

EMPLOYEE BENEFITS CONSULTING SERVICES AGREEMENT

This Employee Benefits Consulting Services Agreement ("Agreement") is made and entered into by and between Elk Grove Unified School District ("Client") and Keenan & Associates ("Keenan"), as of November 1, 2011 ("Effective Date").

RECITALS

WHEREAS, Client desires to secure a variety of insurance products, and related services in conjunction with the health and welfare benefits provided to its eligible employees;

WHEREAS, Keenan is a specialty insurance services provider and is qualified to provide such services; and

WHEREAS, Client desires Keenan to provide, and Keenan desires to provide, the services described in this Agreement for those Client benefits programs identified below ("Plans"):

Medical, Dental, Vision and Life Insurance.

The parties agree as follows:

AGREEMENT

1. **TERM**

The term of this Agreement is from the Effective Date through **October 31, 2012** ("Termination Date").

2. **KEENAN SERVICES AND RELATIONSHIP OF THE PARTIES**

A. A full description of the Services is provided in Exhibit A attached hereto and incorporated herein.

B. The relationship of Keenan and Client shall be that of an independent contractor and Keenan shall at all times remain responsible for its own operational and personnel expenses. Under no circumstance shall any employee of one party look to the other party for any payment or the provision of any benefit, including without exception, workers' compensation coverage. Neither party shall have the right to act on behalf of the other, or to bind the other to any contract or other obligation, except as may be expressly set forth in this Agreement.

C. Keenan shall act exclusively in an advisory and consultative capacity In providing the Services,. Client shall at all times have the right to determine whether to act on or implement the information, recommendations, and suggestions provided by Keenan, and the manner by which such action or implementation shall be undertaken. Keenan shall not be a fiduciary of Client, except for Keenan's responsibilities with respect to funds obtained from or on behalf of Client,

D. Keenan shall not provide any legal, tax, or accounting service, advice, or opinion, and the Services shall not be interpreted as representing such service, advice or opinion. Client

shall consult its own attorney on all legal issues and its own tax and accounting experts on all tax, accounting, and financial matters related to its operations, including without limitation, the establishment, implementation and operation of the Plans.

- E. In providing its Services, Keenan shall comply with all applicable state and federal laws and regulations, and obtain and maintain all necessary licenses, registrations, and/or permits necessary for the performance of its duties under this Agreement.
- F. The Services provided to Client are non-exclusive and Keenan reserves the right to provide the same or similar services to other clients who may be in the same industry, business, or service as Client.

3. **CLIENT'S DUTIES AND RESPONSIBILITIES**

- A. Client shall retain decision-making authority for its Plans, and shall manage the day-to-day activities of the Plans, except for those duties and/or functions expressly assigned to Keenan under this Agreement.
- B. Client shall provide Keenan with timely access to information and to individuals, including Client's outside advisors and consultants, as may be necessary for Keenan to perform the Services. Keenan shall not be responsible for any delay in its performance that results from the failure of Client, or any person acting on behalf of Client, to make available any information or individual in a timely manner.
- C. All information provided to Keenan, either in anticipation of or during the term of this Agreement, will be considered complete and accurate so that Keenan may rely upon such information.
- D. If Client desires Keenan to obtain insurance quotes on its behalf, Client shall execute the Broker of Record Designation attached hereto as Exhibit B.

4. **COMPENSATION**

- A. Keenan's fees for the Services rendered pursuant to this Agreement are as provided in the attached Exhibit C. Any Services provided to Client that are outside of or in addition to those described in Exhibit A shall be subject to additional fees as proposed by Keenan and agreed to by the Client.
- B. It is possible that Keenan may also provide services to other entities that participate in or provide services to the Plans (such as management services, underwriting, marketing, claims administration, loss control services, obtaining other insurance and reinsurance). To the extent that such services are provided, Keenan may be separately compensated by the recipient of those services with full disclosure to the Client.
- C. Consistent with industry practices, insurers may also pay insurance brokers, such as Keenan, indirect compensation based upon volume efficiencies, client renewals, marketing services, product development, technology investments and other additional services. Keenan seeks written assurances from insurers that any such indirect compensation will not adversely impact the pricing or coverage terms that Keenan is able to obtain for its clients.

D. Keenan shall comply with all applicable state and/or federal laws and regulations regarding disclosure of compensation. We embrace industry efforts for transparency and believe it is important that clients have access to information that may be relevant to their choice of insurance products, including the cost of such insurance and services, and the compensation that may be directly or indirectly paid to Keenan in connection with the products or services selected. If you have questions regarding any of these items or desire additional information, you may contact your Keenan account representative to discuss this matter in more detail.

5. **INSURANCE**

Keenan shall procure and maintain during the term of this Agreement the following insurance coverages, and shall provide certificates of insurance to Client upon Client's request.

- i. Workers' Compensation: Coverage in conformance with the laws of the State of California and applicable federal laws;
- ii. General Liability: Coverage (including motor vehicle operation) with a One Million Dollar (\$1,000,000) limit of liability for each occurrence and a Two Million Dollar (\$2,000,000) aggregate limit of liability; and
- iii. Errors and Omissions: Coverage with a One Million Dollar (\$1,000,000) limit of liability for each occurrence and a Two Million Dollar (\$2,000,000) aggregate limit of liability.

6. **INDEMNIFICATION**

If either party breaches this Agreement, then the breaching party shall defend, indemnify and hold harmless the non-breaching party, its officers, agents and employees against all claims, losses, demands, actions, liabilities, and costs (including, without limitation, reasonable attorneys' fees and expenses) arising from such breach. In addition, if Keenan (i) becomes the subject of a subpoena or is otherwise compelled to testify or (ii) becomes the subject of a claim, demand, action or liability brought or asserted by one of Client's employees, Plan beneficiaries, or Plan vendors ("Third-Party Demand") relating to the Services and such Third-Party Demand is not a direct result of Keenan's negligence or willful misconduct, then Client shall defend, indemnify and hold Keenan harmless from all losses, payments, and expenses incurred by Keenan in resolving such Third-Party Demand.

7. **LIMITATION OF LIABILITY**

Notwithstanding anything to the contrary in this Agreement, in no event shall either party be liable for any punitive damages, fines, penalties, taxes, or any indirect, incidental, or consequential damages incurred by the other party, its officers, employees, agents, contractors or consultants whether or not foreseeable and whether or not based in contract or tort claims or otherwise, arising out of or in connection with this Agreement even if advised of the possibility of such damage. Keenan's liability under this Agreement shall further be limited to, and shall not exceed, the amount of its available insurance coverage, but not exceeding the limits of coverage outlined in Section 5.

8. **DISPUTE RESOLUTION**

- A. Disputes arising out of or relating to this Agreement, other agreements between the parties, or any other relationship involving Client and Keenan (whether occurring prior to, as part of, or after the signing of this Agreement) shall first be resolved by good faith negotiations between representatives of the parties with decision-making authority. If either party determines that the dispute cannot be resolved through informal negotiation then the dispute shall be submitted to non-binding mediation. The site of the mediation and the selection of a mediator shall be determined by mutual agreement of the parties. If the dispute is not resolved through mediation within sixty (60) days following the first notification of a request to mediate, then either party shall have the right to require the matter to be resolved by final and binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, or such other arbitration procedures as may be agreed to in writing by the Parties. Negotiation, mediation, and arbitration shall be the exclusive means of dispute resolution between Client and Keenan and their respective members, agents, employees and officers.
- B. Arbitration shall be before a single arbitrator in the County of Sacramento, California. The Arbitrator shall apply the Federal Arbitration Act and California substantive law, and shall accompany the award with a reasoned opinion. The arbitrator shall have no authority to award punitive or other damages not measured by the prevailing party's actual damages. The prevailing party shall be entitled to an award of reasonable attorneys' fees. A judgment of any court having jurisdiction may be entered upon the award.
- C. Either party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any interim or provisional relief that is necessary to protect the rights or property of that party, pending the establishment of the arbitral tribunal (or pending the arbitral tribunal's determination of the merits of the controversy).

9. **TERMINATION**

- A. Either party may terminate this Agreement at any time for any reason by providing the other party with a sixty (60) calendar days prior written notice of termination. This Agreement may also be terminated upon the occurrence of any of the following events:
- i. By either party upon the dissolution or insolvency of a party to this Agreement;
 - ii. By either party following the filing of a bankruptcy petition by or against either party (if the petition is not dismissed within sixty (60) days in the case of an involuntary bankruptcy petition);
 - iii. If the application of any law, rule, regulation, or court, or administrative decision prohibits the continuation of this Agreement, or would cause a penalty to either party if the Agreement is continued, and if the Agreement cannot be amended to conform to such law, rule, regulation, or court, or administrative decision in a manner that would preserve the original intent of the parties with respect to their rights and duties under this Agreement; or

- iv. By the non-breaching party if a breach of this Agreement is not cured within thirty (30) days following receipt of written notice of the breach from the non-breaching party;
- B. In the event of termination pursuant to Section 9A above, Keenan shall be paid for the full value of its services through the date of termination.

10. GENERAL

- A. This Agreement, its recitals and all exhibits attached to the Agreement contain the entire understanding of the parties related to the subject matter covered by this Agreement and supersede all prior and collateral statements, presentations, communications, reports, agreements or understandings, if any, related to such matter(s).
- B. The obligations set forth in this Agreement, other than Keenan's obligation to perform the Services and Client's responsibility to pay for such services, shall survive the expiration or termination of this Agreement. Nothing in this Section 10B shall, however, be interpreted as relieving Client of its obligation to pay for any Services rendered by Keenan during the term of this Agreement.
- C. This Agreement is made for the benefit of the parties and is not intended to confer any third party benefit or right. The enforcement of any remedy for a breach of this Agreement or claim related to the Services may only be pursued by the parties to this Agreement.
- D. No modification or amendment to this Agreement shall be binding unless it is in writing and signed by authorized representatives from both parties. Any waiver or delay by a party in enforcing this Agreement shall not deprive that party of the right to take appropriate action at a later time or due to another breach. This Agreement shall be interpreted as if written jointly by the parties.
- E. Any provision determined by a court of competent jurisdiction to be partially or wholly invalid or unenforceable shall be severed from this Agreement and replaced by a valid and enforceable provision that most closely expresses the intention of the invalid or unenforceable provision. The severance of any such provision shall not affect the validity of the remaining provisions of this Agreement.
- F. Neither party shall be liable or deemed to be in default for any delay or failure in performance under this Agreement resulting, directly or indirectly, from acts of God, civil or military authority, acts of public enemy, war, accidents, fires, explosions, earthquakes, floods, power outages, failure of computer systems, machinery or supplies, vandalism, strikes, or other work interruptions, or any similar or other cause that is beyond the reasonable control of either party. Each party shall make good faith efforts to perform under this Agreement in the event of any such circumstances, and shall resume full performance once the cause of the delay has abated.
- G. All notices hereunder shall be in writing and sent to the parties at the addresses as set forth below, or to such other individual or address as a party may later designate.

Notices shall be sent via personal delivery, courier service, United States mail (postage pre-paid, return receipt requested), express mail service, electronic mail, or fax. Notice shall be effective when delivered, or if refused, when delivery is attempted. Notices delivered during non-working hours shall be deemed to be effective as of the next business day.

If the notice relates to a legal matter or dispute, a copy shall be sent to:

Keenan & Associates
2355 Crenshaw Blvd., Ste. 200
Torrance, CA 90501
Attn: Legal Department
Fax: (310) 533-0573

H. This Agreement may be executed in counterparts and by fax signatures and each shall be deemed to be an original.

Each person signing this Agreement on behalf of a party represents and warrants that he or she has the necessary authority to bind such party and that this Agreement is binding on and enforceable against such party.


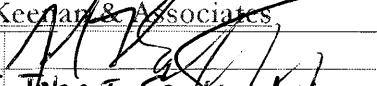
Elk Grove Unified School District		Keenan & Associates	
Signature:		Signature:	
By:	Steven M. Ladd	By:	John T. Scatterday
Title:	Superintendent	Title:	Senior Vice President
Address:	9510 Elk Grove-Florin	Address:	2355 Crenshaw Blvd., Ste. 200
	Elk Grove, CA Road		Torrance, CA 90501
Telephone:	(916) 686-7700	Telephone:	310 212-0363
Fax:	(916) 686-7787	Fax:	510 986-0440
Attention:		Attention:	

EXHIBIT A
CUSTOMIZED CONSULTING SERVICES
November 1, 2011 – October 31, 2012

For the purposes of this Agreement, KEENAN expressly assumes and agrees to provide the following services to the DISTRICT.

Article I. Consulting

Participate in Health Benefit Task Force Meetings as subject matter experts.

Provide ongoing support for the Medical, Dental, Vision, and Life plans as appropriate.

Article II. Manage Renewal Process:

- Order renewals from incumbent carriers (medical, dental, vision, life insurance)
- Request additional benefit design options as requested by District
- Analyze and evaluate rate requests
- Prepare spreadsheets
- Present renewal and discuss options
- Price final options and benefit modifications
- Conduct final negotiations with carriers
- Prepare and present final renewal binder
- Notify carriers of final plan choices

- Present findings to DISTRICT administration, governing board, and Health Benefits Task Force
- Attend Health Benefits Task Force meetings
 - Market and Industry education and informational updates
 - Presentation of alternative options, renewal and marketing as directed
- Continue working with William Barnes Consulting to strategize new solutions for the employee benefit plans
- Provide Legislative updates
- Changes in Coverage
 - If the DISTRICT changes insurance carriers, KEENAN shall compare, analyze and draft a written report to the DISTRICT regarding the previous coverage, the proposed or new coverage, any gaps in such coverage, and also provide a recommendation.

Article III. TARGET MARKETING

In the event that renewals for 2012 are higher than the District will allow we will market the medical plans as appropriate at the District's direction. This will include the marketing of a Pharmacy program, if appropriate.

- **Prepare and submit bid specifications for self-insured arrangements**
 - Incumbent and/or new carriers under an ASO agreement
- **Prepare and submit bid specifications for fully-insured arrangement to carriers for current and alternative benefit options including a HDHP**
- **Prepare bid specifications for self –funded and fully insured pharmacy carve out program.**
- **Analyze and Evaluate quotes**
 - Financial conditions of the quotes
 - Carrier financial strength and stability
 - Network sufficiency and access
 - Provider disruption analysis
 - Accreditation and quality metrics for providers
 - Network discount comparison
 - Prescription Drug formulary comparison
 - Retime and out-of-area options
 - Service and account management capabilities
 - Claims administration capability
 - Managed care approach/methods
 - Disease management and Health Improvement Program capability
 - Systems and reporting capacity
 - Performance guarantees
- **Negotiate with carriers**
 - Plan design, financial parameters and other conditions of quotes
- **Spreadsheet results**
- **Prepare and present marketing report**
- **Finalist interviews and presentations**
 - Including any necessary on-site evaluations
- **Negotiate and finalize carrier and plan selections**
- **Communication and implementation of new plan**

Depending upon the outcome of the Health Benefit Task Force and its recommendations, Keenan will research, develop and implement a custom provider organization to enable Elk Grove USD to contract directly for well managed, high quality medical benefits for its employees, dependents and early retirees. A summary of the tasks is shown below.

- **Develop a Custom Provider Organization (CPO)**
 - Physician Reimbursement Structure
 - Plan Design
 - Actuarial Study
 - Physician and Hospital Contracting
 - Pharmacy Contracting
 - Ancillary Contracting
 - Network Development – develop shadow cap model & DOFR
 - Contracted Network
 - Reinsurance
 - Predictive Modeling
 - TPA Services
 - Lifestyle Management

- Data Reporting
- Communications - Elk Grove USD

➤ **Implementation Plan**

- Prepare and distribute contracts
- Implementation
- Benefits
- Premiums
- Network Development
 - Primary and Out of Area
 - Credentialing
- Enrollment/Eligibility
- Claims
 - Develop and finalize workflow
 - Plan/Case set up
- Employee Communication
- Customer Service
- Training
- Reporting and Accounting
 - Banking arrangements
- Reinsurance
- Additional Services – HIPAA; COBRA, etc

☐ BOR on file

EXHIBIT B
Broker of Record Designation

This letter confirms that, as of November 1, 2011, the organization listed below ("Client") has appointed Keenan & Associates ("Keenan") as the Broker of Record in connection with the following coverages:

Medical, Dental, Vision and Life Insurance

and such additional coverages or insurance (the "Coverage") as Client may from time to time request from Keenan.

With respect to the Coverage identified in this Exhibit B (and as later amended) Keenan shall have the exclusive authority and right to negotiate with insurance carriers and other coverage providers on Client's behalf. Client shall not seek or acquire quotes directly from any insurance carrier or other coverage provider during the term of this Agreement.

Keenan is authorized to provide a copy of this letter to any insurer to demonstrate Keenan's authority to obtain the Coverage. This appointment rescinds any and all previous appointments Client may have made with respect to the Coverage, and shall remain in full force and effect until cancelled in writing. Keenan shall at all times remain an independent contractor and shall not act as or be deemed to be an officer, employee, agent or fiduciary of Client.

Client authorizes Keenan to provide representatives of prospective insurers and other coverage providers with all information regarding Client, its operations, employees, and financial status as may be necessary for such insurer or coverage provider to evaluate Client's suitability for coverage and to prepare a quote.

Acknowledged and agreed to by:

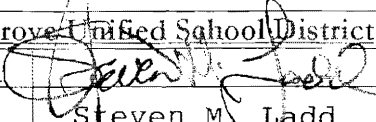
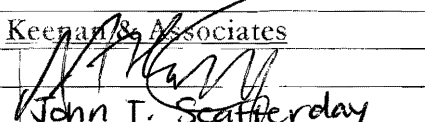
Elk Grove Unified School District		Keenan & Associates	
Signature:		Signature:	
By:	Steven M. Ladd	By:	John T. Scatterday
Title:	Superintendent	Title:	Senior Vice President

EXHIBIT C
Compensation

Keenan's Annual Fee for consulting services rendered during the period November 1, 2011 through October 31, 2012 ("Contract Period") shall be \$135,000. No fees are due or payable by Elk Grove USD ("the District") until October 31, 2012. The Annual Fee will be offset by any indirect compensation received by Keenan on behalf the District from the District's medical plan carriers, Kaiser and Health Net, during the term of this agreement. If such compensation equal or exceed \$135,000 for this contract term, the District will not owe Keenan any compensation. In the event that the indirect compensation described above is less than \$135,000, the District shall pay the difference between the actual indirect compensation received by Keenan and \$135,000.

If this Agreement is terminated for any reason, the Annual Fee shall be pro rated, and offset by the amount of Keenan's indirect compensation for the pro rated period.

Any compensation earned by Keenan from carriers as a result of client's use of the BenefitBridge system platform will not be credited toward the Annual Fee.