



CAL COBRA Initial Employee Notice

SUMMARY OF RIGHTS AND OBLIGATIONS REGARDING CONTINUATION OF COVERAGE UNDER GROUP HEALTH PLANS

Under a federal law, known as the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), most employers sponsoring group health plans are required to offer employees and their families the opportunity for a temporary extension of health coverage (called "continuation coverage") at group rates in certain instances where coverage under the plan would otherwise end. This notice is intended to inform you in a summary fashion, of your rights and obligations under the continuation coverage provisions of the law. Both you and your spouse should take the time to read this notice carefully.

If you are an employee covered by the Plan, you have a right to choose this continuation coverage if you lose your group health coverage because of a reduction in your hours of employment or the termination of employment for reasons other than gross misconduct on your part.

If you are the spouse of an employee covered by the Plan, you have a right to choose continuation coverage for yourself if you lose group health coverage under the Plan for any of the following four reasons:

- The death of your spouse;
- A termination of your spouse's employment, for reasons other than gross misconduct, or reduction in hours of employment;
- Divorce or legal separation from your spouse; or,
- Your spouse becomes entitled to Medicare.

In the case of a dependent child of an employee covered by the Plan, he or she has the right to continuation coverage if group health coverage under the Plan is lost for any of the following five reasons:

- The death of a parent;
- The termination of a parent's employment (for reasons other than gross misconduct) or reduction in a parent's hours of employment;
- Parents divorce or legal separation;
- A parent becomes entitled to Medicare; or,
- The dependent ceases to be a "dependent child" under the Plan.

Under the law, the employee or a family member has the responsibility to inform the Company of a divorce, legal separation, or a child losing dependent status under the Plan within 60 days of the happening of any such event. If notice is not received within that 60-day period, the dependent will not be entitled to choose continuation coverage. The Company has the responsibility to notify the Plan Administrator of the employee's death, termination of employment, or reduction in hours or Medicare entitlement. Similar rights may apply to certain retirees, spouses, and dependent children if the Company commences proceedings under Chapter 11 (Reorganizations) of the Bankruptcy Code.

When the Plan Administrator is notified that one of these events has happened, it will in turn notify you that you have the right to choose continuation coverage. Under the law, you have 60 days from the later of the date you would lose coverage because of one of the events described above or the date you receive your COBRA Notice, to inform the Plan Administrator that you want continuation coverage.

If you do not choose continuation coverage, your group health insurance coverage will end as of the date coverage would cease as a result of the qualifying event.