<b>% Difference v. Current</b>			13.7%	18.4%	3.9%	1.4%	16.6%	5.9%
<b>PPO</b>		<u>Gold PPO 80</u>	<u>Gold 80 PPO 0/35</u>	<u>Gold 80 PPO 0/35</u>	<u>Gold 80 PPO 0/35</u>	<u>Silver PPO 1500/45</u>	<u>Silver PPO 1500/45</u>	<u>Gold 80 PPO 0/35</u>
Employee Only	1							
Employee + Spouse	3	Age rated	Age rated	Age rated	Age rated	Age rated	Age rated	Age rated
Employee + Child(ren)	0							
Employee + Family	1							
<b>PPO Total Annual Cost</b>	<b>5</b>	<b>\$65,727.24</b>	<b>\$80,127.72</b>	<b>\$80,127.72</b>	<b>\$80,127.72</b>	<b>\$68,126.76</b>	<b>\$68,127.72</b>	<b>\$80,127.72</b>
<b>\$ Difference v. Current</b>		N/A	\$14,400.48	\$14,400.48	\$14,400.48	\$2,399.52	\$2,400.48	\$14,400.48
<b>% Difference v. Current</b>			21.9%	21.9%	21.9%	3.7%	3.7%	21.9%
<b>Annual Grand Total</b>	<b>25</b>	<b>\$282,011.64</b>	<b>\$326,050.08</b>	<b>\$336,184.20</b>	<b>\$304,853.88</b>	<b>\$287,449.08</b>	<b>\$326,498.16</b>	<b>\$309,110.04</b>
<b>\$ Difference v. Current</b>		N/A	\$44,038.44	\$54,172.56	\$22,842.24	\$5,437.44	\$44,486.52	\$27,098.40
<b>% Difference v. Current</b>			15.6%	19.2%	8.1%	1.9%	15.8%	9.6%
<b>\$ Difference v. Renewal</b>		N/A	N/A	N/A	-\$31,330.32	-\$48,735.12	-\$9,686.04	-\$27,074.16
<b>% Difference v. Renewal</b>					-9.3%	-14.5%	-2.9%	-8.1%

# DWP - City of Big Bear Lake

## HMO Medical Plan Design Comparison

Benefit	Current HealthNet	Renewal HealthNet	Upgrade Option HealthNet	Option A HealthNet	Option B HealthNet	Option D Kaiser
						<i>Platinum 90 HMO</i>
	<i>Platinum HMO 25</i>	<i>Platinum HMO 20</i>	<i>Platinum HMO 10</i>	<i>Gold HMO 30</i>	<i>Gold HMO 40</i>	<i>0/20</i>
<b>Annual Benefit Maximum</b>	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
<b>Calendar Year Deductible</b>						
Individual	None	None	None	None	None	None
Family	None	None	None	None	None	None
<b>Annual Copayment Maximum</b>						
Individual	\$3,500	\$4,250	\$3,000	\$6,000	\$6,500	\$4,000
Family	\$7,000	\$8,500	\$6,000	\$12,000	\$13,000	\$8,000
<b>Office Visits</b>						
Primary Care Physician	\$25	\$20	\$10	\$30	\$40	\$20
Specialist	\$40	\$40	\$30	\$50	\$60	\$40
Urgent Care	\$50	\$75	\$50	\$100	\$100	\$20
<b>Preventive Care</b>	No charge	No charge	No charge	No charge	No charge	No charge
<b>Inpatient Hospitalization</b>	\$400/admit	\$500/admit	\$300/admit	\$600/admit	\$800/admit	\$290/day to 5 days
<b>Outpatient Hospitalization</b>						
Hospital	\$350	\$300	\$100	\$400	\$600	\$290
Surgery Center	\$140	\$120	\$40	\$160	\$240	\$290
<b>Diagnostic Lab &amp; X-Ray</b>						
Complex Lab/X-Ray (MRI, CT, PET)	\$150	\$150	\$150	\$300	\$300	\$150
All Other Lab/X-Ray	\$40	\$40	\$20	\$40	\$40	\$40
<b>Emergency Room</b>	\$100/visit	\$150/visit	\$100/visit	\$300/visit	\$300/visit	\$150/visit

# DWP - City of Big Bear Lake

## HMO Medical Plan Design Comparison

Benefit	Current HealthNet	Renewal HealthNet	Upgrade Option HealthNet	Option A HealthNet	Option B HealthNet	Option D Kaiser
						<i>Platinum 90 HMO</i>
	<i>Platinum HMO 25</i>	<i>Platinum HMO 20</i>	<i>Platinum HMO 10</i>	<i>Gold HMO 30</i>	<i>Gold HMO 40</i>	<i>0/20</i>
<b>Prescription Drugs</b>						
<b>Brand Deductible</b>	None	None	None	None	None	None
<b>Pharmacy</b>	<i>30-Day Supply</i>	<i>30-Day Supply</i>	<i>30-Day Supply</i>	<i>30-Day Supply</i>	<i>30-Day Supply</i>	<i>30-Day Supply</i>
Generic	\$5	\$5	\$5	\$15	\$15	\$5
Brand-Name	\$15	\$30	\$30	\$50	\$50	\$15
Non-Formulary	\$20	\$50	\$50	\$70	\$70	\$15
Specialty	10%	30% to \$500	30% to \$500	30% to \$500	30% to \$500	10% to \$250
<b>Mail Order</b>	<i>90-Day Supply</i>	<i>90-Day Supply</i>	<i>90-Day Supply</i>	<i>90-Day Supply</i>	<i>90-Day Supply</i>	<i>90-Day Supply</i>
Generic	\$10	\$10	\$10	\$30	\$30	N/A
Brand-Name	\$30	\$60	\$60	\$100	\$100	N/A
Non-Formulary	\$40	\$100	\$100	\$140	\$140	N/A

For complete details on exclusions & limitations, please refer to the plan booklets/contracts.

## DWP - City of Big Bear Lake PPO Medical Plan Design Comparison

Benefit	Current HealthNet	Renewal HealthNet	Option B & C HealthNet
	<u>Gold PPO 80</u> In-Network / Out-of-Network	<u>Gold 80 PPO 0/35</u> In-Network / Out-of-Network	<u>Silver PPO 1500/45</u> In-Network / Out-of-Network
<b>Annual Benefit Maximum</b>	Unlimited	Unlimited	Unlimited
<b>Calendar Year Deductible</b>			
Individual	\$0 / \$0	\$0 / \$0	\$1,500 / \$3,000
Family	\$0 / \$0	\$0 / \$0	\$3,000 / \$6,000
<b>Annual Out-of-Pocket Maximum</b>			
Individual	\$6,250 / \$12,500	\$6,200 / \$12,400	\$6,500 / \$13,000
Family	\$12,500 / \$25,000	\$12,400 / \$24,800	\$13,000 / \$26,000
<b>Plan Coinsurance</b>	80% / 50%	80% / 50%	80% / 50%
<b>Office Visits</b>			
Primary Care Physician	\$30 / 50%	\$35 / 50%	\$45 / 50%
Specialist	\$50 / 50%	\$55 / 50%	\$70 / 50%
Urgent Care	\$60 / 50%	\$60 / 50%	\$90 / 50%
<b>Preventive Care</b>	No charge / Not covered	No charge / Not covered	No charge / Not covered
<b>Inpatient Hospitalization</b>	20% / 50%	20% / 50%	20% / 50%
<b>Outpatient Hospitalization</b>			
Hospital	20% / 50%	20% / 50%	20% no / 50%
Surgery Center	20% / 50%	20% / 50%	deductible / 50%
<b>Diagnostic Lab &amp; X-Ray</b>			
Complex Lab/X-Ray (MRI, CT, PET)	20% / 50%	20% / 50%	20% / 50%
All Other Lab/X-Ray	\$30-\$50 / 50%	\$35-\$50 / 50%	\$35-\$65 / 50%

## DWP - City of Big Bear Lake PPO Medical Plan Design Comparison

Benefit	Current HealthNet	Renewal HealthNet	Option B & C HealthNet
	<u>Gold PPO 80</u> In-Network / Out-of-Network	<u>Gold 80 PPO 0/35</u> In-Network / Out-of-Network	<u>Silver PPO 1500/45</u> In-Network / Out-of-Network
<b>Emergency Room</b>	\$250 / \$250 waived if admitted	\$250 / \$250 waived if admitted	\$250 / \$250 waived if admitted
<b>Prescription Drugs</b>			
<b>Brand Deductible</b>	None	None	\$250
<b>Pharmacy</b>	30-Day Supply	30-Day Supply	30-Day Supply
Generic	\$15 /	\$15 /	\$15 /
Brand-Name	\$50 /	\$50 /	\$55 /
Non-Formulary	\$70 / Not covered	\$70 / Not covered	\$75 / Not covered
Specialty	20% /	20% to \$250 /	20% to \$250 /
<b>Payment Basis</b>	Negotiated Fee / Reimbursement	Negotiated Fee / Reimbursement	Negotiated Fee / Reimbursement

For complete details on exclusions & limitations, please refer to the plan booklets/contracts.

# DWP - City of Big Bear Lake

## Proposal Disclaimer

This information is intended to present only an outline and summary of benefits. We believe the rates and information herein to be accurate based on the information provided to us. Please note that the final rates, benefits, and group acceptability will all be determined at the time of enrollment by the underwriting carrier. Changes in enrollment, pre-existing conditions, and effective date of coverage may impact final rates. Rates may also vary depending on copays, deductibles, coinsurance, out-of-pocket maximums and other options requested. All plans are subject to underwriting and policy limitations and exclusions. Beneflex Insurance Services, LLC is not responsible for any errors represented in this proposal. We recommend that you review plan documentation for details as this analysis has been provided for illustrative and comparative purposes only. In the event of any discrepancies between the illustrated benefits and final benefits according to the Evidence of Coverage (EOC) booklet issued by the carrier, the EOC will be deemed accurate and will prevail.

For companies with 50 or fewer employees, coverage cannot be declined due to medical conditions.

**Do not cancel your current coverage until an application for coverage has been approved in writing, you have received your policy number from the carrier and have been instructed by Beneflex to proceed with written notification to cancel your current coverage.**

This proposal is intended for the exclusive use of the addressee. Use, copying, or dissemination of the contents of any portion of this proposal for or to any other party, without the express written consent of Beneflex Insurance Services, LLC is strictly prohibited. The information contained in this proposal is subject to all applicable rights, protections and penalties under California Business and Professions Code § 17200 and 17500. The rates contained within this proposal have been prepared for the exclusive use of Beneflex Insurance Services, Inc. and may not be valid for any other agents or agencies.

# October 1, 2016 Health & Welfare Renewal Presentation



Beneflex Insurance Services, LLC

License # 0198732

(805) 684-5100

Presented September 13, 2016

# DWP - City of Big Bear Lake

## Health & Welfare Annual Cost Summary

Coverage	Current	Renewal	GIS Option	LFG Option
Proposed Changes		Renew with current plans & carriers	Renew with current medical plans, <a href="#">move vision to MetLife/GIS</a>	Renew with current medical and vision plans, <a href="#">move dental &amp; life to LFG</a>
Dental	\$32,153.64	\$34,082.88	\$34,082.88	\$29,585.16
Vision	\$5,369.52	\$5,529.96	\$6,483.72	\$5,529.96
Basic Life/AD&D	\$4,408.20	\$4,780.20	\$4,780.20	\$3,850.20
<b>Total Annual Grand Total</b>	<b>\$41,931.36</b>	<b>\$44,393.04</b>	<b>\$45,346.80</b>	<b>\$38,965.32</b>
<b>\$ Difference v. Current</b>	N/A	\$2,461.68	\$3,415.44	-\$2,966.04
<b>% Difference v. Current</b>		5.9%	8.1%	-7.1%

## DWP - City of Big Bear Lake Ancillary Marketing List

Carrier	Current/ Quoted	Declined	Comments
<b>Dental</b>			
Hartford	X		Does not offer
Lincoln Financial	X		Presented
MetLife	X		Current
Principal	X		Not competitive
Unum			Pending
<b>Vision</b>			
EyeMed	X		Current
Hartford	X		Does not offer
Lincoln Financial	X		Presented
MetLife	X		Presented
Principal	X		Not competitive
Unum			Pending
<b>Basic Life/AD&amp;D</b>			
Hartford	X		Package not competitive
Lincoln Financial	X		Presented
MetLife	X		Current
Principal	X		Not competitive
Unum			Pending
Hartford	X		Did not quote
Lincoln Financial	X		Presented
MetLife	X		Current
Principal	X		Not competitive
Unum			Pending
<b>Voluntary Long Term Disability</b>			
Hartford	X		Package not competitive
Lincoln Financial	X		Presented
MetLife	X		Current
Principal	X		Not competitive
Unum			Pending

# DWP - City of Big Bear Lake

## Dental Cost Comparison

Coverage	Current Enrollment	Current MetLife	Renewal MetLife	Option A Lincoln
<b>PPO</b>		<u>PPO Dental</u>	<u>PPO Dental</u>	<u>PPO Dental</u>
Employee Only	7	\$44.33	\$46.99	\$40.81
Employee + 1	11	\$88.83	\$94.16	\$81.79
Employee + 2 or more	9	\$154.67	\$163.95	\$142.23
<b>PPO Total Annual Cost</b>	<b>27</b>	<b>\$32,153.64</b>	<b>\$34,082.88</b>	<b>\$29,585.16</b>
<b>\$ Difference v. Current</b>		N/A	\$1,929.24	-\$2,568.48
<b>% Difference v. Current</b>			6.0%	-8.0%
<b>Annual Grand Total</b>	<b>27</b>	<b>\$32,153.64</b>	<b>\$34,082.88</b>	<b>\$29,585.16</b>
<b>\$ Difference v. Current</b>		N/A	\$1,929.24	-\$2,568.48
<b>% Difference v. Current</b>			6.0%	-8.0%
<b>\$ Difference v. Renewal</b>		N/A	N/A	-\$4,497.72
<b>% Difference v. Renewal</b>				-13.2%

**Notes:**

- Lincoln rates are contingent on package sale

## DWP - City of Big Bear Lake PPO Dental Plan Design Comparison

Benefit	Current / Renewal MetLife	Option A Lincoln
	<i>PPO Dental</i> In-Network / Out-of-Network	<i>PPO Dental</i> In-Network / Out-of-Network
<b>Annual Benefit Maximum</b>	\$2,000 / \$1,500	\$2,000 / \$1,500
<b>Calendar Year Deductible</b>		
Individual	\$50 / \$50	\$50 / \$50
Family	\$150 / \$150	\$150 / \$150
Waived for Diagnostic & Preventive	Yes / Yes	Yes / Yes
<b>Diagnostic &amp; Preventive Services</b>		
Oral Evaluation, X-Rays	100% / 100%	100% / 100%
Prophylaxis, Sealants	100% / 100%	100% / 100%
<b>Basic Services</b>		
Fillings, Oral Surgery	90% / 80%	90% / 80%
Endodontics, Periodontics	90% / 90%	90% / 80%
<b>Major Services</b>		
Crowns, Pontics, Dentures	50% / 50%	50% / 50%
Implants	50% / 50%	50% / 50%
<b>Orthodontics</b>		
Child(ren) through Age 19	50% to \$1,000	50% to \$1,000
<b>Payment Basis</b>	Negotiated Fee / Reimbursement	Negotiated Fee / Reimbursement

For complete details on exclusions & limitations, please refer to the plan booklets/contracts.

# DWP - City of Big Bear Lake

## Vision Cost Comparison

Coverage	Current Enrollment	Current EyeMed	Renewal EyeMed	Option MetLife/GIS	Option B Lincoln
<b>PPO Vision</b>		<u>Vision</u>	<u>Vision</u>	<u>M130-10/0</u>	<u>Vision Connect</u>
Employee Only	7	\$6.51	\$6.71	\$8.10	\$8.17
Employee + 1	9	\$12.37	\$12.74	\$15.21	\$14.89
Employee + 2	16	\$18.16	\$18.70	\$21.67	\$25.81
<b>Rate Guarantee</b>			Until 10/1/2020	Until 10/1/2017	Until 10/1/2018
<b>Annual Grand Total</b>	<b>32</b>	<b>\$5,369.52</b>	<b>\$5,529.96</b>	<b>\$6,483.72</b>	<b>\$7,249.92</b>
<b>\$ Difference v. Current</b>		N/A	\$160.44	\$1,114.20	\$1,880.40
<b>% Difference v. Current</b>			3.0%	20.8%	35.0%
<b>\$ Difference v. Renewal</b>		N/A	N/A	\$953.76	\$1,719.96
<b>% Difference v. Renewal</b>				17.2%	31.1%

## DWP - City of Big Bear Lake PPO Vision Plan Design Comparison

Benefit	Current / Renewal EyeMed	Option MetLife/GIS	Option B Lincoln
	<u>Vision Plan</u> In-Network / Out-of-Network	<u>M130-10/0</u> In-Network / Out-of-Network	<u>Vision Connect</u> In-Network / Out-of-Network
<b>Copayments</b>			
Exam	\$10	\$10	\$10
Materials	\$0	\$0	\$10
<b>Benefits Frequency</b>			
Exam	12 months	12 months	12 months
Lenses	12 months	12 months	12 months
Frames	24 months	24 months	24 months
Contacts (in lieu of frames & lenses)	12 months	12 months	12 months
<b>Schedule of Benefits</b>			
	<i>Reimbursed up to:</i>	<i>Reimbursed up to:</i>	<i>Reimbursed up to:</i>
<b>Exam</b>	No charge / \$35 after copay	No charge / \$45 after copay	No charge / \$40 after copay
<b>Lenses</b>			
Single Vision	No charge / \$35 after copay	No charge / \$30 after copay	No charge / \$40 after copay
Bifocal	No charge / \$49 after copay	No charge / \$50 after copay	No charge / \$60 after copay
Trifocal	No charge / \$74 after copay	No charge / \$65 after copay	No charge / \$80 after copay
<b>Frames</b>	\$130 / \$65 allowance	\$130 / \$70 allowance	\$130 / \$45 allowance
<b>Contact Lenses</b>			
Medically Necessary	No charge / \$200 after copay	No charge / \$210 after copay	No charge / \$210 after copay
Elective	\$130 / \$104 allowance	\$130 / \$105 allowance	\$130 / \$125 allowance
<b>Payment Basis</b>	Negotiated Fee / Reimbursement	Negotiated Fee / Reimbursement	Negotiated Fee / Reimbursement

For complete details on exclusions & limitations, please refer to the plan booklets/contracts.

# DWP - City of Big Bear Lake

## Basic Life/AD&D Cost Comparison

Coverage	Current Volume	Current MetLife	Renewal MetLife	Option A Hartford	Option B Lincoln
<b>Per \$1,000 of Benefit</b>					
Basic Life	\$1,550,000	\$0.210	\$0.230	\$0.171	\$0.180
Basic AD&D	\$1,550,000	\$0.027	\$0.027	\$0.034	\$0.027
<b>Rate Guarantee</b>		Until 10/1/2016	Until 10/1/2017	Until 10/1/2018	Until 10/1/2018
<b>Annual Grand Total</b>	<b>\$1,550,000</b>	<b>\$4,408.20</b>	<b>\$4,780.20</b>	<b>\$3,813.00</b>	<b>\$3,850.20</b>
<b>\$ Difference v. Current</b>		N/A	\$372.00	-\$595.20	-\$558.00
<b>% Difference v. Current</b>			8.4%	-13.5%	-12.7%
<b>\$ Difference v. Renewal</b>		N/A	N/A	-\$967.20	-\$930.00
<b>% Difference v. Renewal</b>				-20.2%	-19.5%

**Notes:**

- Lincoln rates are contingent on package sale

# DWP - City of Big Bear Lake

## Basic Life/AD&D Plan Design

Benefit	Current / Renewal MetLife	Option A Hartford	Option B Lincoln
<b>Definition of Classes</b>			
Class 1	All Active Full-Time Employees	All Active Full-Time	All Active Full-Time
<b>Benefit Amount</b>			
Class 1	\$50,000	\$50,000	\$50,000
<b>Age-Reduction Schedule</b>			
At Age 65	35%	35%	35%
At Age 70	50%	50%	50%
At Age 75	-	-	-
At Age 80	-	-	-
At Retirement	Terminates	Terminates	Terminates
<b>Waiver of Premium</b>			
If an Employee becomes totally disabled before Age 60 and remains disabled, the employee may apply for the waiver benefit (and retain coverage without premium payments until Age 65).	Included	Included	Included
<b>Accelerated Death Benefit</b>			
Allows an Employee who is terminally ill to receive a portion of their Life Benefit while still living.	80%	80%	80%
<b>AD&amp;D Benefit</b>			
	Matches Life	Matches Life	Matches Life

For complete details on exclusions & limitations, please refer to the plan booklets/contracts.

## DWP - City of Big Bear Lake Voluntary Life/AD&D Cost

Coverage	Current MetLife	Renewal MetLife	Option A Hartford	Option B Lincoln
<b>Per \$1,000 of Benefit</b>				
<b>Employee/Spouse</b>				
Age < 30	\$0.081	\$0.081	\$0.047	\$0.105
Age 30 to 34	\$0.089	\$0.089	\$0.050	\$0.115
Age 35 to 39	\$0.111	\$0.111	\$0.072	\$0.145
Age 40 to 44	\$0.167	\$0.167	\$0.109	\$0.195
Age 45 to 49	\$0.263	\$0.263	\$0.181	\$0.295
Age 50 to 54	\$0.416	\$0.416	\$0.290	\$0.515
Age 55 to 59	\$0.645	\$0.645	\$0.423	\$0.775
Age 60 to 64	\$0.943	\$0.943	\$0.552	\$0.875
Age 65 to 69	\$1.635	\$1.635	\$0.795	\$1.555
Age > 70	\$2.627	\$2.627	\$1.352	\$3.070
Child(ren)	\$0.240	\$0.240	\$0.034	\$2.000
<b>Rate Guarantee</b> <span style="margin-left: 150px;">Until 10/1/2017</span> <span style="margin-left: 50px;">Until 10/1/2018</span> <span style="margin-left: 50px;">Until 10/1/2018</span>				

**Notes:**

1. Hartford and Lincoln require 10 to enroll in voluntary life
2. Lincoln rates are contingent on package sale

## DWP - City of Big Bear Lake Voluntary Life/AD&D Plan Design

Benefit	Current / Renewal	Option A	Option B
	MetLife	Hartford	Lincoln
<b>Benefit Amount</b>			
Employee	\$10,000 units	\$10,000 units	\$10,000 units
Spouse	\$5,000 units	\$5,000 units	\$5,000 units
Child(ren)	\$1,000 to \$10,000	\$10,000	\$10,000
<b>Maximum Benefit Amount</b>			
Employee	\$500,000	\$250,000	\$500,000
Spouse	\$100,000	\$25,000	\$100,000
Child(ren)	\$10,000	\$10,000	\$10,000
<b>Guarantee Issue Amount</b>			
Employee	\$50,000	\$100,000	\$50,000
Spouse	\$25,000	\$25,000	\$10,000
Child(ren)	\$10,000	\$10,000	\$10,000
<b>Age-Reduction Schedule</b>			
At Age 65	35%	35%	35%
At Age 70	50%	50%	50%
At Age 75	-	-	-
At Age 80	-	-	-
At Retirement	Terminates	Terminates	Terminates
<b>Waiver of Premium</b>			
If an Employee becomes totally disabled before Age 60 and remains disabled, the employee may apply for the waiver benefit (and retain coverage without premium payments until Age 65).	Included	Included	Included
<b>Accelerated Death Benefit</b>			
Allows an Employee who is terminally ill to receive a portion of their Life Benefit while still living.	80%	80%	80%
<b>Conversion</b>			
	Included	Included	Included
<b>Portability</b>			
	Included	Included	Included

For complete details on exclusions & limitations, please refer to the plan booklets/contracts.

## DWP - City of Big Bear Lake

### Voluntary Long Term Disability (LTD) Cost

Coverage	Covered Payroll	Option A Metlife/GIS		Option C Hartford	Option D Lincoln
<b>Per \$100 of Covered Payroll</b>					
Long Term Disability					
Age < 35	\$9,962	\$0.257	Age < 25	\$0.086	\$0.130
Age 35 to 39	\$2,140	\$0.551	Age 25 to 29	\$0.077	\$0.130
Age 40 to 44	\$4,437	\$0.900	Age 30 to 34	\$0.121	\$0.210
Age 45 to 49	\$8,509	\$1.243	Age 35 to 39	\$0.221	\$0.350
Age 50 to 54	\$15,374	\$1.274	Age 40 to 44	\$0.341	\$0.530
Age 55 to 59	\$11,507	\$1.768	Age 45 to 49	\$0.547	\$0.730
Age 60 to 64	\$2,747	\$1.608	Age 50 to 54	\$0.619	\$0.950
Age 65+	\$0	\$1.346	Age 55 to 59	\$0.666	\$1.210
			Age 60 - 64	\$0.677	\$1.020
			Age 65+	\$0.289	\$0.790
<b>Rate Guarantee</b>		Until 10/1/2018		Until 10/1/2018	Until 10/1/2018
<b>Annual Grand Total</b>		<b>\$7,518.89</b>		<b>\$2,001.14</b>	<b>\$2,956.94</b>

## DWP - City of Big Bear Lake

### Voluntary Long Term Disability (LTD) Plan Design

Benefit	Option A Metlife/GIS	Option B Hartford	Option C Lincoln
<b>Contribution Status</b>			
Class 1	Voluntary - Employee Paid	Voluntary - Employee Paid	Voluntary - Employee Paid
<b>Definition of Covered Classes</b>			
Class 1	All Active Full-Time Employees	All Active Full-Time Employees	All Active Full-Time Employees
<b>Benefit Amount</b>			
Class 1	60%	60%	60%
<b>Monthly Benefit Maximum</b>			
Class 1	\$8,000	\$8,000	\$8,000
<b>Maximum Covered Annual Salary</b>			
Class 1	\$160,000	\$160,000	\$160,000
<b>Elimination Period</b>			
Class 1	90 days	90 days	90 days
<b>Benefit Duration &lt; age 60</b>	SSNRA	Later of Age 65 or SSNRA	Later of Age 65 or SSNRA
<b>Own Occupation Duration</b>			
Class 1	24 months	24 months	24 months
<b>Survivor Benefit</b>			
A benefit will be paid if insured dies while Disability Benefits are being paid.	3 month lump sum	3 month lump sum	3 month lump sum
<b>Pre-Existing Condition Limitations</b>			
Lookback Period	6 months	6 months	3 months
Continuously Insured	24 months	12 months	12 months
<b>Limited Benefits Periods</b>			
Mental Illness	24 months	24 months	24 months
Alcohol/Substance Abuse	24 months	24 months	24 months
Self-Reported Conditions	24 months	24 months	24 months

For complete details on exclusions & limitations, please refer to the plan booklets/contracts.

# DWP - City of Big Bear Lake

## Proposal Disclaimer

This information is intended to present only an outline and summary of benefits. We believe the rates and information herein to be accurate based on the information provided to us. Please note that the final rates, benefits, and group acceptability will all be determined at the time of enrollment by the underwriting carrier. Changes in enrollment, pre-existing conditions, and effective date of coverage may impact final rates. Rates may also vary depending on copays, deductibles, coinsurance, out-of-pocket maximums and other options requested. All plans are subject to underwriting and policy limitations and exclusions. Beneflex Insurance Services, LLC is not responsible for any errors represented in this proposal. We recommend that you review plan documentation for details as this analysis has been provided for illustrative and comparative purposes only. In the event of any discrepancies between the illustrated benefits and final benefits according to the Evidence of Coverage (EOC) booklet issued by the carrier, the EOC will be deemed accurate and will prevail.

For companies with 50 or fewer employees, coverage cannot be declined due to medical conditions.

**Do not cancel your current coverage until an application for coverage has been approved in writing, you have received your policy number from the carrier and have been instructed by Beneflex to proceed with written notification to cancel your current coverage.**

This proposal is intended for the exclusive use of the addressee. Use, copying, or dissemination of the contents of any portion of this proposal for or to any other party, without the express written consent of Beneflex Insurance Services, LLC is strictly prohibited. The information contained in this proposal is subject to all applicable rights, protections and penalties under California Business and Professions Code § 17200 and 17500. The rates contained within this proposal have been prepared for the exclusive use of Beneflex Insurance Services, Inc. and may not be valid for any other agents or agencies.

## Side By Side Comparison

### DWP - City of Big Bear Lake

Effective October 01, 2016

Zip Code 92315 - San Bernardino

	<b>CURRENT PLAN</b> Health Net  HMO WholeCare HMO Platinum \$25 w/Infertility	<b>RENEWAL PLAN</b> Health Net  HMO WholeCare HMO Platinum \$20 w/Infertility	Aetna  HMO CA Platinum HMO 20 Copay Plan	Aetna  HMO CA Gold HMO 35 Copay Plan	Anthem Blue Cross  HMO Platinum HMO 25/20%/5000
<b>Deductible</b> In Net	\$0	\$0	\$0	\$0	\$0
Out Net	N/A	N/A	N/A	N/A	N/A
<b>PC/Specialist</b> In Net	\$25/\$40	\$20/\$40	\$20/\$40	\$35/\$55	\$25/\$50
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Co-Insurance</b> In Net	N/A	0%	0%	0%	20%
Out Net	N/A	N/A	N/A	N/A	N/A
<b>OOP Limit</b> In Net	\$3,500	\$4,250	\$4,000	\$6,200	\$5,000
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Inpatient Hospital</b> In Net	\$400/adm	\$500/admit	\$250/day; days 1-5	\$600/day; days 1-5	\$250/day; up to 5 days
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Generic</b> In Net	\$5	\$5	\$5	\$15	\$15
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Preferred</b> In Net	\$15	\$30	\$15	\$50	\$40
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Non-Preferred</b> In Net	\$20	\$50	\$25	\$70	\$80
Out Net	N/A	N/A	N/A	N/A	N/A
<b>RAF</b>	1.000	1.000	1.000	1.000	1.000
<b>EE's Included</b>	20/25	20/25	20/25	20/25	20/25
<b>EE Cost</b>	\$10,776.98	\$11,979.62	\$17,065.63	\$14,835.37	\$14,792.82
<b>Dep Cost</b>	\$7,246.72	\$8,513.91	\$12,065.37	\$10,488.59	\$10,458.52
<b>Total</b>	\$18,023.70	\$20,493.53	\$29,131.00	\$25,323.96	\$25,251.34
<b>Increase</b>		\$2,469.83	\$11,107.30	\$7,300.26	\$7,227.64
<b>Change</b>		14%	62%	41%	40%

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## Side By Side Comparison

### DWP - City of Big Bear Lake

Effective October 01, 2016

Zip Code 92315 - San Bernardino

	 <b>Aetna</b> <b>HMO</b> <b>CA Gold HMO 20</b>	 <b>Aetna</b> <b>HMO</b> <b>CA Gold HMO 30</b>	 <b>UnitedHealthcare</b> <b>HMO</b> <b>State Signature 20-40/10%</b> <b>Platinum</b>	 <b>Health Net</b> <b>HMO</b> <b>Full Network HMO Platinum</b> <b>\$20 w/Infertility</b>	 <b>Health Net</b> <b>HMO</b> <b>Full Network HMO Platinum</b> <b>\$20</b>
<b>Deductible</b> In Net	\$0	\$0	\$0	\$0	\$0
Out Net	N/A	N/A	N/A	N/A	N/A
<b>PC/Specialist</b> In Net	\$20/\$60	\$30/\$60	\$20/\$40	\$20/\$40	\$20/\$40
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Co-Insurance</b> In Net	0%	0%	10%	0%	0%
Out Net	N/A	N/A	N/A	N/A	N/A
<b>OOP Limit</b> In Net	\$6,000	\$6,000	\$4,000	\$4,250	\$4,250
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Inpatient Hospital</b> In Net	\$750/admit	\$500/day; days 1-5	10%	\$500	\$500
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Generic</b> In Net	\$20	\$20	\$5	\$5	\$5
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Preferred</b> In Net	\$50 after \$250	\$50 after \$250	\$15	\$30	\$30
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Non-Preferred</b> In Net	\$100 after \$250	\$70 after \$250	\$25	\$50	\$50
Out Net	N/A	N/A	N/A	N/A	N/A
<b>RAF</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>
<b>EE's Included</b>	<b>20/25</b>	<b>20/25</b>	<b>20/25</b>	<b>20/25</b>	<b>20/25</b>
<b>EE Cost</b>	<b>\$14,790.90</b>	<b>\$14,505.33</b>	<b>\$14,034.45</b>	<b>\$13,897.27</b>	<b>\$13,784.47</b>
<b>Dep Cost</b>	<b>\$10,457.14</b>	<b>\$10,255.28</b>	<b>\$9,922.38</b>	<b>\$9,869.72</b>	<b>\$9,745.64</b>
<b>Total</b>	<b>\$25,248.04</b>	<b>\$24,760.61</b>	<b>\$23,956.83</b>	<b>\$23,766.99</b>	<b>\$23,530.11</b>
<b>Increase</b>	<b>\$7,224.34</b>	<b>\$6,736.91</b>	<b>\$5,933.13</b>	<b>\$5,743.29</b>	<b>\$5,506.41</b>
<b>Change</b>	<b>40%</b>	<b>37%</b>	<b>33%</b>	<b>32%</b>	<b>31%</b>

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## Side By Side Comparison

### DWP - City of Big Bear Lake

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Zip Code 92315 - San Bernardino

	 <b>Anthem Blue Cross</b> HMO Gold HMO 500/20%/5000	 <b>Anthem Blue Cross</b> HMO Gold HMO 50/30%/6850	 <b>Blue Shield</b> HMO Platinum Access+ HMO® 0/20 OffEx	 <b>Health Net</b> HMO Full Network HMO Gold \$30 w/Infertility	 <b>UnitedHealthcare</b> HMO Signature 20-40/30% Platinum
<b>Deductible</b> In Net	\$500	\$0	\$0	\$0	\$0
Out Net	N/A	N/A	N/A	N/A	N/A
<b>PC/Specialist</b> In Net	\$30/\$60 ded waived	\$50/\$100	\$20/\$40	\$30/\$50	\$20/\$40
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Co-Insurance</b> In Net	20%	30%	0%	0%	30%
Out Net	N/A	N/A	N/A	N/A	N/A
<b>OOP Limit</b> In Net	\$5,000 (incl ded)	\$6,850	\$1,500	\$6,000	\$3,000
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Inpatient Hospital</b> In Net	20% after ded	\$750/day; max 4 days	\$500/admit	\$600	30%
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Generic</b> In Net	\$15 ded waived	\$15 ded waived	\$5	\$15	\$15
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Preferred</b> In Net	\$40 after \$250	\$50 after \$250	\$15	\$50	\$35
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Non-Preferred</b> In Net	\$80 after \$250	\$90 after \$250	\$25	\$70	\$50
Out Net	N/A	N/A	N/A	N/A	N/A
<b>RAF</b>	1.000	1.000	1.000	1.000	1.000
<b>EE's Included</b>	20/25	20/25	20/25	20/25	20/25
<b>EE Cost</b>	\$13,408.38	\$13,366.35	\$12,764.59	\$12,695.32	\$12,669.26
<b>Dep Cost</b>	\$9,479.68	\$9,450.02	\$9,024.53	\$9,019.93	\$8,957.14
<b>Total</b>	\$22,888.06	\$22,816.37	\$21,789.12	\$21,715.25	\$21,626.40
<b>Increase</b>	\$4,864.36	\$4,792.67	\$3,765.42	\$3,691.55	\$3,602.70
<b>Change</b>	27%	27%	21%	20%	20%

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## Side By Side Comparison

### DWP - City of Big Bear Lake

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Zip Code 92315 - San Bernardino

	 <b>Blue Shield</b> HMO Platinum Access+ HMO® 0/25 OffEx	 <b>Health Net</b> HMO Full Network HMO Gold \$30	 <b>Blue Shield</b> HMO Platinum Access+ HMO® 0/30 OffEx	 <b>Health Net</b> HMO Full Network HMO Gold \$40 w/Infertility	 <b>Health Net</b> HMO Full Network HMO Gold \$50 w/Infertility
<b>Deductible</b> In Net	\$0	\$0	\$0	\$0	\$0
Out Net	N/A	N/A	N/A	N/A	N/A
<b>PC/Specialist</b> In Net	\$25/\$50	\$30/\$50	\$30/\$40	\$40/\$60	\$50/\$70
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Co-Insurance</b> In Net	N/A	0%	0%	0%	0%
Out Net	N/A	N/A	N/A	N/A	N/A
<b>OOP Limit</b> In Net	\$2,500	\$6,000	\$3,000	\$6,500	\$6,850
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Inpatient Hospital</b> In Net	\$250/day; max 3 days	\$600	\$500/day; 4 days/admit	\$800	\$1,200/admit
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Generic</b> In Net	\$5	\$15	\$5	\$15	\$20
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Preferred</b> In Net	\$15	\$50	\$15	\$50	\$50
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Non-Preferred</b> In Net	\$25	\$70	\$25	\$70	\$70
Out Net	N/A	N/A	N/A	N/A	N/A
<b>RAF</b>	1.000	1.000	1.000	1.000	1.000
<b>EE's Included</b>	20/25	20/25	20/25	20/25	20/25
<b>EE Cost</b>	\$12,602.40	\$12,582.52	\$12,459.08	\$12,388.88	\$12,333.75
<b>Dep Cost</b>	\$8,909.88	\$8,895.85	\$8,808.59	\$8,803.27	\$8,764.27
<b>Total</b>	\$21,512.28	\$21,478.37	\$21,267.67	\$21,192.15	\$21,098.02
<b>Increase</b>	\$3,488.58	\$3,454.67	\$3,243.97	\$3,168.45	\$3,074.32
<b>Change</b>	19%	19%	18%	18%	17%

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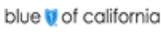
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## Side By Side Comparison

### DWP - City of Big Bear Lake

Effective October 01, 2016

Zip Code 92315 - San Bernardino

	 <b>Health Net</b>  Health Net® <b>HMO</b> Full Network HMO Gold \$40	 <b>Health Net</b>  Health Net® <b>HMO</b> Full Network HMO Gold \$50	 <b>Health Net</b>  Health Net® <b>HMO</b> WholeCare HMO Platinum \$20	 <b>Blue Shield</b> blue shield of california <b>HMO</b> Gold Access+ HMO® 750/30 OffEx	 <b>UnitedHealthcare</b>  UnitedHealthcare® <b>HMO</b> Signature 30-50/30% Gold
<b>Deductible</b> In Net	\$0	\$0	\$0	\$750	\$0
Out Net	N/A	N/A	N/A	N/A	N/A
<b>PC/Specialist</b> In Net	\$40/\$60	\$50/\$70	\$20/\$40	\$30/\$60 ded waived	\$30/\$50
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Co-Insurance</b> In Net	0%	0%	0%	20%	30%
Out Net	N/A	N/A	N/A	N/A	N/A
<b>OOP Limit</b> In Net	\$6,500	\$6,850	\$4,250	\$5,000 (incl ded)	\$5,000
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Inpatient Hospital</b> In Net	\$800	\$1,200/admit	\$500/admit	20% after ded	30%
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Generic</b> In Net	\$15	\$20	\$5	\$15 ded waived	\$15
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Preferred</b> In Net	\$50	\$50	\$30	\$30 ded waived	\$35
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Non-Preferred</b> In Net	\$70	\$70	\$50	\$50 ded waived	\$70
Out Net	N/A	N/A	N/A	N/A	N/A
<b>RAF</b>	1.000	1.000	1.000	1.000	1.000
<b>EE's Included</b>	20/25	20/25	20/25	20/25	20/25
<b>EE Cost</b>	\$12,276.08	\$12,220.95	\$11,866.82	\$11,839.14	\$11,718.90
<b>Dep Cost</b>	\$8,679.19	\$8,640.19	\$8,389.83	\$8,370.26	\$8,285.20
<b>Total</b>	\$20,955.27	\$20,861.14	\$20,256.65	\$20,209.40	\$20,004.10
<b>Increase</b>	\$2,931.57	\$2,837.44	\$2,232.95	\$2,185.70	\$1,980.40
<b>Change</b>	16%	16%	12%	12%	11%

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## Side By Side Comparison

### DWP - City of Big Bear Lake

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Zip Code 92315 - San Bernardino

	 UnitedHealthcare HMO State Signature 35-55/20% Gold	 Anthem Blue Cross HMO Silver HMO 1750/40%/6850	 Kaiser HMO Platinum 90 HMO 0/20	 Health Net HMO WholeCare HMO Gold \$30 w/Infertility	 UnitedHealthcare HMO Signature 30-50/30%/1000ded Gold
<b>Deductible</b> In Net	\$0	\$1,750	\$0	\$0	\$1,000
Out Net	N/A	N/A	N/A	N/A	N/A
<b>PC/Specialist</b> In Net	\$35/\$55	\$50/\$75 ded waived	\$20/\$40	\$30/\$50	\$30/\$50 ded waived
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Co-Insurance</b> In Net	20%	40%	N/A	0%	30%
Out Net	N/A	N/A	N/A	N/A	N/A
<b>OOP Limit</b> In Net	\$6,200	\$6,850 (incl ded)	\$4,000	\$6,000	\$5,000 (incl ded)
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Inpatient Hospital</b> In Net	20%	40% after ded	\$290/day; max 5	\$600/admit	30% after ded
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Generic</b> In Net	\$15	\$15 ded waived	\$5	\$15	\$15
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Preferred</b> In Net	\$50	\$50 after \$250	\$15	\$50	\$35
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Non-Preferred</b> In Net	\$70	\$90 after \$250	\$15	\$70	\$70
Out Net	N/A	N/A	N/A	N/A	N/A
<b>RAF</b>	1.000	1.000	1.000	1.000	1.000
<b>EE's Included</b>	20/25	20/25	20/25	20/25	20/25
<b>EE Cost</b>	\$11,709.46	\$11,642.05	\$10,978.09	\$10,944.87	\$10,929.04
<b>Dep Cost</b>	\$8,278.58	\$8,230.95	\$7,896.38	\$7,782.31	\$7,726.81
<b>Total</b>	\$19,988.04	\$19,873.00	\$18,874.47	\$18,727.18	\$18,655.85
<b>Increase</b>	\$1,964.34	\$1,849.30	\$850.77	\$703.48	\$632.15
<b>Change</b>	11%	10%	5%	4%	4%

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	 Health Net Health Net HMO WholeCare HMO Gold \$30	 Health Net Health Net HMO WholeCare HMO Gold \$40 w/Infertility	 Health Net Health Net HMO SmartCare HMO Platinum \$20 w/Infertility	 Health Net Health Net HMO WholeCare HMO Gold \$50 w/Infertility	 Health Net Health Net HMO WholeCare HMO Gold \$40
<b>Deductible</b> In Net	\$0	\$0	\$0	\$0	\$0
Out Net	N/A	N/A	N/A	N/A	N/A
<b>PC/Specialist</b> In Net	\$30/\$50	\$40/\$60	\$20/\$40	\$50/\$70	\$40/\$60
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Co-Insurance</b> In Net	0%	0%	0%	0%	0%
Out Net	N/A	N/A	N/A	N/A	N/A
<b>OOP Limit</b> In Net	\$6,000	\$6,500	\$4,250	\$6,850	\$6,500
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Inpatient Hospital</b> In Net	\$600/admit	\$800/admit	\$500/admit	\$1,200/admit	\$800/admit
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Generic</b> In Net	\$15	\$15	\$5	\$20	\$15
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Preferred</b> In Net	\$50	\$50	\$30	\$50	\$50
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Non-Preferred</b> In Net	\$70	\$70	\$50	\$70	\$70
Out Net	N/A	N/A	N/A	N/A	N/A
<b>RAF</b>	1.000	1.000	1.000	1.000	1.000
<b>EE's Included</b>	20/25	20/25	20/25	20/25	20/25
<b>EE Cost</b>	\$10,832.07	\$10,681.04	\$10,659.15	\$10,633.60	\$10,568.24
<b>Dep Cost</b>	\$7,658.23	\$7,595.82	\$7,580.30	\$7,562.29	\$7,471.74
<b>Total</b>	\$18,490.30	\$18,276.86	\$18,239.45	\$18,195.89	\$18,039.98
<b>Increase</b>	\$466.60	\$253.16	\$215.75	\$172.19	\$16.28
<b>Change</b>	3%	1%	1%	1%	0%

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## Side By Side Comparison

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	 Health Net HMO SmartCare HMO Platinum \$20	 Health Net HMO WholeCare HMO Gold \$50	 Kaiser HMO Gold 80 HMO 0/35	 Kaiser HMO Gold 80 HMO 500/30	 UnitedHealthcare HMO State Signature 45-70/20%/1500ded Silver
<b>Deductible</b> In Net	\$0	\$0	\$0	\$500	\$1,500
Out Net	N/A	N/A	N/A	N/A	N/A
<b>PC/Specialist</b> In Net	\$20/\$40	\$50/\$70	\$35/\$55	\$30/\$30 (ded waived)	\$45/\$70 ded waived
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Co-Insurance</b> In Net	0%	0%	N/A	N/A	20%
Out Net	N/A	N/A	N/A	N/A	N/A
<b>OOP Limit</b> In Net	\$4,250	\$6,850	\$6,200	\$6,250 (incl ded)	\$6,500 (incl ded)
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Inpatient Hospital</b> In Net	\$500/admit	\$1,200/admit	\$655/day; max 5	\$600/day; max 5	20% after ded
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Generic</b> In Net	\$5	\$20	\$15	\$15 (ded waived)	\$15 ded waived
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Preferred</b> In Net	\$30	\$50	\$50	\$50 (ded waived)	\$55 after \$250
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Non-Preferred</b> In Net	\$50	\$70	\$50	\$50 (ded waived)	\$75 after \$250
Out Net	N/A	N/A	N/A	N/A	N/A
<b>RAF</b>	1.000	1.000	1.000	1.000	1.000
<b>EE's Included</b>	20/25	20/25	20/25	20/25	20/25
<b>EE Cost</b>	\$10,546.35	\$10,520.80	\$9,959.28	\$9,926.74	\$9,875.75
<b>Dep Cost</b>	\$7,456.22	\$7,438.21	\$7,176.18	\$7,153.17	\$6,982.14
<b>Total</b>	\$18,002.57	\$17,959.01	\$17,135.46	\$17,079.91	\$16,857.89
<b>Increase</b>	-\$21.13	-\$64.69	-\$888.24	-\$943.79	-\$1,165.81
<b>Change</b>	0%	0%	-5%	-5%	-6%

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## Side By Side Comparison

### DWP - City of Big Bear Lake

Effective October 01, 2016

Zip Code 92315 - San Bernardino

	 <b>UnitedHealthcare</b> HMO Signature 45-65/40%/2000ded Silver	 <b>Health Net</b> HMO SmartCare HMO Gold \$30 w/Infertility	 <b>Health Net</b> HMO SmartCare HMO Gold \$30	 <b>Health Net</b> HMO SmartCare HMO Gold \$40 w/Infertility	 <b>Health Net</b> HMO SmartCare HMO Gold \$50 w/Infertility
<b>Deductible</b> In Net	\$2,000	\$0	\$0	\$0	\$0
Out Net	N/A	N/A	N/A	N/A	N/A
<b>PC/Specialist</b> In Net	\$45/\$65 ded waived	\$30/\$50	\$30/\$50	\$40/\$60	\$50/\$70
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Co-Insurance</b> In Net	40%	0%	0%	0%	0%
Out Net	N/A	N/A	N/A	N/A	N/A
<b>OOP Limit</b> In Net	\$6,500 (incl ded)	\$6,000	\$6,000	\$6,500	\$6,850
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Inpatient Hospital</b> In Net	40% after ded	\$600/admit	\$600/admit	\$800/admit	\$1,200/admit
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Generic</b> In Net	\$20	\$15	\$15	\$15	\$20
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Preferred</b> In Net	\$50	\$50	\$50	\$50	\$50
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Non-Preferred</b> In Net	\$100	\$70	\$70	\$70	\$70
Out Net	N/A	N/A	N/A	N/A	N/A
<b>RAF</b>	1.000	1.000	1.000	1.000	1.000
<b>EE's Included</b>	20/25	20/25	20/25	20/25	20/25
<b>EE Cost</b>	\$9,780.82	\$9,739.56	\$9,626.76	\$9,505.09	\$9,462.90
<b>Dep Cost</b>	\$6,915.05	\$6,930.24	\$6,806.16	\$6,764.46	\$6,734.59
<b>Total</b>	\$16,695.87	\$16,669.80	\$16,432.92	\$16,269.55	\$16,197.49
<b>Increase</b>	\$-1,327.83	\$-1,353.90	\$-1,590.78	\$-1,754.15	\$-1,826.21
<b>Change</b>	-7%	-8%	-9%	-10%	-10%

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## Side By Side Comparison

### DWP - City of Big Bear Lake

Effective October 01, 2016

Zip Code 92315 - San Bernardino

	 <b>Kaiser</b> <b>HMO</b> <b>Gold 80 HRA 2000/30</b>	 <b>Health Net</b> <b>HMO</b> <b>SmartCare HMO Gold \$40</b>	 <b>Health Net</b> <b>HMO</b> <b>SmartCare HMO Gold \$50</b>	 <b>Kaiser</b> <b>HMO</b> <b>Silver 70 HMO 1500/45</b>	 <b>Kaiser</b> <b>HMO</b> <b>Silver 70 HMO 1000/50</b>
<b>Deductible</b> In Net	\$2,000	\$0	\$0	\$1,500	\$1,000
Out Net	N/A	N/A	N/A	N/A	N/A
<b>PC/Specialist</b> In Net	\$30/\$30 (ded waived)	\$40/\$60	\$50/\$70	\$45/\$70 (ded waived)	\$50/\$50 (ded waived)
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Co-Insurance</b> In Net	20%	0%	0%	20%	30%
Out Net	N/A	N/A	N/A	N/A	N/A
<b>OOP Limit</b> In Net	\$6,250 (incl ded)	\$6,500	\$6,850	\$6,500 (incl ded)	\$6,500 (incl ded)
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Inpatient Hospital</b> In Net	20%	\$800/admit	\$1,200/admit	20%	30%
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Generic</b> In Net	\$15 (ded waived)	\$15	\$20	\$15 (ded waived)	\$25 (ded waived)
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Preferred</b> In Net	\$30 (ded waived)	\$50	\$50	\$55 after \$250	\$50 (ded waived)
Out Net	N/A	N/A	N/A	N/A	N/A
<b>Rx Non-Preferred</b> In Net	N/A	\$70	\$70	\$55 after \$250	\$50 (ded waived)
Out Net	N/A	N/A	N/A	N/A	N/A
<b>RAF</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>
<b>EE's Included</b>	<b>20/25</b>	<b>20/25</b>	<b>20/25</b>	<b>20/25</b>	<b>20/25</b>
<b>EE Cost</b>	<b>\$9,397.73</b>	<b>\$9,392.29</b>	<b>\$9,350.10</b>	<b>\$8,656.43</b>	<b>\$8,483.39</b>
<b>Dep Cost</b>	<b>\$6,779.08</b>	<b>\$6,640.38</b>	<b>\$6,610.51</b>	<b>\$6,255.00</b>	<b>\$6,132.66</b>
<b>Total</b>	<b>\$16,176.81</b>	<b>\$16,032.67</b>	<b>\$15,960.61</b>	<b>\$14,911.43</b>	<b>\$14,616.05</b>
<b>Increase</b>	<b>\$-1,846.89</b>	<b>\$-1,991.03</b>	<b>\$-2,063.09</b>	<b>\$-3,112.27</b>	<b>\$-3,407.65</b>
<b>Change</b>	<b>-10%</b>	<b>-11%</b>	<b>-11%</b>	<b>-17%</b>	<b>-19%</b>

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## Underwriting Guidelines

### Aetna

This list is meant to be informative and is not intended to be all-inclusive. Other policies and guidelines may apply.

**Group Size:** 1 to 100

**Rate Guarantee:** 12 months

**Rates:** Based on ER zip code. OOS EE's based on ER zip code. New Hire rates are based on the employee's age as of his/her coverage effective date.

**Contribution:** Traditional: minimum 50% of EE premium. Defined: minimum \$80 per EE.

**Participation:** 1-100 EE's = 60%; 100% contribution requires 100% participation.

**Carve Outs:** Non-Union carve-outs allowed. Minimum of 5 enrolled. Total group size (union & non-union) must be 100 or less. 75% of the carve out population must enroll with Aetna.

**Cobra/CALCobra:** No maximum.

**Out of Area:** Maximum 49% of eligibles out-of-state. EE's and dependents in HI and VT are not eligible.

**Multiple Carriers:** Waivers required. 40% minimum and 5 enrolled. Calculating Kaiser participation: Total eligibles then subtract ER's COBRA enrollees, subtract valid waivers, multiply remaining eligibles by 40%. Eligible for Aetna Pick Five if non-Kaiser EE = 40% and minimum of 5 non-Kaiser enrollees.

**Waiting Periods:** 1st of the month after date of hire; 1st of the month after 30 days; 1st of the month after 60 days. Dual waiting periods are not allowed.

**Eligibility:** Full-Time. Part-Time - 20+ hours per normal work week for at least 50% of the weeks in the previous calendar quarter. 1099 EE's not eligible.

**Network Options:** HMO Networks - Full HMO, Value HMO, HMO Deductible, Vitalidad HMO, Basic HMO, PrimeCare. PPO Networks - Full PPO, MC. Savings Plus MC. Network pairing - all networks may be mixed and matched to include up to 5 plans.

**Product Options:** 1-100 - Metallic tiers may be mixed and matched. Medical Plan Options - PPO, HSA, HMO. All other networks available alongside all plans. Dental - NonVol & Vol (3+ standalone). Life (26+ standalone).

## Underwriting Guidelines

### Anthem Blue Cross

This list is meant to be informative and is not intended to be all-inclusive. Other policies and guidelines may apply.

**Group Size:** 1 to 100

**Rate Guarantee:** 12 months

**Rates:** Based on ER zip code. OOS EE's based on ER zip code. New Hire rates are based on the employee's age as of his/her coverage effective date.

**Contribution:** Traditional: minimum 50% of EE premium. Defined: minimum \$100 per EE.

**Participation:** 1-4 enrolled: 50%; 5-100 enrolled: 30%; 100% contribution requires 100% participation

**Carve Outs:** Non-Union carve-outs allowed. Total group size (union & non-union) must be 100 or less. 75% of the carve out population must enroll with Anthem Blue Cross.

**Cobra/CALCobra:** No maximum.

**Out of Area:** Maximum 49% of eligibles out-of-state.

**Multiple Carriers:** Waivers required. Calculating Kaiser participation: Total eligibles then subtract ER's COBRA enrollees, subtract valid waivers, 1-14: multiply remaining eligibles by 70%; 15-100: multiply remaining eligibles by 50%.

**Waiting Periods:** 1st of the month after date of hire; 1st of the month after 30 days. Dual waiting periods are not allowed.

**Eligibility:** Full-Time. Part-Time - Defined as 20+ hours per normal work week for at least 50% of the weeks in the previous calendar quarter. 1099 EE's not eligible.

**Network Options:** HMO Networks - CaliforniaCare HMO (Full), Select HMO, Priority Select HMO. PPO Networks - Prudent Buyer PPO (Full), Select PPO. Network pairing - two HMO's and /or one PPO network may be offered.

**Product Options:** 1-100 - Metallic tiers may be mixed and matched. Medical Plan Options - PPO, HSA, HRA, HMO. Dental - P&C NonVol (2+ standalone); P&C Vol (5+ standalone). Life (2+ standalone). Vision - NonVol (2+ standalone); Vol (10+ standalone).

## Underwriting Guidelines

### Blue Shield

This list is meant to be informative and is not intended to be all-inclusive. Other policies and guidelines may apply.

**Group Size:** 1 to 50

**Rate Guarantee:** 12 months (although mid-year rate changes could occur due to changes in an employee's age, dependent status or zip code).

**Rates:** Based on ER zip code. Composite rating not available. Medicare Primary rates should only be used when the total number of EEs in the group is less than 20. New Hire rates are based on the employee's age as of his/her coverage effective date.

**Contribution:** The employer must contribute a defined contribution of a minimum of \$100 per enrolled employee or a minimum of 50% of the employee premium.

**Participation:** If Blue Shield is the only carrier offered a minimum of one employee and at least 65% of all eligible employees must enroll. If Blue Shield is offered alongside another carrier's HMO, a minimum participation of 65% between both carriers is required providing Blue Shield has 5 or more enrolled employees or at least 50% of the total number of enrollees.

**Carve Outs:** Non-Union carve-outs allowed. Minimum of 5 enrolled.

**1099 Ees:** Not Eligible

**Cobra/CALCobra:** Blue Shield administers Cal-Cobra. CONEXIS COBRA is available to all Federal Cobra groups.

**Out of Area:** The group must have 51% of employees located in Ca. Approved out-of-area employees will be charged an area rate based on the location of the employer's California place of business.

**Multiple Carriers:** Blue Shield plan must equal to the greater of 5 enrolled employees or 50% of the group's total enrolled employees.

**Waiting Periods:** Minimum of 1st of the month following date of hire and maximum of 2 months following date of hire. The waiting period may be waived for all employees for the initial group enrollment.

**Business Age:** Must be actively engaged in business or service.

**Submission Dates:** First of the month is standard. Applications must be dated within 45 days of plan effective date.

**Workers' Comp:** All employees, except those not required by law, must be covered by Worker's Comp.

## Underwriting Guidelines

### Health Net

This list is meant to be informative and is not intended to be all-inclusive. Other policies and guidelines may apply.

**Group Size:** 1 to 100

**Rate Guarantee:** 12 months

**Rates:** Based on ER zip code. OOS EE's based on ER zip code. New Hire rates are based on the employee's age as of group's contract effective date.

**Contribution:** Traditional: minimum 50% of EE premium of lowest cost plan. Defined: minimum \$100 per EE.

**Participation:** 1-5 eligible 66%; 6-100 eligible 50%; 100% contribution requires 100% participation.

**Carve Outs:** Non-Union carve outs allowed. Total group size (union & non-union) must be 100 or less. 1-5 eligibles: 75% of the carve out population must enroll with Health Net. 6-100 eligibles: 50% of the carve out population must enroll with Health Net.

**Cobra/CALCobra:** No maximum.

**Out of Area:** Maximum 49% of eligibles out-of-state & maximum 49% of enrolled out-of-state. EE's and dependents in HI are not eligible.

**Multiple Carriers:** Waivers required. 1-5 eligible 66%; 6-100 eligible 50%. Calculating Kaiser participation: Total eligibles then subtract ER's COBRA enrollees, subtract valid waivers, multiply remaining eligibles by percentages noted above.

**Waiting Periods:** 1st of the month after date of hire; 1st of month after 30 days; 1st of the month after 1 month; 1st of the month after 60 days. Dual waiting periods not allowed.

**Eligibility:** Full-Time - 30 hours average per week for one month. Part-Time - 20 hours per week. 1099 EE's not eligible.

**Network Options:** Full HMO Network, WholeCare HMO, CommunityCare HMO, SmartCare HMO, Salud HMO, PureCare One EPO, PureCare HSP & Full PPO.

**Product Options:** 1-100 - Metallic tiers can be mixed and matched. Enhanced Choice A & Enhanced Choice B packages are available. The Full Network HMO plans are in the Enhanced Choice A package. The WholeCare, SmartCare & Salud HMOs are in the Enhanced Choice B package. All CommunityCare, EPO, HSP & PPO plans exist in both packages. Dental - NonVol & Vol (2+ standalone). Life (10+ standalone). Vision (2+ standalone).

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## Underwriting Guidelines

### Kaiser

This list is meant to be informative and is not intended to be all-inclusive. Other policies and guidelines may apply.

**Group Size::**1-50 EE's (DE-9C required)

**Rate Guarantee::**12 months (although mid-year rate changes could occur due to changes in dependent status or zip code)

**R.A.F.:**Not applicable for new sales. Applies to groups with grandfathered plans

**Rates::**Based on ER zip code. Not applicable for new sales. Applies to groups with grandfathered plans. New Hire rates are based on the employee's age as of group's contract effective date.

**Fees::**None

**Contribution::**Minimum 50% of the Kaiser Permanente single rate, 50% of the employee-only composite rate, or a required equal dollar amount contribution to the alternate competitor plan, whichever is greater

**Participation::**Minimum contribution must be at least 50 percent of the employee's premium for the lowest-priced Kaiser Permanente medical plan offered by the employer (not including ancillary coverage such as dental or chiropractic)

**Carve Outs::**No new carve outs are allowed

**1099 EEs::**Not eligible

**Cobra/CALCobra::**Kaiser administers Cal-cobra

**Out of Area::**HMO members living or traveling out of area are covered for emergency services outside the KP service area. PPO plans are available for out of area and out-of-state employees per multiple plan rules. Out of area member premiums are based on the most expensive rating area(s), which for 2014 are rating areas 4, 7 and 8

**Multiple Plans::**Groups with 1-5 enrolling may elect a maximum of 3 plans. Groups with 6+ enrolling may elect 1 or more plans. If the group is a Kaiser POS or PPO, then Kaiser Permanente must be the sole carrier and must be offered with at least one copayment or deductible HMO plan as part of a multiple plan offering. Combined enrollment in PPO or POS cannot exceed 30%. Groups are only allowed one metal PPO plan. The PPO plans may not be sold along with any DeltaCare Dental

**Multiple Carriers::**Standard participation a min. of 1 EE must enroll with Kaiser, and at least 70% of eligible EE s must be covered by any group health plan

**Waiting Periods::**Maximum 60 days from date of employment

**Business Age::**Eligible as a small group for 6 weeks or greater

**Submission Dates::**30 days prior to the effective date preferred. The latest submission date will be the 1st of the month

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## Underwriting Guidelines

### UnitedHealthcare

This list is meant to be informative and is not intended to be all-inclusive. Other policies and guidelines may apply.

**Group Size:** 1 to 100

**Rate Guarantee:** 12 months

**Rates:** Based on ER zip code. OOS EE's based on ER zip code. Renewal rule: A member's billing age will be increased on the first billing due date following the group's renewal. New Hire rates are based on the employee's age as of his/her coverage effective date.

**Contribution:** Minimum 50% of EE premium or a minimum of \$100 monthly. Employer HSA contributions will impact the plan actuarial value. If the employer contributes 100 percent of the employee premium, 100 percent of the employees must enroll.

**Participation:** 1-100 Enrolled EEs = 60% participation excluding valid waivers. 100% Contribution requires 100% participation.

**Carve Outs:** Non-Union carve outs allowed. Total group size (union & non-union) must be between 1-100 eligibles.

**Cobra/CALCobra:** No maximum.

**Multiple Plans:** Employers enrolling 1-100 active employees may select all the plans in the package.

**Out of Area:** If 51% or more of the enrolled employees are located outside of CA, reference the UHC Multisite underwriting guidelines to determine the base location. UHC will not write business if more than 25% of the population is located in Vermont or Minnesota. Alaska (AK) - Core plans are the only option at this time for AK employees within the Choice Simplified package. AK employees cannot enroll on Select Plus plans. Hawaii (HI) - UHC only has one filed and approved HI plan that complies for HI employees. (HI plan is only quoted on UeS, not externally). HI employees cannot enroll on Select Plus plans. Idaho (ID) - some parts of Idaho (rural areas); broker needs to check network access online via www.myuhc.com. All Idaho employees must enroll on the PPO Non-Differential plan. Groups with employees residing outside the state of California must provide a QWR from the respective states. Payroll will not be accepted for out-of-state employees.

**Multiple Carriers:** A complete copy of the most recent billing statement from the staff model reflecting employee census and applications/waivers from any employees not reflected on the billing statement. Individual waivers are considered valid waivers for non-grandfathered groups beginning January 2014. This does not apply to groups written or renewed in 2013. ChoiceSimplified Package - 60% with UHC and a minimum of 5 CA enrolling employees. Multi-State Package - 60%. Calculating Staff Model participation: ChoiceSimplified - total eligibles then subtract ER's COBRA enrollees, subtract valid waivers, multiply remaining eligibles by 60%. Eligible for UHC if Staff Model + non-Staff Model enrollees = 60% and minimum of 5 CA non-Staff Model enrollees.

**Waiting Periods:** 1st of the month after date of hire; 1st of month after 30 days; or 1st of the month after 90 days. Dual waiting periods are not allowed.

**Eligibility:** Full-Time - 30 hours average per week for one month. Part-Time - 20-29 hours is an option to add. 1099's now eligible. Owner only groups allowed if the group has at least 1 non spouse/ non owner W2 eligible employee OR if the group is a C or S corp. Proof of ownership is required for all eligible enrolling (and/or waiving) owners not appearing on the Quarterly Wage Report. A Quarterly Wage Report (DE9 and DE9C) is required for all groups that have been in businesses more than one year; a current 2 week or quarterly payroll statement may be submitted in lieu of a QWR. For groups in business less than one year, a current 2 week or quarterly payroll statement (or QWR) is required for all groups. Groups comprised of family members must always provide a QWR .

**Network Options:** HMO Networks - Signature HMO (Full), Advantage HMO (Narrow), Alliance HMO (High Performance), Focus HMO (Extra Narrow). PPO Networks - Select Plus PPO (Full), Core PPO (Narrow). Network pairing - Any network mix within a package; full and narrow networks may be offered alongside one another.

**Product Options:** 1-100 - Any network and any metallic tiers can be mixed and matched within the designated package option. Medical Plan Options - PPO, In Network Only PPO, HSA (and HMO HSA in SoCA only). Dental - NonVol & Vol (2+ standalone). Vision - Vol (1+ stand-alone). Life (6+ standalone).

## Footnotes

### Footnotes

#### Aetna

\*New Hire rates are based on the employee's age as of his/her coverage effective date. If this is a "New Hire" quote, please make the necessary changes in your census to reflect the true age of the new employee.

\*PrimeCare Physicians MC plans have two levels of benefits: Level 1: When members use the PrimeCare Physician Network to coordinate all of their care, they realize maximum savings. Level 2: Use of any other provider will result in a lower level of benefits. While Aetna Whole Health members have the freedom to receive care from any provider, they realize the highest benefit level and lowest out-of-pocket costs when they access care through the PrimeCare Physicians Network.

\*For Aetna PrimeCare Physicians HMO plans, members must select a PrimeCare physician for PCP.

\*Employees who reside in a non-HMO network may enroll in an HMO product offered by their Employer if they live within a 30 miles radius of their work site that is within the HMO, AVN, HMO Coinsurance, and HMO Deductible service area. Employees who reside in a non-Vitalidad and Vitalidad Plus network may enroll in a Vitalidad and Vitalidad Plus product if they live within a 50 miles radius of their work site that is within the Vitalidad and Vitalidad Plus service area

\*Producers should obtain the Summary of Benefits and Coverage (SBC) documents for Aetna medical plans by accessing the following link: <https://www.aetna.com/sbcsearch/home>

#### Anthem Blue Cross

\*The 2016 plan designs are still PENDING REGULATORY APPROVAL.

\*All Medical and Dental Plans and Rates are subject to Regulatory Review and/or Approval.

\*Employers are responsible for sending an electronic or printed copy of the summary of benefits and coverage (also called an "SBC") to plan participants and beneficiaries. To access your groups SBC's, go to <https://sbc.anthem.com/>.

\*This summary of benefits has been updated to comply with federal and state requirements, including applicable provisions of the recently enacted federal health care reform laws. As we receive additional guidance and clarification on the new health care reform laws from the U.S. Department of Health and Human Services, Department of Labor and Internal Revenue Service, we may be required to make additional changes to this summary of benefits. This summary of benefits, as updated, is subject to the approval of the California Department of Insurance and the California Department of Managed Health Care (as applicable).

\*The Anthem Blue Cross medical and dental premiums displayed in this proposal are based on the census information provided and the zip code rating region designations in Health Connects' system. Some zip codes may have a dual county rating region. Health Connect has defaulted these zip codes to the most populous county. However, once Anthem Blue Cross receives the enrollment the county may be updated based on the physical address. To improve the accuracy of this proposal, insure the correct rating region designation is noted for the Employer. Rating regions can be referenced in the rate guide Final rates are set by Anthem Blue Cross.

\*New Hire rates are based on the employee's age as of his/her coverage effective date. If this is a "New Hire" quote, please make the necessary changes in your census to reflect the true age of the new employee.

#### Blue Shield

\*Blue Shield currently has a billing system glitch when a new hire is added mid-year. The rate that the system assigns the member is based on the group effective date or previous renewal date instead of the age at time of enrollment. They are working to correct this error and hope to have it resolved this year. The correct rate should be based on the employees age at time of enrollment; however, due to the system issue, the incorrect lower rate is being charged.

\*The 2016 plan designs are still PENDING REGULATORY APPROVAL.

\*New Hire rates are based on the employee's age as of his/her coverage effective date. If this is a "New Hire" quote, please make the necessary changes in your census to reflect the true age of the new employee.

\*If you are an employer located in certain California counties whose eligible employees live or work in the Exclusive HMO® service area, you

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## Footnotes

have the option of choosing any of the Full HMO® plans or Exclusive HMO, but not both. The Exclusive HMO plans have the same benefits as our Full HMO plans. Exclusive HMO plan options may not be combined with or offered alongside any other full network HMO plan.

### Health Net

\*CommunityCare HMO - Please note this product is still pending regulatory approval.

\*New Hire rates are based on the employee's age as of group's contract effective date.

### Kaiser

\*New Hire rates are based on the employee's age as of group's contract effective date.

\*Actual rates may be lower if a less expensive default rating area is applied to the group.

\*The Kaiser Permanente medical and dental premiums displayed in this proposal are based on the census information provided and the zip code rating region designations in HealthConnect's system. Some zip codes may have a dual county rating region. HealthConnect has defaulted these zip codes to the most populous county. However, once Kaiser Permanente receives the enrollment the county may be updated based on the physical address. To improve the accuracy of this proposal, insure the correct rating region designation is noted for each quoted subscriber.

\*Employees who live outside the Kaiser Permanente service area are not eligible for coverage unless the employer is located in the Kaiser Permanente service area. If an employer is located outside the Kaiser Permanente service area, then only the employees who live in the service area are eligible for coverage. Employees must meet all qualification requirements to be eligible to enroll.

\* Groups can only offer one PPO plan alongside HMO plan(s).

\*All metal HMO medical plans include a bundled pediatric dental rider. The cost of the rider is included in the medical plan premium for members under 19.

### UnitedHealthcare

\*UHC will not write business if more than 25% of the population is located in Vermont or Minnesota.

\*The 2016 plan designs are still PENDING REGULATORY APPROVAL.

\*Each UnitedHealthcare Member can choose their Primary Care Physician, as long as the doctor is selected from United's list of Primary Care Physicians and the doctor is located within 30 miles of either the Member's Primary Residence or Primary Workplace.

\*New Hire rates are based on the employee's age as of his/her coverage effective date. If this is a "New Hire" quote, please make the necessary changes in your census to reflect the true age of the new employee.

\*Infertility is an optional benefit for all HMO plans and the rate is calculated as a 4.8% premium increase.

\*For plans Select Plus 15/250/10% Gold, Select Plus 15/500/10% Gold, Select Plus 20/750/20% Gold, Select Plus 15/1000/10% Gold, Select Plus 25/1800/20% Silver, Select Plus 35/1800/30% Silver, and/or Select Plus 4500/20% Bronze the outpatient per occurrence deductible may be waived for outpatient services received at an in-network independent, non-hospital affiliated provider.

\*For HSA plans: Making sure that the employer contribution to HSAs fall into the designated dollar amount ranges helps ensure that the plan meets the actuarial value for the metallic level of coverage selected and ensures compliance with the requirements of the ACA. If the employer does not intend to make the contributions or intends to change the amount or timing of the contributions, please contact your UnitedHealthcare representative immediately. Please refer to the HRA HSA confirmation letter under the forms section for the applicable HSA Employer Contribution ranges

## Side By Side Comparison

### DWP - City of Big Bear Lake

Effective October 01, 2016

Zip Code 92315 - San Bernardino

	<b>CURRENT PLAN</b> Health Net  PPO Gold 80 PPO w/Infertility	<b>RENEWAL PLAN</b> Health Net  PPO Gold 80 PPO 0/35 w/Infertility	Aetna  PPO CA Gold MC 500 80/50	Aetna  PPO CA Gold MC 0 Copay Plan	Aetna  PPO CA Gold MC 750 80/50	Aetna  PPO CA Silver MC 1000 75/50
<b>Deductible</b> In Net	\$0	\$0	\$500	\$0	\$750	\$1,000
Out Net	\$0	\$0	\$1,000	\$1,000	\$1,500	\$2,000
<b>PC/Specialist</b> In Net	\$30/\$50	\$35/\$55	\$35/\$35 (ded waived)	\$35/\$55	\$30/\$40 (ded waived)	\$30/\$40 (ded waived)
Out Net	50%	50%	50% after ded	50% after ded	50% after ded	50% after ded
<b>Co-Insurance</b> In Net	20%	20%	20%	0%	20%	25%
Out Net	50%	50%	50%	50%	50%	50%
<b>OOP Limit</b> In Net	\$6,250	\$6,200	\$5,000 (incl ded)	\$6,200	\$5,500 (incl ded)	\$6,500 (incl ded)
Out Net	\$12,500	\$12,400	\$10,000 (incl ded)	\$12,400 (incl ded)	\$11,000 (incl ded)	\$13,000 (incl ded)
<b>Inpatient Hospital</b> In Net	20%	20%	20% after ded	\$600/day; days 1-5	20% after ded	25% after ded
Out Net	50%	50%	50% after ded	50% after ded	50% after ded	50% after ded
<b>Rx Generic</b> In Net	\$15	\$15	\$15	\$15	\$15	\$30 (ded waived)
Out Net	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered
<b>Rx Preferred</b> In Net	\$50	\$50	\$50	\$50	\$50	\$60 after \$250
Out Net	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered
<b>Rx Non-Preferred</b> In Net	\$70	\$70	\$70	\$70	\$70	\$70 after \$250
Out Net	Not covered	Not covered	Not covered	Not covered	Not covered	Not covered
<b>RAF</b>	1.000	1.000	1.000	1.000	1.000	1.000
<b>EE's Included</b>	5/25	5/25	5/25	5/25	5/25	5/25
<b>EE Cost</b>	\$2,866.70	\$3,495.77	\$4,542.49	\$4,489.89	\$4,438.55	\$4,147.88
<b>Dep Cost</b>	\$2,610.57	\$3,181.54	\$4,130.86	\$4,083.03	\$4,036.34	\$3,772.02
<b>Total</b>	\$5,477.27	\$6,677.31	\$8,673.35	\$8,572.92	\$8,474.89	\$7,919.90
<b>Increase</b>		\$1,200.04	\$3,196.08	\$3,095.65	\$2,997.62	\$2,442.63
<b>Change</b>		22%	58%	57%	55%	45%

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## Side By Side Comparison

### DWP - City of Big Bear Lake

Effective October 01, 2016

Zip Code 92315 - San Bernardino

	 <b>Aetna</b> PPO CA Silver MC 1000 60/50	 <b>Kaiser</b> PPO Gold 80 PPO 0/35	 <b>Health Net</b> PPO Gold 80 PPO 0/35	 <b>Anthem Blue Cross</b> PPO Gold Select PPO 35/20%/6200	 <b>Anthem Blue Cross</b> PPO Gold PPO 20/30%/5500	 <b>Anthem Blue Cross</b> PPO Gold PPO 500/20%/4500
<b>Deductible</b> In Net	\$1,000	\$0	\$0	\$0	\$0	\$500
Out Net	\$2,000	\$1,000	\$0	\$2,000	\$1,000	\$1,000
<b>PC/Specialist</b> In Net	\$30/\$40 (ded waived)	\$35/\$55	\$35/\$55	\$35/\$55	\$20/\$40	\$30/\$60 ded waived
Out Net	50% after ded	40%	50%	50% after ded	50% after ded	50% after ded
<b>Co-Insurance</b> In Net	40%	20%	20%	20%	30%	20%
Out Net	50%	40%	50%	50%	50%	50%
<b>OOP Limit</b> In Net	\$6,500 (incl ded)	\$6,200	\$6,200	\$6,200	\$5,500	\$4,500 (incl ded)
Out Net	\$13,000 (incl ded)	\$12,400 (incl ded)	\$12,400	\$12,400 (incl ded)	\$11,000 (incl ded)	\$9,000 (incl ded)
<b>Inpatient Hospital</b> In Net	40% after ded	20%	20%	20%	30%	20% after ded
Out Net	50% after ded	40%	50%	50% after ded; \$650 max/day	50% after ded; \$650 max/day	50% after ded; \$650 max/day
<b>Rx Generic</b> In Net	\$25 (ded waived)	\$15	\$15	\$15	\$15 ded waived	\$15 ded waived
Out Net	Not covered	\$15 (ded waived)	Not covered	50% ded waived	50% ded waived	50% ded waived
<b>Rx Preferred</b> In Net	\$50 after \$250	\$50	\$50	\$50	\$40 after \$250	\$40 after \$250
Out Net	Not covered	\$50 (ded waived)	Not covered	50% ded waived	50% after ded	50% after ded
<b>Rx Non-Preferred</b> In Net	\$70 after \$250	\$50	\$70	\$70	\$80 after \$250	\$80 after \$250
Out Net	Not covered	\$50 (ded waived)	Not covered	50% ded waived	50% after ded	50% after ded
<b>RAF</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>
<b>EE's Included</b>	<b>5/25</b>	<b>5/25</b>	<b>5/25</b>	<b>5/25</b>	<b>5/25</b>	<b>5/25</b>
<b>EE Cost</b>	<b>\$3,943.05</b>	<b>\$3,892.26</b>	<b>\$3,467.57</b>	<b>\$3,410.69</b>	<b>\$3,389.49</b>	<b>\$3,361.10</b>
<b>Dep Cost</b>	<b>\$3,585.73</b>	<b>\$3,539.56</b>	<b>\$3,153.34</b>	<b>\$3,101.62</b>	<b>\$3,082.33</b>	<b>\$3,056.53</b>
<b>Total</b>	<b>\$7,528.78</b>	<b>\$7,431.82</b>	<b>\$6,620.91</b>	<b>\$6,512.31</b>	<b>\$6,471.82</b>	<b>\$6,417.63</b>
<b>Increase</b>	<b>\$2,051.51</b>	<b>\$1,954.55</b>	<b>\$1,143.64</b>	<b>\$1,035.04</b>	<b>\$994.55</b>	<b>\$940.36</b>
<b>Change</b>	<b>37%</b>	<b>36%</b>	<b>21%</b>	<b>19%</b>	<b>18%</b>	<b>17%</b>

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## Side By Side Comparison

### DWP - City of Big Bear Lake

Effective October 01, 2016

Zip Code 92315 - San Bernardino

	 <b>Anthem Blue Cross</b> PPO Gold PPO 1000/20%/4000	 <b>Anthem Blue Cross</b> PPO Gold PPO 1000/20%/5900	 <b>Anthem Blue Cross</b> PPO Gold PPO 700/20%/6600	 <b>Anthem Blue Cross</b> PPO Gold Select PPO 20/30%/5500	 <b>Anthem Blue Cross</b> PPO Gold Select PPO 500/20%/4500	 <b>UnitedHealthcare</b> PPO Select Plus 20/250/20% Gold
<b>Deductible</b> In Net	\$1,000	\$1,000	\$700	\$0	\$500	\$250
Out Net	\$2,000	\$2,000	\$1,400	\$1,000	\$1,000	\$500
<b>PC/Specialist</b> In Net	\$20/\$40 ded waived	\$20/\$40 ded waived	\$20/\$40 ded waived	\$20/\$40	\$30/\$60 ded waived	\$20/\$40 ded waived
Out Net	50% after ded	50% after ded	50% after ded	50% after ded	50% after ded	50% after ded
<b>Co-Insurance</b> In Net	20%	20%	20%	30%	20%	20%
Out Net	50%	50%	50%	50%	50%	50%
<b>OOP Limit</b> In Net	\$4,000 (incl ded)	\$5,900 (incl ded)	\$6,600 (incl ded)	\$5,500	\$4,500 (incl ded)	\$5,000 (incl ded)
Out Net	\$8,000 (incl ded)	\$11,800 (incl ded)	\$13,200 (incl ded)	\$11,000 (incl ded)	\$9,000 (incl ded)	\$10,000 (incl ded)
<b>Inpatient Hospital</b> In Net	20% after ded	20% after ded	20% after ded	30%	20% after ded	\$250/admit + 20% after ded
Out Net	50% after ded; \$650 max/day	50% after ded; \$650 max/day	\$250/admit + 50% after ded			
<b>Rx Generic</b> In Net	\$15 ded waived	\$15 ded waived	\$15 ded waived	\$15 ded waived	\$15 ded waived	\$15
Out Net	50% ded waived	50% ded waived	50% ded waived	50% ded waived	50% ded waived	\$15
<b>Rx Preferred</b> In Net	\$40 after \$250	\$40 after ded	\$40 after \$250	\$40 after \$250	\$40 after \$250	\$35
Out Net	50% after ded	50% after ded	50% after \$250	50% after ded	50% after ded	\$35
<b>Rx Non-Preferred</b> In Net	\$80 after \$250	\$80 after ded	\$80 after \$250	\$80 after \$250	\$80 after \$250	\$60
Out Net	50% after ded	50% after ded	50% after \$250	50% after ded	50% after ded	\$60
<b>RAF</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>
<b>EE's Included</b>	<b>5/25</b>	<b>5/25</b>	<b>5/25</b>	<b>5/25</b>	<b>5/25</b>	<b>5/25</b>
<b>EE Cost</b>	<b>\$3,298.02</b>	<b>\$3,291.27</b>	<b>\$3,269.10</b>	<b>\$3,267.51</b>	<b>\$3,239.84</b>	<b>\$3,238.70</b>
<b>Dep Cost</b>	<b>\$2,999.15</b>	<b>\$2,993.03</b>	<b>\$2,972.86</b>	<b>\$2,971.42</b>	<b>\$2,946.25</b>	<b>\$2,945.23</b>
<b>Total</b>	<b>\$6,297.17</b>	<b>\$6,284.30</b>	<b>\$6,241.96</b>	<b>\$6,238.93</b>	<b>\$6,186.09</b>	<b>\$6,183.93</b>
<b>Increase</b>	<b>\$819.90</b>	<b>\$807.03</b>	<b>\$764.69</b>	<b>\$761.66</b>	<b>\$708.82</b>	<b>\$706.66</b>
<b>Change</b>	<b>15%</b>	<b>15%</b>	<b>14%</b>	<b>14%</b>	<b>13%</b>	<b>13%</b>

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## Side By Side Comparison

### DWP - City of Big Bear Lake

Effective October 01, 2016

Zip Code 92315 - San Bernardino

	 <b>Anthem Blue Cross</b> PPO Gold Select PPO 1000/20%/4000	 <b>Anthem Blue Cross</b> PPO Gold Select PPO 1000/20%/5900	 <b>Anthem Blue Cross</b> PPO Gold Select PPO 700/20%/6600	 <b>UnitedHealthcare</b> PPO Select Plus 20/750/20% Gold	 <b>Blue Shield</b> PPO Gold Full PPO® 250/20 OffEx	 <b>UnitedHealthcare</b> PPO Select Plus 20/1000/20% Gold
<b>Deductible</b> In Net	\$1,000	\$1,000	\$700	\$750	\$250	\$1,000
Out Net	\$2,000	\$2,000	\$1,400	\$1,500	\$500	\$2,000
<b>PC/Specialist</b> In Net	\$20/\$40 ded waived	\$20/\$40 ded waived	\$20/\$40 ded waived	\$20/\$40 ded waived	\$20/\$40 ded waived	\$20/\$40 ded waived
Out Net	50% after ded	50% after ded	50% after ded	50% after ded	40% after ded	50% after ded
<b>Co-Insurance</b> In Net	20%	20%	20%	20%	20%	20%
Out Net	50%	50%	50%	50%	40%	50%
<b>OOP Limit</b> In Net	\$4,000 (incl ded)	\$5,900 (incl ded)	\$6,600 (incl ded)	\$5,000 (incl ded)	\$6,500 (incl ded)	\$5,400 (incl ded)
Out Net	\$8,000 (incl ded)	\$11,800 (incl ded)	\$13,200 (incl ded)	\$10,000 (incl ded)	\$10,000 (incl ded)	\$10,800 (incl ded)
<b>Inpatient Hospital</b> In Net	20% after ded	20% after ded	20% after ded	\$250/admit + 20% after ded	20% after ded	\$250/admit + 20% after ded
Out Net	50% after ded; \$650 max/day	50% after ded; \$650 max/day	50% after ded; \$650 max/day	\$250/admit + 50% after ded	40% after ded	\$250/admit + 50% after ded
<b>Rx Generic</b> In Net	\$15 ded waived	\$15 ded waived	\$15 ded waived	\$15	\$15 ded waived	\$15
Out Net	50% ded waived	50% ded waived	50% ded waived	\$15	Not covered	\$15
<b>Rx Preferred</b> In Net	\$40 after \$250	\$40 after ded	\$40 after \$250	\$35	\$40 ded waived	\$35
Out Net	50% after ded	50% after ded	50% after \$250	\$35	Not covered	\$35
<b>Rx Non-Preferred</b> In Net	\$80 after \$250	\$80 after ded	\$80 after \$250	\$60	\$60 ded waived	\$60
Out Net	50% after ded	50% after ded	50% after \$250	\$60	Not covered	\$60
<b>RAF</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>
<b>EE's Included</b>	<b>5/25</b>	<b>5/25</b>	<b>5/25</b>	<b>5/25</b>	<b>5/25</b>	<b>5/25</b>
<b>EE Cost</b>	<b>\$3,179.12</b>	<b>\$3,172.64</b>	<b>\$3,151.08</b>	<b>\$3,113.49</b>	<b>\$3,075.12</b>	<b>\$3,040.15</b>
<b>Dep Cost</b>	<b>\$2,891.03</b>	<b>\$2,885.14</b>	<b>\$2,865.55</b>	<b>\$2,831.35</b>	<b>\$2,796.46</b>	<b>\$2,764.67</b>
<b>Total</b>	<b>\$6,070.15</b>	<b>\$6,057.78</b>	<b>\$6,016.63</b>	<b>\$5,944.84</b>	<b>\$5,871.58</b>	<b>\$5,804.82</b>
<b>Increase</b>	<b>\$592.88</b>	<b>\$580.51</b>	<b>\$539.36</b>	<b>\$467.57</b>	<b>\$394.31</b>	<b>\$327.55</b>
<b>Change</b>	<b>11%</b>	<b>11%</b>	<b>10%</b>	<b>9%</b>	<b>7%</b>	<b>6%</b>

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## Side By Side Comparison

### DWP - City of Big Bear Lake

Effective October 01, 2016

Zip Code 92315 - San Bernardino

	 <b>PPO</b> Gold Full PPO 0/20 OffEx	 <b>PPO</b> Gold Full PPO 750/20 OffEx	 <b>PPO</b> Core 20/250/20%/Gold	 <b>PPO</b> Core 20/750/20% Gold	 <b>PPO</b> Gold Full PPO 1000/35 OffEx	 <b>PPO</b> Core 20/1000/20% Gold
<b>Deductible</b> In Net	\$0	\$750	\$250	\$750	\$1,000	\$1,000
Out Net	\$0	\$1,500	\$500	\$1,500	\$2,000	\$2,000
<b>PC/Specialist</b> In Net	\$20/\$45	\$20/\$35 (ded waived)	\$20/\$40 ded waived	\$20/\$40 ded waived	\$35/\$50 (ded waived)	\$20/\$40 ded waived
Out Net	40%	40% after ded	50% after ded	50% after ded	40% after ded	50% after ded
<b>Co-Insurance</b> In Net	30%	20%	20%	20%	20%	20%
Out Net	40%	40%	50%	50%	40%	50%
<b>OOP Limit</b> In Net	\$6,500	\$6,500 (incl ded)	\$5,000 (incl ded)	\$5,000 (incl ded)	\$6,500 (incl ded)	\$5,400 (incl ded)
Out Net	\$10,000	\$10,000 (incl ded)	\$10,000 (incl ded)	\$10,000 (incl ded)	\$10,000 (incl ded)	\$10,800 (incl ded)
<b>Inpatient Hospital</b> In Net	30%	20% after ded	\$250/admit + 20% after ded	\$250/admit + 20% after ded	20% after ded	\$250/admit + 20% after ded
Out Net	40%; max \$2,000/day	40% after ded; max \$2,000/day	\$250/admit + 50% after ded	\$250/admit + 50% after ded	40% after ded; max \$2,000/day	\$250/admit + 50% after ded
<b>Rx Generic</b> In Net	\$15	\$10 (ded waived)	\$15	\$15	\$5 (ded waived)	\$15
Out Net	Not covered	Not covered	\$15	\$15	Not covered	\$15
<b>Rx Preferred</b> In Net	\$40	\$30 after \$200	\$35	\$35	\$30 after \$500	\$35
Out Net	Not covered	Not covered	\$35	\$35	Not covered	\$35
<b>Rx Non-Preferred</b> In Net	\$60	\$50 after \$200	\$60	\$60	\$50 after \$500	\$60
Out Net	Not covered	Not covered	\$60	\$60	Not covered	\$60
<b>RAF</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>
<b>EE's Included</b>	<b>5/25</b>	<b>5/25</b>	<b>5/25</b>	<b>5/25</b>	<b>5/25</b>	<b>5/25</b>
<b>EE Cost</b>	<b>\$3,033.91</b>	<b>\$2,888.86</b>	<b>\$2,882.26</b>	<b>\$2,770.90</b>	<b>\$2,761.91</b>	<b>\$2,705.63</b>
<b>Dep Cost</b>	<b>\$2,758.97</b>	<b>\$2,627.06</b>	<b>\$2,621.06</b>	<b>\$2,519.80</b>	<b>\$2,511.64</b>	<b>\$2,460.44</b>
<b>Total</b>	<b>\$5,792.88</b>	<b>\$5,515.92</b>	<b>\$5,503.32</b>	<b>\$5,290.70</b>	<b>\$5,273.55</b>	<b>\$5,166.07</b>
<b>Increase</b>	<b>\$315.61</b>	<b>\$38.65</b>	<b>\$26.05</b>	<b>\$-186.57</b>	<b>\$-203.72</b>	<b>\$-311.20</b>
<b>Change</b>	<b>6%</b>	<b>1%</b>	<b>0%</b>	<b>-3%</b>	<b>-4%</b>	<b>-6%</b>

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## Footnotes

### Footnotes

#### Aetna

\*New Hire rates are based on the employee's age as of his/her coverage effective date. If this is a "New Hire" quote, please make the necessary changes in your census to reflect the true age of the new employee.

\*PrimeCare Physicians MC plans have two levels of benefits: Level 1: When members use the PrimeCare Physician Network to coordinate all of their care, they realize maximum savings. Level 2: Use of any other provider will result in a lower level of benefits. While Aetna Whole Health members have the freedom to receive care from any provider, they realize the highest benefit level and lowest out-of-pocket costs when they access care through the PrimeCare Physicians Network.

\*For Aetna PrimeCare Physicians HMO plans, members must select a PrimeCare physician for PCP.

\*Employees who reside in a non-HMO network may enroll in an HMO product offered by their Employer if they live within a 30 miles radius of their work site that is within the HMO, AVN, HMO Coinsurance, and HMO Deductible service area. Employees who reside in a non-Vitalidad and Vitalidad Plus network may enroll in a Vitalidad and Vitalidad Plus product if they live within a 50 miles radius of their work site that is within the Vitalidad and Vitalidad Plus service area

\*Producers should obtain the Summary of Benefits and Coverage (SBC) documents for Aetna medical plans by accessing the following link: <https://www.aetna.com/sbcsearch/home>

#### Anthem Blue Cross

\*The 2016 plan designs are still PENDING REGULATORY APPROVAL.

\*All Medical and Dental Plans and Rates are subject to Regulatory Review and/or Approval.

\*Employers are responsible for sending an electronic or printed copy of the summary of benefits and coverage (also called an "SBC") to plan participants and beneficiaries. To access your groups SBC's, go to <https://sbc.anthem.com/>.

\*This summary of benefits has been updated to comply with federal and state requirements, including applicable provisions of the recently enacted federal health care reform laws. As we receive additional guidance and clarification on the new health care reform laws from the U.S. Department of Health and Human Services, Department of Labor and Internal Revenue Service, we may be required to make additional changes to this summary of benefits. This summary of benefits, as updated, is subject to the approval of the California Department of Insurance and the California Department of Managed Health Care (as applicable).

\*The Anthem Blue Cross medical and dental premiums displayed in this proposal are based on the census information provided and the zip code rating region designations in Health Connects' system. Some zip codes may have a dual county rating region. Health Connect has defaulted these zip codes to the most populous county. However, once Anthem Blue Cross receives the enrollment the county may be updated based on the physical address. To improve the accuracy of this proposal, insure the correct rating region designation is noted for the Employer. Rating regions can be referenced in the rate guide Final rates are set by Anthem Blue Cross.

\*New Hire rates are based on the employee's age as of his/her coverage effective date. If this is a "New Hire" quote, please make the necessary changes in your census to reflect the true age of the new employee.

#### Blue Shield

\*Blue Shield currently has a billing system glitch when a new hire is added mid-year. The rate that the system assigns the member is based on the group effective date or previous renewal date instead of the age at time of enrollment. They are working to correct this error and hope to have it resolved this year. The correct rate should be based on the employees age at time of enrollment; however, due to the system issue, the incorrect lower rate is being charged.

\*The 2016 plan designs are still PENDING REGULATORY APPROVAL.

\*New Hire rates are based on the employee's age as of his/her coverage effective date. If this is a "New Hire" quote, please make the necessary changes in your census to reflect the true age of the new employee.

\*If you are an employer located in certain California counties whose eligible employees live or work in the Exclusive HMO® service area, you

The above rates and benefits are for general information and discussion purposes only and not valid unless approved by the carrier. Final rates are determined by the carrier's underwriting guidelines and final enrollment. The insurance policy, not general rates and descriptions in this website or printed output, will form the contract between the insured and the carrier.

## Footnotes

have the option of choosing any of the Full HMO® plans or Exclusive HMO, but not both. The Exclusive HMO plans have the same benefits as our Full HMO plans. Exclusive HMO plan options may not be combined with or offered alongside any other full network HMO plan.

### Health Net

\*CommunityCare HMO - Please note this product is still pending regulatory approval.

\*New Hire rates are based on the employee's age as of group's contract effective date.

### Kaiser

\*New Hire rates are based on the employee's age as of group's contract effective date.

\*Actual rates may be lower if a less expensive default rating area is applied to the group.

\*The Kaiser Permanente medical and dental premiums displayed in this proposal are based on the census information provided and the zip code rating region designations in HealthConnect's system. Some zip codes may have a dual county rating region. HealthConnect has defaulted these zip codes to the most populous county. However, once Kaiser Permanente receives the enrollment the county may be updated based on the physical address. To improve the accuracy of this proposal, insure the correct rating region designation is noted for each quoted subscriber.

\*Employees who live outside the Kaiser Permanente service area are not eligible for coverage unless the employer is located in the Kaiser Permanente service area. If an employer is located outside the Kaiser Permanente service area, then only the employees who live in the service area are eligible for coverage. Employees must meet all qualification requirements to be eligible to enroll.

\* Groups can only offer one PPO plan alongside HMO plan(s).

\*All metal HMO medical plans include a bundled pediatric dental rider. The cost of the rider is included in the medical plan premium for members under 19.

### UnitedHealthcare

\*UHC will not write business if more than 25% of the population is located in Vermont or Minnesota.

\*The 2016 plan designs are still PENDING REGULATORY APPROVAL.

\*Each UnitedHealthcare Member can choose their Primary Care Physician, as long as the doctor is selected from United's list of Primary Care Physicians and the doctor is located within 30 miles of either the Member's Primary Residence or Primary Workplace.

\*New Hire rates are based on the employee's age as of his/her coverage effective date. If this is a "New Hire" quote, please make the necessary changes in your census to reflect the true age of the new employee.

\*Infertility is an optional benefit for all HMO plans and the rate is calculated as a 4.8% premium increase.

\*For plans Select Plus 15/250/10% Gold, Select Plus 15/500/10% Gold, Select Plus 20/750/20% Gold, Select Plus 15/1000/10% Gold, Select Plus 25/1800/20% Silver, Select Plus 35/1800/30% Silver, and/or Select Plus 4500/20% Bronze the outpatient per occurrence deductible may be waived for outpatient services received at an in-network independent, non-hospital affiliated provider.

\*For HSA plans: Making sure that the employer contribution to HSAs fall into the designated dollar amount ranges helps ensure that the plan meets the actuarial value for the metallic level of coverage selected and ensures compliance with the requirements of the ACA. If the employer does not intend to make the contributions or intends to change the amount or timing of the contributions, please contact your UnitedHealthcare representative immediately. Please refer to the HRA HSA confirmation letter under the forms section for the applicable HSA Employer Contribution ranges