State Fund plans to layoff employees in Bargaining Unit 12 early 2012. To mitigate this layoff State Fund will offer employees a transition package in lieu of layoff in exchange for employees waiving certain rights defined below. These positions are in areas where work has been significantly reduced or has disappeared over time as business processes/practices have evolved to enable State Fund to serve all California businesses efficiently and to be fairly competitive (State Fund’s mission and charter), and to provide services that are responsive to customers’ evolving needs (State Fund’s vision).

A. Transition Package

1. Transition payments will be offered to the number of employees identified in the list of classifications and counties on page 3 as a pre-layoff mitigation. Employee in those classifications and counties may participate.

2. Employees in eligible classifications shall have the option to separate or retire and select a transition package by December 15, 2011. The employees’ final day of work will be no later than December 31, 2011, and State Fund will make the transition payment checks available as soon as possible. It is understood that implementation of the transition package may be subject to final approval by the Joint Legislative Budget Committee (JLBC).

In the event the transition package does not receive approval by the JLBC, this agreement is null and void.

3. The transition amounts will be as follows and will not be subject to PERS:

   Employees with eighty-four (84) or more months of State service shall receive six (6) months of wages, calculated at the top step of their wage classification, plus $9,000 (could be used for COBRA, lost vacation or annual leave accumulation etc.).

   Employees with eighty-three (83) or less months of State service shall receive four (4) months of wages, calculated at the top step of their wage classification, plus $6,000 (could be used for COBRA, lost vacation or annual leave accumulation etc.).

   Attachment A is a list of the classifications eligible for the transition package and the amount of compensation employees in each classification are entitled to receive.

4. State Fund shall not dispute any valid claim for Unemployment Insurance benefits from employees who have accepted the Transition Package in the scope of the voluntary layoff.
Pre-Layoff Mitigation/Transition Package
Exclusive Representative: IOUE
Bargaining Unit 12

November 29, 2011

5. Employees who accept the transition package must sign a waiver for the remainder of their SROA status should any remaining status exist, a waiver of their right to be on the re-employment list, and recognition that Transition Payments are not final compensation and not subject to penalties.

B. Employees in impacted classifications who changed their residence or who are in corporate housing due to the Three-Year Strategic Plan, shall be entitled to everything described in Section A (Transition Package) plus the following:

1. a. An extension of corporate housing for a total of 120 days or
   b. An extension of lodging reimbursement for a total of 120 days
2. An extension of payment for the storage of household goods for a total of 120 days.
3. Payment of the costs associated with the return relocation of household goods to the designated location selected by the employee in accordance with the criteria of State Fund's relocation reimbursement program.
4. State Fund shall process and disburse full payment within 15 working days of receipt in the HR Relocation Program, Pleasanton, of an accurate, complete (including all required documentation) and signed reimbursement claim.

C. In recognition of potential hardship of relocating 50 miles or more as part of the State Fund's Three-Year Strategic Plan and subsequently being potentially laid off; State Fund agrees to assist employees in returning to their prior area of residence.

Employees in impacted classifications who changed their residence due to the Three Year Strategic Plan and who accepted an early separation transition package shall be reimbursed for the following to mitigate the upcoming layoffs:

1. Buyout of rental leases or payments of penalties for breaking lease agreements.
2. In the event the employee purchased a home, reimbursement of costs associated with the sale.
3. 24 hours of paid administrative time to locate new housing, pack, etc.

D. No later than December 30, 2011, State Fund will provide IOUE with a complete list of all IOUE represented employees who have selected a transition package.

E. Employees who remain working at State Fund after the transition package is offered shall not have their time off cancelled because of staff shortages due to the transition package.
November 29, 2011

F. The parties agree that this Agreement is intended to address the matters set forth herein. The parties also agree that it is not intended to restrict or prohibit in any way any future negotiations between the parties under applicable law. The parties agree that nothing in this Agreement shall be construed as a waiver of IUOE's right to bargain over the State Fund reduction in force or other matters under the scope of representation under applicable law. Should the JLBC not approve the Transition Packages as outlined above, IUOE reserves the right to reopen negotiations with State Fund.

G. Dispute Resolution: Any dispute regarding the interpretation, application or alleged violation of this Agreement/side letter shall be subject to the grievance and arbitration procedure of the parties' current contract.

State Fund and IUOE agree to make every reasonable effort to expedite the processing of grievances related to the Transition Package agreement.

ATTACHMENT A:

<table>
<thead>
<tr>
<th>Classification</th>
<th>County</th>
<th>Max Base Salary</th>
<th>TOTAL TRANSITION PACKAGE (83 or less months of service)</th>
<th>TOTAL TRANSITION PACKAGE (84 or more months of service)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance Mechanic</td>
<td>Alameda (1)</td>
<td>$4,207</td>
<td>$22,828</td>
<td>$34,242</td>
</tr>
<tr>
<td>Bldg. Maintenance Worker</td>
<td>Alameda (1)</td>
<td>$3,497</td>
<td>$19,988</td>
<td>$29,982</td>
</tr>
<tr>
<td>Automotive Technician</td>
<td>Alameda (2), Solano (1)</td>
<td>$3,505</td>
<td>$20,020</td>
<td>$30,030</td>
</tr>
</tbody>
</table>
Area of Layoff

1. By individual county or clusters as defined below:
   Individual Counties are:
   Humboldt
   Shasta
   Fresno
   Kern
   Monterey
   San Luis Obispo
   Sacramento
   Solano
   San Joaquin
   Ventura
   Los Angeles
   Riverside
   Orange

   Clustered Counties are:
   Cluster 1: San Diego to Riverside or Orange
   Cluster 2: Santa Clara and Alameda
   Cluster 3: San Francisco and Sonoma

2. Employees relocated in 2011 will have an opportunity to select their area of layoff which will include the county/cluster of their currently assigned workplace or the county of their previously assigned workplace. Employees relocated to Orange from San Bernardino as part of the Three Year Strategic Plan may elect Riverside as an area of layoff. If an employee fails to make a selection, then their area of layoff will be the county/cluster of their currently assigned workplace.

   Moves are voluntary and no relocation expenses will be paid by State Fund.
Pre-Layoff Mitigation/Transition Package
Exclusive Representative: IUE
Bargaining Unit 12

November 29, 2011

Tim Neep, IUOE

Patrick Gage, State Fund

Andreas Acker, State Fund

Randy Fisher, DPA