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Proposed Attorneys for the Chapter 11 Debtors and
Debtors In Possession

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

Lead Case No. 2:18-bk-20151-ER

Chapter 11

Hon. Judge Ernest M. Robles

☒ Affects All Debtors

- ☐ Affects Verity Health System of
California, Inc.
☐ Affects O'Connor Hospital
☐ Affects Saint Louise Regional Hospital
☐ Affects St. Francis Medical Center
☐ Affects St. Vincent Medical Center
☐ Affects Seton Medical Center
☐ Affects O'Connor Hospital Foundation
☐ Affects Saint Louise Regional Hospital
Foundation
☐ Affects St. Francis Medical Center of
Lynwood Foundation
☐ Affects St. Vincent Foundation
☐ Affects St. Vincent Dialysis Center, Inc.
☐ Affects Seton Medical Center Foundation
☐ Affects Verity Business Services
☐ Affects Verity Medical Foundation
☐ Affects Verity Holdings, LLC
☐ Affects De Paul Ventures, LLC
☐ Affects De Paul Ventures - San Jose
Dialysis, LLC

Debtors and Debtors In Possession.

**DEBTORS' NOTICE OF MOTION AND
MOTION TO REJECT, PURSUANT TO 11
U.S.C. § 365(A), PROFESSIONAL SERVICES
AGREEMENT AND DEVELOPMENT
AGREEMENT WITH HUNT SPINE
INSTITUTE, INC. *NUNC PRO TUNC* TO THE
PETITION DATE; MEMORANDUM OF
POINTS AND AUTHORITIES; DECLARATION
OF STEPHEN CAMPBELL, M.D.**

Hearing:

Date: October 17, 2018

Time: 10:00 a.m.

Place: Courtroom 1568

U.S. Bankruptcy Court

Los Angeles, CA 90012

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1 TO THE HONORABLE ERNEST M. ROBLES, UNITED STATES BANKRUPTCY
2 JUDGE, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS, THE
3 CALIFORNIA ATTORNEY GENERAL, THE OFFICE OF THE UNITED STATES
4 TRUSTEE, AND HUNT SPINE INSTITUTE, INC. AND ITS COUNSEL,:

5 PLEASE TAKE NOTICE that at the above-referenced date, time and location, Verity
6 Health System of California, Inc., a California nonprofit benefit corporation and the Debtor
7 herein ("VHS"), and the above-referenced affiliated debtors (collectively, the "Debtors"), the
8 debtors and debtors in possession in the above-captioned chapter 11 bankruptcy cases
9 (collectively, the "Cases"), will move the Court for entry of an order, pursuant to 11 U.S.C.
10 § 365(a), authorizing Debtors Verity Medical Foundation ("VMF") and St. Vincent Medical
11 Center ("SVMC")¹ to reject those certain executory contracts listed on Exhibit A to the
12 accompanying Memorandum of Points and Authorities,² including that certain Professional
13 Services Agreement between VMF and Hunt Spine Institute, Inc. ("Hunt"), dated July 5, 2017
14 (the "Hunt PSA"), attached as Exhibit B to the accompanying Memorandum of Points and
15 Authorities; and that certain Development Agreement between SVMC and Hunt, dated May 15,
16 2018 (the "Hunt Development Agreement," and together with the Hunt PSA, the "Hunt
17 Agreements"), attached as Exhibit C to the accompanying Memorandum of Points and
18 Authorities. The Debtors have determined, in their business judgment, that the Hunt Agreements
19 are a significant burden on the Debtors' estates, and thus, that rejection of the agreements is in the
20 best interest of their estates. Pursuant to 11 U.S.C. § 365(g)(1), the Debtors also seek that the
21 rejection be retroactive to the petition date, August 31, 2018.

22 PLEASE TAKE FURTHER NOTICE that the Motion is based on this Notice of
23 Motion and Motion, the accompanying Memorandum of Points and Authorities, the Declaration
24 of Richard G. Adcock in Support of First-Day Motions, filed August 31, 2018 (the "First-Day
25 Declaration") [Docket No. 8], the attached Declaration of Stephen Campbell, M.D. (the

26 ¹ To the extent VHS constitutes a party to or in interest with VMF or SVMC under these agreements, the Debtors
27 seek relief on its behalf as well.

28 ² To the extent the Debtors have not been able to identify other executory contracts or unexpired leases ancillary to
the agreements listed on the exhibit, in an abundance of caution, the Debtors seek to reject those agreements as well.

1 “Campbell Declaration”), supporting statements, arguments and representations of counsel who
2 will appear at the hearing on the Motion, the record in this case, and any other evidence properly
3 brought before the Court in all other matters of which this Court may properly take judicial
4 notice.

5 **PLEASE TAKE FURTHER NOTICE** that any party opposing or responding to the
6 Motion must file a response (“Response”) with the Bankruptcy Court and serve a copy of it upon
7 the moving party and the United States Trustee not later than 14 days before the date designated
8 for the hearing. A Response must be a complete written statement of all reasons in opposition to
9 the Motion or in support, declarations and copies of all evidence on which the responding party
10 intends to rely, and any responding memorandum of points and authorities.

11 **PLEASE TAKE FURTHER NOTICE** that, pursuant to LBR 9013-1(h), the failure to
12 file and serve a timely objection to the Motion may be deemed by the Court to be consent to the
13 relief requested herein.

14 Dated: September 21, 2018

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TANIA M. MOYRON

17 By /s/Tania M. Moyron
18 Tania M. Moyron

19 Proposed Attorneys for the Chapter 11 Debtors
20 and Debtors In Possession
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MEMORANDUM OF POINTS AND AUTHORITIES

I.

INTRODUCTION

The Debtors, by and through their undersigned counsel, hereby file this Memorandum of Points and Authorities in support of their motion (the "Motion") to reject the Hunt Agreements pursuant to 11 U.S.C. § 365(a). The Motion should be granted because the Hunt Agreements are unduly burdensome to the Debtors' bankruptcy estates (the "Estates"). Absent rejection, the Hunt PSA alone, which is not scheduled to expire for another nine years, requires VMF to pay upwards of \$1.8 million per year (or approximately \$15.9 million over the remaining term). The Hunt Development Agreement requires SVMC to pay another almost \$135,000 for the remaining eight months of its term. This obligation is a significant burden to the Estates. As such, rejecting the Hunt Agreements is in the best interest of the Estates and the Debtors are permitted to reject the Hunt Agreements as a legitimate exercise of their business judgment pursuant to 11 U.S.C. § 365(a).

II.

JURISDICTION

The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The venue of the Cases is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicate for this Motion is 11 U.S.C. § 365(a).

III.

STATEMENT OF FACTS

A. General Background

1. On August 31, 2018 ("Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code").³ The Cases are currently being jointly administered before the Bankruptcy Court

³ All references to "§" or "section" herein are to the Bankruptcy Code, 11 U.S.C. §§ 101, *et seq.*, as amended.

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1 [Docket No. 17]. Since the commencement of their Cases, the Debtors have been operating their
2 businesses as debtors in possession pursuant to §§1107 and 1108 of the Bankruptcy Code.

3 2. Debtor VHS, a California nonprofit public benefit corporation, is the sole
4 corporate member of the following five Debtor California nonprofit public benefit corporations
5 that operate six acute care hospitals: O'Connor Hospital, Saint Louise Regional Hospital, St.
6 Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, and Seton Medical
7 Center Coastside (collectively, the "Hospitals") and other facilities in the state of California.
8 Seton Medical Center and Seton Medical Center Coastside operate under one consolidated acute
9 care license.

10 3. VHS, the Hospitals, and their affiliated entities (collectively, "Verity Health
11 System") operate as a nonprofit health care system, with approximately 1,680 inpatient beds, six
12 active emergency rooms, a trauma center, eleven medical office buildings, and a host of medical
13 specialties, including tertiary and quaternary care.

14 4. Each of the Debtors is exempt from federal income taxation as an organization
15 described in Section 501(c)(3) of the Internal Revenue Code of 1986, except for Verity Holdings,
16 LLC, DePaul Ventures, LLC, and DePaul Ventures - San Jose Dialysis, LLC.

17 5. To date, no official committee or examiner has been appointed by the Office of the
18 United States Trustee in these Cases.

19 **B. The Hunt Agreements**

20 6. Debtor VMF, incorporated in 2011, is a medical foundation, exempt from (a)
21 licensure under California Health & Safety Code § 1206(l), and (b) federal income taxation as an
22 organization described in Section 501(c)(3) of the Internal Revenue Code of 1986. VMF
23 contracts with physicians and other healthcare professionals to provide high quality,
24 compassionate, patient-centered care to individuals and families throughout California. With
25 more than 100 primary care and specialty physicians, VMF offers medical, surgical and related
26 healthcare services for people of all ages at community-based, multi-specialty clinics
27 conveniently located in areas served by the Hospitals.
28

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1 7. VMF holds long-term professional services agreements with six medical groups,⁴
2 including Hunt, a California professional medical corporation that employs and contracts with
3 physicians who are directly engaged in the provision of medical services. Hunt employs or
4 contracts with Gabriel Hunt, M.D. and Leonel Hunt, M.D. (the “Hunt Physicians”), who are duly
5 licensed to practice medicine in the state of California, and experienced in the fields of
6 Neurologic Surgery and Orthopedic Spine Surgery (the “Specialty”).

7 8. On July 5, 2017, VMF and Hunt entered into the Hunt PSA, under which Hunt
8 agreed to provide professional medical services to the VMF medical clinic (the “Clinic”), with
9 principal place of business at 400 Race Street, San Jose, California 95126, at the following
10 patient-rendering clinic sites: (a) Cedar Sinai Clinic, 444 South Vincente Avenue, Suite 800, Los
11 Angeles, California 90048; and (b) St. Vincent Medical Center 1206(d) Clinic, 2200 West 3rd
12 Street, Los Angeles, California 90057 (together, the “Clinic Sites”). On May 15, 2018, SVMC
13 and Hunt entered into the Hunt Development Agreement, under which VMF arranged for Hunt to
14 provide specialty development services in the fields of Neurologic Surgery and Orthopedic Spine
15 Surgery to the Verity Health System to improve access to patients and quality of certain services
16 provided at SVMC. These contracts are unexpired and executory.

17 *i. The Hunt PSA*

18 9. On July 5, 2017, VMF and Hunt entered into the Hunt PSA. Under the Hunt PSA,
19 the parties “intend[ed] . . . to create a sustainable clinical enterprise that is integrated and that
20 supports, benefits and furthers the charitable purposes of [VMF] and the purposes of [Hunt] and
21 that facilitates the recruitment and retention of qualified and skilled physicians and other health
22 care professionals to achieve the missions of each organization.” Hunt PSA, p. 1. Among other
23 things, the agreement aimed to “establish an exclusive relationship between [the parties] pursuant
24 to which [Hunt] shall provide to or on behalf of [VMF] physician services and other services
25 described [therein]”; “support access to medical care through [the C]linics”; and “advance
26

27 ⁴ VMF also has professional services agreements, and related contracts and leases, with (a) Verity Medical Group;
28 (b) All Care Medical Group, Inc.; (c) CFL Children’s Medical Associates, Inc.; (d) Sports, Orthopedic and
Rehabilitation Associates; and (e) San Jose Medical Clinic, Inc., D/B/A San Jose Medical Group.

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1 medical sciences and the training and education of physicians, and work toward achieving the
2 community service objectives of [VMF] through the active support of medical research and health
3 education.” *Id.*

4 10. Under the Hunt PSA, Hunt provides VMF with professional, educational and
5 research services. *Id.* at § 1.1. VMF has “overall responsibility for the operation of the Clinic,
6 including, but not limited to, providing or arranging for the provision of, at its sole cost and
7 expense, facilities, equipment, furniture, [non-physician] personnel, administrative and
8 management services and supplies as necessary and appropriate for the operation of the Clinic
9 and the provision of services” *Id.* at § 3.1 (Overview); *see also* §§ 3.2 (Non-Physician
10 Personnel), 3.3 (Financial Responsibility; Budget), 3.4 (Ancillary Services), 3.6 (Marketing and
11 Public Relations Services), 3.7 (Management and Clinical Information System), 3.8 (Security,
12 Maintenance, Medical Waste Disposal and Laundry Services), 3.9 (Research and Education
13 Activities), 3.10 (Charitable Activities) and 3.11 (Administrative Responsibilities). VMF is also
14 responsible for compensation and maintaining a certain level of insurance coverage. *Id.* at §§ 7.1,
15 8.1, 8.2. Both parties have indemnification obligations. *Id.* at § 8.6.

16 11. Additionally, although not a party to the Hunt PSA, VHS⁵ is meant to “have
17 overall responsibility for negotiating managed care contracts and health care agreements for and
18 on behalf of” VMF; and Hunt, VMF and VHS are meant to “work cooperatively and in good faith
19 to negotiate and finalize agreements that are beneficial for the shared organizations and the
20 overall [VHS] strategy with a focus on maximizing the revenue available through such
21 agreements.” *Id.* at § 3.5. VMF is also supposed to perform its marketing services “in
22 partnership with” VHS. *Id.* at § 3.6.

23 12. The Hunt PSA has an initial term of ten years, with an automatic renewal
24 mechanism. *Id.* at § 10.1. It provides for early termination by either party without cause, as well
25 as for material breach, insolvency, crime or failure to agree on revised agreement. *Id.* at § 10.2.
26 VMF can also terminate for patient safety, and Hunt can terminate for change in material policy,
27

28 ⁵ To the extent VHS constitutes a party to or in interest with VMF, the Debtors seek relief on its behalf as well.

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1 change in standing, or withdrawal of Dr. Leonel Hunt or Gabriel Hunt. *Id.* The Hunt PSA is
2 governed by the laws of California. *Id.* at § 14.15.

3 13. Because it is within the first two years of the Hunt PSA's term, VMF's contractual
4 obligation is to pay Hunt a minimum annual base compensation of \$1,800,000 (assuming the
5 Hunt Physicians perform a minimum amount of patient services – measured in work relative
6 value units), with the possibility of additional compensation depending on the actual amount of
7 patient services provided (again, measured in work relative value units, as published by the
8 Centers for Medicare and Medicaid Services). *Id.* at Ex. 7.1.

9 *ii. The Hunt Development Agreement*

10 14. On May 15, 2018, SVMC and Hunt entered into the Hunt Development
11 Agreement. SVMC retained Hunt “to provide development services to [VHS] so as to improve
12 access to patients and quality of certain services provided by [VHS].” Hunt Development
13 Agreement, p.1.⁶

14 15. Under the Hunt Development Agreement, the Hunt Physicians “provide certain
15 development duties . . . under the direction of [SVMC's] President and CEO and Chief Medical
16 Officer.” *Id.* at § 1.1. Hunt and the Physicians also have continuing obligations regarding the
17 Physicians' qualifications to practice the Specialty and other related obligations. *Id.* at § 1.2; *see*
18 *also id.* at Art. I. Hunt is responsible for insurance and indemnification. *Id.* at §§ 5.1, 5.4.

19 16. Under the Hunt Development Agreement, SVMC has ongoing obligations
20 regarding hospital licensure and accreditation, space, equipment and supplies. *See id.* at Art. II.
21 SVMC is also responsible for paying Hunt an hourly rate of \$297.62, up to a monthly maximum
22 of \$16,667.72. *Id.* at § 3.1.

23 17. The Hunt Development Agreement has a one-year term, due to terminate on May
24 19, 2019, with the possibility of renewal. *Id.* at § 10.1. Early termination is available to either
25

26 ⁶ VMF was originally, as of July 5, 2017, party to an arrangement with Hunt and the Hunt Physicians to provide
27 development services. A dispute arose regarding the terms of such arrangement, and those parties entered into that
28 certain Settlement Agreement, dated May 15, 2018. The parties agreed that SVMC would be better positioned to
monitor the development services. For the purposes of this Motion, the Hunt Settlement Agreement is not one of the
“Hunt Agreements.”

1 party without cause, for breach, or as regards certain legal requirements. *Id.* at §§ 10.2.1, 10.2.2,
2 10.2.4. SVMC may also terminate the Hunt Development Agreement immediately for various
3 reasons, including patient safety, compliance, crime, bankruptcy (or similar), or unavailability of
4 services. *Id.* at § 10.2.3. SVMC also has the option to suspend the Hunt Development
5 Agreement. *Id.* at § 10.2.6.

6 18. The Hunt Development Agreement is governed by the laws of the state of
7 California.

8 **IV.**

9 **DISCUSSION**

10 **A. The Debtors Have the Right to Reject the Hunt Agreements Pursuant to § 365(a)**

11 Section 365(a) authorizes a debtor in possession, “subject to the Court’s approval, . . . [to]
12 assume or reject any executory contract or unexpired lease of the debtor.” 11 U.S.C. § 365(a)
13 (made applicable by § 1107(a)). A debtor in possession may assume or reject executory contracts
14 for the benefit of its estate and its creditors. *Agarwal v. Pomona Valley Med. Grp., Inc. (In re*
15 *Pomona Valley Med. Grp., Inc.)*, 476 F.2d 665, 671 (9th Cir. 2007); *In re Chi-Feng Huang*, 23
16 B.R. 798, 801 (B.A.P. 9th Cir. 1982) (“The primary issue is whether rejection would benefit the
17 general unsecured creditors.”). “The purpose of the power to reject is to augment the estate of the
18 debtor.” *Chi-Feng Huang*, 23 B.R. at 800 (quoting Krasnowiecki, *The Impact of the New*
19 *Bankruptcy Reform Act on Real Estate Development and Financing*, 53 Am. Bankr. L.J. 363, 382
20 (1979)).

21 Section 365 does not provide a definition of what constitutes an executory contract.
22 However, the Ninth Circuit has adopted the standard *Countryman* definition of an executory
23 contract, which is a contract “under which the obligations of both the bankrupt and the other party
24 to the contract are so far unperformed that the failure of either to complete performance would
25 constitute a material breach excusing the performance of the other.” *In re Select-A-Seat Corp.*,
26 625 F.2d 290, 292 (9th Cir. 1980) (quoting *Jenson v. Cont’l Fin. Corp.*, 591 F.2d 477, 481 (8th
27 Cir. 1979); *Countryman*, “Executory Contracts in Bankruptcy: Part I”, 57 Minn. L. Rev. 439, 460
28 (1973); citing 2 L. King, *Collier on Bankruptcy* P 365.02 (15th ed. 1979)); *see also In re Int’l*

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1 *Fibercom, Inc.*, 503 F.3d 933, 941 (9th Cir. 2007); *In re S. Pac. Funding Corp.*, 268 F.3d 712,
2 715 (9th Cir. 2001); *In re Robert L. Helms Constr. & Dev. Co., Inc.*, 139 F.3d 702, 705 (9th Cir.
3 1998); *Comm. Union Ins. Co. v. Texscan Corp. (In re Texscan Corp.)*, 976 F.2d 1269, 1272 (9th
4 Cir. 1992); *Griffel v. Murphy (In re Wegner)*, 839 F.2d 533, 536 (9th Cir. 1988).

5 Here, both VMF and SVMC, on the one hand, and Hunt and the Hunt Physicians, on the
6 other, have material unperformed obligations under the Hunt Agreements because the Hunt PSA
7 and the Hunt Development Agreement remain in effect until 2019 and 2027, respectively, unless
8 terminated early. Thus, in that time, Hunt and the Hunt Physicians have continuing obligations to
9 provide physician, research and education, and development services; and VMF and SVMC have
10 several continuing obligations ranging from paying the compensation for those services to
11 administratively supporting the operation of the Clinic Sites. Based on the foregoing, there is no
12 dispute that the Hunt Agreements are executory contracts. *See Pomona Valley Med. Gp.*, 476
13 F.3d at 669 (agreement by which a primary care physician and certified cardiologist provided
14 primary or basic medical services to patients in debtor's network was validly rejected as an
15 executory contract); *In re Hardeman Cnty. Hosp. Dist.*, 540 B.R. 229, 244 (Bankr. N.D. Tex.
16 2015) (unexpired contract whereby county provided emergency medical services to debtor was an
17 executory contract); *In re Health Plan of the Redwoods*, 286 B.R. 779, 780 (Bankr. N.D. Cal.
18 2002) (debtor's contract for medical services with the Centers for Medicare and Medicaid
19 Services (CMS) was an executory contract that could be rejected pursuant to § 365(a)).

20 **B. Rejection of the Hunt Agreements Is Within the Debtors' Sound Business Judgment**

21 In reviewing a debtor in possession's decision to assume or reject an executory contract, a
22 bankruptcy court should apply the "business judgment test" to determine whether to approve the
23 assumption or rejection. *See NLRB v. Bildisco & Bildisco*, 465 U.S. 513, 523, 104 S.Ct. 1188, 79
24 L.Ed.2d 482 (1984) (recognizing that the business judgment rule is used in reviewing motions to
25 reject executory contracts); *Pomona Valley Med. Grp.*, 476 F.2d at 670.

26 The business judgment standard requires that the bankruptcy court "presume that the
27 debtor-in-possession acted prudently, on an informed basis, in good faith, and in the honest belief
28 that the action taken was in the best interests of the bankruptcy estate." *Pomona Valley Med.*

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1 *Grp.*, 476 F.2d at 670. As a result, the bankruptcy court should approve assumption “unless it
2 finds that the debtor-in-possession’s conclusion that rejection would be ‘advantageous is so
3 manifestly unreasonable that it could not be based on sound business judgment, but only on bad
4 faith, or whim or caprice.’” *Id.* (quoting *Lubrizol Enters. v. Richmond Metal Finishers*, 726 F.2d
5 1043, 1047 (4th Cir. 1985)).

6 The Motion should be granted because the Debtors’ decision to reject the Hunt
7 Agreements indisputably falls within their sound business judgment. As in the case of *Pomona*
8 *Valley Med. Gp.*, the Debtors’ chapter 11 “strategy include[s] efforts to reduce costs by limiting
9 the number of physicians in [their] network and severing relationships with physicians . . . who
10 created financial burdens.” *See* 476 F.3d at 671. As such, rejecting the Hunt Agreements will
11 allow the Debtors to save at least \$7.4 million over the next year – a minimum of \$616,667 per
12 each month of these Cases – which savings will benefit VMF and SVMC, the other Debtors, their
13 Estates and their creditors. Such a decision falls squarely within the Debtors’ sound business
14 judgment. *See, e.g., Health Plan of the Redwoods*, 286 B.R. at 780 (granting rejection to “put an
15 end to continuing losses which have resulted from the contract” and “allow the debtor to
16 significantly reduce its overhead”).

17 Although cited to throughout this Motion, a concentrated look at *In re Pomona Valley*
18 *Medical Group, Inc.* is particularly instructive. In that case, the debtor sought to reject a medical
19 provider agreement with a primary care physician and certified cardiologist who provided
20 primary and basic medical care services to patients within the debtor’s network. 476 F.3d at 668.
21 The debtor justified its decision to reject the provider agreement as an effort “to reduce costs by
22 limiting the number of physicians in its network and severing relationships with physicians . . .
23 who created financial burdens by ordering treatment and tests [the debtor] considered
24 unnecessary.” *Id.* at 670. The court granted the debtor’s motion, finding that “the rejection of the
25 Agreement was in the best interests of the bankruptcy estate and its creditors.” *Id.* at 671.

26 Reducing VMF’s and SVMC’s expenses by rejecting the Hunt Agreements is within the
27 sound business judgment of the Debtors because “the benefits of rejecting the [Hunt Agreements]
28 far outweigh any benefits to the [D]ebtor[s] from [their] continuation,” and “there is a reasonable

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1 likelihood that the general creditors of the estate will derive substantial or significant benefit from
2 the proposed rejection.” *See In re Turbowind, Inc.*, 42 B.R. 579, 585 (Bankr. S.D. Cal. 1984).
3 “Since the debtor has the right under the Bankruptcy Code to reject the contract, the court’s
4 discretion is limited once it has determined that the debtor is exercising sound business
5 judgment.” *Health Plan of the Redwoods*, 286 B.R. at 780. Consequently, because the Debtors’
6 rejection of the Hunt Agreements is manifestly reasonable and within their sound business
7 judgment, the Court should grant the Motion.

8 **C. Rejection Should Be *Nunc Pro Tunc* to the Petition Date**

9 Section 365 provides that “the rejection of an executory contract or unexpired lease of the
10 debtor constitutes a breach of such contract or lease . . . immediately before the date of the filing
11 of the petition” 11 U.S.C. § 365(g)(1); *see also Bildisco*, 465 U.S. at 530; *Pomona Valley*
12 *Med. Gp.*, 476 F.3d at 671 n.7; *Aslan v. Sycamore Inv. Co. (In re Aslan)*, 909 F.2d 367, 371-72
13 (9th Cir. 1990). In other words, the relief requested herein is statutorily authorized as *nunc pro*
14 *tunc* to the Petition Date.

15 **V.**

16 **CONCLUSION**

17 **WHEREFORE**, for all the foregoing reasons and such additional reasons as may be
18 advanced at or prior to the hearing on this Motion, the Debtors respectfully request that this Court
19 enter an order authorizing them to reject⁷ the Hunt Agreements, *nunc pro tunc* to the Petition
20 Date, and granting such other and further relief as is just and proper under the circumstances.

21 Dated: September 21, 2018

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22 By /s/Tania M. Moyron
23 Tania M. Moyron

24 Proposed Attorneys for the Chapter 11 Debtors
25 and Debtors In Possession

26
27
28 ⁷ Nothing in this Motion precludes or otherwise affects one or more Debtors from asserting any claim it may have
against Hunt or the Hunt Physicians, either by affirmative action, by recoupment, setoff or as another defense.

DECLARATION OF STEPHEN CAMPBELL, M.D.

I, Stephen Campbell, declare, that if called as a witness, I would and could competently testify thereto, of my own personal knowledge, as follows:

1. I am the Chief of Physician Operations for Verity Health System.¹ I became the Debtors' Chief of Physician Operations effective March 5, 2018. As Chief Physician Officer, I lead the overall clinic operations of Verity Medical Foundation ("VMF"). I provide medical oversight, expertise and leadership to ensure clinical quality is at the highest level, while optimizing the delivery of affordable quality healthcare services, with an unparalleled patient and family experience.

2. I have over twenty years of clinical experience with over ten years in leadership roles prior thereto, including as a family physician in Washington and Minnesota and as the Chief Quality Officer for the Mayo Clinic – Southwest Minnesota Region, which included six hospitals and 27 clinics.

3. I received my medical degree at University of British Columbia in Vancouver, British Columbia, and completed my residency in family medicine at University of Alberta in Edmonton, Alberta.

4. Except as otherwise indicated herein, this Declaration is based upon my personal knowledge, my review of relevant documents, information provided to me by employees of the Debtors or the Debtors' legal and financial advisors, or my opinion based upon my experience, knowledge, and information concerning the Debtors' operations and the healthcare industry. If called upon to testify, I would testify competently to the facts set forth in this Declaration.

5. This Declaration is in support of the Debtors' *Notice Of Motion and Motion to Reject Pursuant to 11 U.S.C. § 365(a), Professional Services Agreement and Development Agreement with Hunt Spine Institute, Inc. Nunc Pro Tunc to the Petition Date* ("Motion")² and for all other purposes permitted by law.

¹ As defined in the Motion (defined below), the "Verity Health System" includes Verity Health System of California, Inc. ("VHS"), five California nonprofit public benefit corporations that operate six acute care hospitals, and their affiliated entities.

² Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Motion.

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1 6. VMF and Hunt Spine Institute, Inc. ("Hunt") entered into the Professional Services
2 Agreement on or about July 5, 2017 ("Hunt PSA"). A true and correct copy of the Hunt PSA is
3 attached as Exhibit B to the Motion. St. Vincent Medical Center ("SVMC") and Hunt entered
4 into the Development Agreement on or about May 15, 2018 (the "Hunt Development
5 Agreement," and together with the Hunt PSA, the "Hunt Agreements").

6 7. In exchange for providing professional services under the Hunt PSA, VMF is
7 contractually obliged to pay Hunt a minimum annual base compensation of \$1,800,000
8 (assuming the Hunt Physicians perform a minimum amount of patient services – measured in
9 work relative value units), with the possibility of additional compensation depending on the
10 actual amount of patient services provided (again, measured in work relative value units, as
11 published by the Centers for Medicare and Medicaid Services). Absent early termination, this
12 obligation amounts to approximately \$15.9 million over the remaining term.

13 8. In exchange for providing development services under the Hunt Development
14 Agreement, SVMC is contractually obliged to pay Hunt an hourly rate of \$297.62, up to a
15 monthly maximum of \$16,667.72. Absent early termination, this obligation amount to
16 approximately \$135,000 for the remaining term.

17 9. Under both Hunt Agreements, VMF, SVMC and even VHS are obliged to provide
18 other support in furtherance of the agreements, including space, equipment, supplies, non-
19 physician personnel, and various administrative and management services as appropriate for
20 Hunt's provision of services. Provision of these services further divert necessary resources away
21 from the company.

22 10. Based on the foregoing, VMF and SVMC have determined, in their business
23 judgment, that the Hunt Agreements are burdensome, and that rejection of the Hunt Agreements
24 is in the best interest of their estates.

25 I declare under penalty of perjury and of the laws in the United States of America, the
26 foregoing is true and correct.

27 Executed this 21st day of September, 2018, at Los Angeles, California.


STEPHEN CAMPBELL, M.D.

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EXHIBIT A

EXHIBIT A

Exhibit A

| # | Agreement | Debtor Party | Counterparty | Date | Relief Requested | Attachment to Motion |
|----|---------------------------------|----------------------------|----------------------------|--------------|------------------|----------------------|
| 1. | Professional Services Agreement | Verity Medical Foundation | Hunt Spine Institute, Inc. | July 5, 2017 | Reject | Exhibit B |
| 2. | Development Agreement | St. Vincent Medical Center | Hunt Spine Institute, Inc. | May 15, 2018 | Reject | Exhibit C |

EXHIBIT B

EXHIBIT B

EXECUTION COPY

PROFESSIONAL SERVICES AGREEMENT

between

HUNT SPINE INSTITUTE

and

VERITY MEDICAL FOUNDATION

This Professional Services Agreement (this “*Agreement*”) is entered into by and between Hunt Spine Institute, Inc., a California professional medical corporation (“*Medical Group*”) and Verity Medical Foundation, a California nonprofit corporation (“*Foundation*”), effective as of July __, 2017 (the “*Effective Date*”).

RECITALS

WHEREAS, Foundation is the owner and operator of a medical clinic exempt from licensure pursuant to Section 1206(l) of the California Health and Safety Code with a principle place of business of 400 Race Street, San Jose, CA 95126. Foundation is affiliated with the Verity Health System of California, Inc. (“*Verity*”)

WHEREAS, Medical Group is a California professional medical corporation which will employ and contract with physicians who are directly engaged in the provision of professional medical services (referred to in this Agreement as “*Medical Group Physicians*,” “*Physicians*,” or “*Medical Group Provider*”);

WHEREAS, Foundation and Medical Group intend by the transactions contemplated by this Agreement and certain related agreements to create a sustainable clinical enterprise that is integrated and that supports, benefits and furthers the charitable purposes of Foundation and the purposes of Medical Group and that facilitates the recruitment and retention of qualified and skilled physicians and other health care professionals to achieve the missions of each organization; and,

WHEREAS, the parties desire to enter into this Agreement and certain related agreements to (i) describe the operations, and role of Foundation; (ii) establish an exclusive relationship between Medical Group and Foundation pursuant to which Medical Group shall provide to or on behalf of Foundation physician services and other services described in this Agreement; (iii) describe the professional clinical services that Medical Group shall provide to Foundation; (iv) support access to medical care through Foundation clinics (each, individually, a “*Clinic*” and, collectively, the “*Clinics*”); and (v) advance medical sciences and the training and education of physicians, and work toward achieving the community service objectives of Foundation through the active support of medical research and health education.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and other good and valuable consideration, the receipt and satisfaction of which are hereby mutually acknowledged, the parties hereto agree as follows:

AGREEMENT

1. RESPONSIBILITIES OF MEDICAL GROUP

1.1 Medical Group Services.

(a) **Professional Services.** Medical Group, through Medical Group Physicians, shall provide those medically necessary professional services that Medical Group Physicians are qualified to provide ("**Professional Services**") for individuals receiving medical care, diagnosis or treatment at the Clinic and at such other sites or locations as may be required, provided such Clinics are located in the existing St. Vincent Medical Center or Cedars Sinai Hospital in Los Angeles, CA, or other such Clinics mutually approved by the parties, ("**Clinic Patients**") pursuant to the then-current standards of care in the medical community, the terms of any contractual arrangement between any third-party payor and either Medical Group or Foundation so long as the terms of such contractual arrangements are not materially different than the terms and conditions hereinafter set forth. Medical Group will provide medical services to patients at those sites identified on Exhibit 1.1 (a) attached hereto (the "**Clinics**");

(b) **Other Services.** Medical Group shall also provide to or on behalf of Foundation those educational and research services as more specifically set forth in Exhibit 1.1(b) attached hereto, such services, together with the Professional Services referred to collectively as the "**Medical Group Services**."

(c) **Organization and Staffing.** Medical Group, from time to time prepare a staffing plan for coverage by Medical Group Physicians and other non-physician professionals and staff (the latter of which will be employed directly by Foundation) at the Clinic, subject to approval by the Foundation's Board of Directors ("**Foundation Board**"), which approval shall not be unreasonably withheld, delayed or conditioned. Medical Group shall provide a sufficient number of Medical Group Physicians to be physically present and available to provide Professional Services at the Clinic, in the medical specialties provided by Medical Group, during the regular business hours of the Clinic. The initial staffing plan and budget is attached to this Agreement as Exhibit 1.1(c), which staffing plan has been approved by the Foundation Board and which shall not be changed without the prior consent of the Medical Group, which will not be unreasonably withheld or denied.

(d) **Hours of Service; Coverage.** Medical Group shall provide the services of the Physicians at the Clinics (as defined in Section 1.1 above) during normal business hours and days of operation (Mondays through Fridays) and possibly Saturdays and/or Sundays, as reasonably established by Foundation and Medical Group.

1.2 Provider Standards.

(a) **Medical Group Provider Qualifications and Standards.** Unless expressly waived by the Foundation Board, Medical Group shall require that each Medical Group Provider, as applicable, satisfies at all times the following minimum qualifications and requirements:

(i) Each Medical Group Provider shall maintain an appropriate unrestricted license to provide professional medical services in the State of California.

(ii) Except as set forth in Disclosure Schedule 1.2(a)(ii), each Medical Group Physician shall be board-certified and maintain, in good standing, board certification in his or her specialty or have comparable qualifications acceptable to the Foundation Board (or, with the approval of the Foundation Board, be board eligible in his or her specialty).

(iii) Each Medical Group Provider shall be permitted to prescribe medications and shall maintain a valid permit from the U.S. Drug Enforcement Agency (“**DEA**”), to the extent allowable and necessary to such Medical Group Provider’s field of practice and his or her effective provision of services to Clinic Patients.

(iv) Except as set forth in Disclosure Schedule 1.2(a)(iv), each Medical Group Provider shall maintain in good standing medical staff membership and clinical privileges with at least one Verity affiliate hospital (defined as the hospitals affiliated with and operated by the Verity, each an “**Hospital**” and collectively the “**Hospitals**”). Foundation will coordinate establishing such privileges at its sole cost and expense.

(v) Consistent with each Medical Group Provider's employment agreement, each Medical Group Provider who participates in emergency call services and services relating to follow-up emergency call coverage shall maintain eligibility as a participating provider to provide medical services to beneficiaries of the Medicare and Medi-Cal programs as well as of other federal health care programs as defined at 42 U.S.C. Section 1320a-7b(f) and as requested by the Foundation Board and the Operating Committee from time to time (collectively, the “**Federal Health Care Programs**”) in a manner consistent with Foundation’s policies and its status as a charitable organization.

(vi) Subject to Section 1.2(a)(vi), each Medical Group Provider shall participate, or agree to apply for participating status, in any insurance coverage arrangement or managed care plan in which Foundation participates and that is reasonably available to such Medical Group Provider, either individually or through Medical Group.

(vii) Each Medical Group Provider shall cooperate and comply with all reasonable professional review, credentialing, quality, and utilization criteria as may be adopted from time to time by Foundation, in keeping with applicable Foundation guidelines and requirements, and the requirements of any applicable accrediting agency. Each Medical Group Provider shall cooperate in Foundation’s credentialing and re-credentialing process, as communicated from time to time by Foundation.

(viii) Each Medical Group Provider shall satisfy conditions for insurability under the professional liability policy or policies described under Section 8.2 of this Agreement.

(ix) Each Medical Group Provider shall not be excluded from being eligible to participate in research programs and grants provided by the National Institutes of Health and other similar research and grant programs.

(x) Each Medical Group Provider shall participate in continuing medical education as necessary to maintain licensure and/or certification, as applicable, professional competence and skills commensurate with the standards of the medical community.

(xi) Each Medical Group Provider shall be employed by or under contractual arrangement with Medical Group in each case pursuant to a Physician's Employment Agreement in substantially the form attached hereto as Exhibit 1.2(a)(xi), subject to reasonable adjustments desirable to Medical Group.

(b) **Representations and Warranties by Medical Group.** Except as disclosed in Disclosure Schedule 1.2(b), Medical Group represents and warrants that (1) no Medical Group Physician's license to practice medicine in any state has ever been suspended, revoked or restricted; (2) neither Medical Group nor any Medical Group Provider has ever been reprimanded, sanctioned or disciplined by any licensing board, certifying authority or medical specialty board; (3) neither Medical Group nor any Medical Group Provider has ever been excluded or suspended from participation in, or sanctioned by, any Federal Health Care Program; (4) no Medical Group Provider has ever been denied membership and/or reappointment to the medical staff of any hospital or health care facility for a medical disciplinary cause or reason; (5) no Medical Group Provider's medical staff memberships or clinical privileges at any hospital or health care facility have ever been suspended, limited or revoked for a medical disciplinary cause or reason; (6) neither Medical Group nor any Medical Group Provider has ever been reprimanded, sanctioned or disciplined by the DEA, been denied a DEA registration number or had a DEA registration number restricted; (7) neither Medical Group nor any Medical Group Provider has been denied insurance coverage as set forth in Section 8.2 of this Agreement or had such insurance coverage restricted; and (8) neither Medical Group nor any Medical Group Provider has ever been convicted of and has never been charged with (i) a felony, (ii) a misdemeanor involving fraud, dishonesty, controlled substances or moral turpitude, or (iii) any crime relevant to the provision of medical services or the practice of medicine.

(c) **Professional Conduct.** Medical Group shall require by policy that Medical Group Physicians at all times to act in a professional manner and to demonstrate respect towards Clinic Patients, Foundation, the Verity, the Hospitals and members of the public coming upon Foundation, Verity, or Hospital premises, including the Clinic. Medical Group shall require by policy that Medical Group Physicians to provide all Medical Group Services hereunder in a competent and professional manner, in compliance with:

(i) the Corporate Responsibility Program, and the Standards of Conduct each as defined and described in Article 4, below;

(ii) all applicable statutes, regulations, rules and directives of federal, state and other governmental and regulatory bodies having jurisdiction over Foundation including, without limitation, all applicable Centers for Medicare and Medicaid Services conditions of participation and standards for contracted services. In particular, but without limitation, Medical Group shall, and shall require Medical Group Physicians to reasonably cooperate with and assist Foundation in complying with the requirements set forth in Section 1206(l) of the California Health & Safety Code, as well as all reporting and disclosure requirements imposed by applicable law;

(iii) the bylaws, rules and regulations, and policies and procedures applicable to the medical staff of each applicable Hospital and such other facility at which such Medical Group Provider has clinical privileges;

(iv) applicable accreditation or approval standards of the Federal Drug Administration, the Council on Medical Education of the American Medical Association, and any applicable accrediting bodies for graduate medical education;

(v) applicable accreditation or approval standards for the provision of specialty services and currently accepted and approved methods and practices applicable to the practice of such specialty;

(vi) applicable medical and ethical standards in effect in Foundation's community from time to time; and

(vii) all applicable policies, bylaws, and regulations of Foundation, including those applicable to insurance coverage and conflict of interest; provided that if such policies, bylaws, or regulations are inconsistent with Medical Group's right or obligations under this Agreement, the terms of this Agreement shall apply.

(d) **Supervision of Patient Care; Standards.** Medical Group shall supervise the clinical performance of all Medical Group Physicians to the extent required by California law. Medical Group shall ensure that each Medical Group Provider is providing only those services that are within the Medical Group's licensure and, then, only in a manner consistent with the patient's best interests. Medical Group shall ensure that all Medical Group Physicians are providing Professional Services in a manner consistent with the quality, productivity and efficiency expectations and standards established or to be established in accordance with Article 5 hereof. Medical Group shall take appropriate steps to address any issues regarding any individual Medical Group Provider to improve the performance of any such individual.

1.3 Clinic Privileges with Foundation.

(a) The clinic privileges of a Medical Group Provider providing Professional Services to or on behalf of Foundation ("***Clinic Privileges***") hereunder shall be conditioned upon such Medical Group Provider's continued provision of Professional Services pursuant to this Agreement.

(b) In the event a particular Medical Group Provider does not meet or fails to continue to meet applicable written criteria for participation in and retention of Clinic Privileges with Foundation, Foundation shall promptly advise Medical Group in writing and Medical Group shall promptly attempt to resolve the identified issue and, if after a reasonable attempt is unable to do so, Medical Group shall terminate the particular Medical Group Provider's provision, or participation in the delivery, of Professional Services under this Agreement and shall supply a replacement Medical Group Provider reasonably acceptable to Foundation within a commercially reasonable period of time taking into account, among other things, the nature of the provider's specialty.

(c) If this Agreement expires or is terminated for any reason, then, the Clinic Privileges of all Medical Group Physicians to provide Professional Services to or on behalf of the Foundation and to use the space and equipment shall immediately cease and be terminated. Notwithstanding the foregoing, no such expiration or termination shall automatically cause or have the effect of causing termination of the Medical Group Physicians' medical staff membership or clinical privileges at any Hospital.

(d) If (1) the agreement between Medical Group and a Medical Group Provider is amended, modified or terminated such that said Medical Group Provider is no longer authorized to provide Professional Services to or on behalf of Foundation, or (2) the participation of a Medical Group Provider in providing Professional Services to or on behalf of Foundation under this Agreement is terminated pursuant to Section 1.3(b) hereof or otherwise, then the Clinic Privileges of such Medical Group Provider to provide Professional Services and to use the space and equipment in the Clinic and facilities shall immediately cease and be terminated. Where applicable, termination of such Medical Group Provider's Clinic Privileges shall occur in material accordance with those processes set forth in such Medical Group Provider's employment contract or services agreement, as applicable, the key terms of which are set forth in Exhibit 1.3(d) attached hereto. Medical Group shall give notice of this Section 1.3 to each Medical Group Provider performing Professional Services to or on behalf of Foundation under this Agreement and shall obtain each Medical Group Provider's written consent to this Section 1.3 as a condition of serving as a Medical Group Provider under this Agreement. Notwithstanding the foregoing, no such termination shall automatically cause or have the effect of causing termination of the Medical Group Provider's medical staff membership or clinical privileges at any Hospital.

1.4 Exclusive Arrangement. Medical Group acknowledges that the responsibilities it has undertaken pursuant to this Agreement require Medical Group and Medical Group Physicians to focus all of their professional medical practice time and efforts upon the practice of medicine exclusively on behalf of Foundation, except as otherwise agreed or set forth in this Agreement. As a result, during the Term (defined below) of this Agreement, Medical Group shall not, and shall ensure that Medical Group Physicians shall not, provide or contract to provide any professional, administrative or health care services to or on behalf of any person or entity other than Foundation (whether as director, officer, employee, partner, consultant or otherwise) without the prior written consent of the Foundation Board, which consent may be given, withheld or conditioned by the Foundation Board, in its sole and absolute discretion, except as otherwise agreed or set forth in this Agreement.

1.5 Outside Activities.

(a) Provided that it does not (x) violate or interfere with a Physician's or Medical Group's obligations under this Agreement or violate applicable law, (y) adversely affect or compete with Foundation or Hospital or their respective businesses except as provided for under Section 1.6, or (z) reflect adversely upon Foundation's or Hospital's reputation, a Physician may engage in any activity unrelated to or not requiring Physician's professional training, experience or practice of medicine. Additionally, except as expressly provided otherwise herein or as set forth on Exhibit 1.5, upon receipt of Foundation's prior written approval (which approval shall not be unreasonably withheld, delayed or conditioned), a Physician may provide

professional medical services to individuals other than Foundation patients and engage in other activities related to such Physician's professional training, experience or practice of medicine (the "**Outside Activities**"); provided that Foundation's approval shall not be required with respect to (and Physicians may freely engage in) (i) writing and speaking engagements, communicating with the media, personal appearances, providing non-patient care consulting services, serving as a corporate director, presentations and other similar activities in any media form (e.g., broadcast, electronic, internet, print, in person); and (ii) expert witness consultation and testimony, including without limitation independent medical examinations and providing consultations and reports to attorneys. Notwithstanding anything that may be construed to the contrary herein, a Physician shall cease engaging in an Outside Activity previously approved by Foundation if Foundation, after consulting with Medical Group, reasonably determines that it would result in or cause any of the effects described in (x), (y) or (z) of this Section 1.5(a).

(b) Medical Group's agreement of employment (or independent contractor agreement) with each Physician shall require each Physician intending to engage in any such Outside Activities to notify Medical Group in advance, and to request and receive the prior written approval of Medical Group (an "**Outside Activities Request**"), before commencing any such activities. Upon receipt of any such Outside Activities Request, Medical Group shall, in turn, notify and request approval from Foundation of the proposed activities. Medical Group shall not approve any such Outside Activities Request unless Foundation determines, in good faith, that the activity is permissible under or does not violate this Section 1.5 and approves in writing such activity. If Medical Group does not receive a response from Foundation within five (5) days of a request, such request will be deemed approved. Medical Group's agreement of employment (or independent contractor agreement) shall provide that pursuit by a Physician of Outside Activities without such prior written approval shall constitute a material breach of such agreement, and shall be cause for termination pursuant to the terms of such agreement. Any approved Outside Activities which implicate the Stark Law (as defined below) must be reflected in a written document which satisfies the requirements of an exception under the Stark Law.

(c) Unless otherwise expressly approved by Foundation, Medical Group and Physicians shall be solely responsible for any expenses or liabilities arising from Outside Activities (including any costs related to insurance coverage for such Outside Activities, which Physicians and/or Medical Group shall be obligated to obtain unless otherwise agreed upon by Foundation), shall indemnify, defend, and hold harmless Foundation from any claims, expenses, or liabilities of any kind incurred as a result of such Outside Activities, and shall not use any property, supplies, or personnel of Foundation or Hospital with respect to such Outside Activities unless Medical Group and Foundation or Hospital enter into a lease and/or personnel services agreement that complies with the Medicare-Medicaid Anti-Kickback Statute (42 U.S.C. Section 1320a-7b[b]) and the Stark Law (42 U.S.C. Section 1395nn). In addition to the provisions in Section 1.4 and this Section 1.5, Physicians shall be subject to Foundation's then-current written conflict of interest policy and process (a copy of which shall be provided to Medical Group); provided that if the conflict of interest policy conflicts with this Agreement, the terms and conditions of this Agreement shall control.

(d) Except as otherwise expressly agreed by Foundation and Medical Group, all income from approved Outside Activities shall be paid directly to Medical Group or the

Physician(s) participating in such activities, as determined by Medical Group and the participating Physician in their sole discretion.

1.6 Restriction on Competitive Investments. During the Term of this Agreement, Medical Group shall not, and shall not knowingly permit Medical Group Physicians, by policy, to, except with respect to those surgery centers specifically set forth in Exhibit 1.6 attached hereto, own any interest in, manage or operate, any person or entity (whether as director, officer, employee, partner, shareholder, member, agent representative, security holder, consultant or otherwise), that furnishes or intends to furnish any services provided by Foundation as of the date of this Agreement without the prior written consent of the Foundation Board, which consent may be given, withheld or conditioned by the Foundation Board in its sole and absolute discretion. Notwithstanding the foregoing, nothing in this Section shall (1) apply to any individual Medical Group Provider from the time he or she ceases to be an employee of or otherwise engaged by Medical Group for any reason; (2) prohibit Medical Group or any Medical Group Provider from owning securities in any publicly traded company that furnishes services provided by Foundation, or (3) apply to ambulatory surgery centers that are not located within five (5) miles of an ambulatory surgery center ("ASC") owned by Foundation provided that at no time shall any Medical Group Physicians own more than two ambulatory surgery centers at any moment in compliance with the anti-kickback law regulatory safe harbor applicable to investment income from ASCs, in certain circumstances, as set forth in 42 C.F.R. § 1001.952(r).

1.7 Charity Care. In furtherance of Foundation's charitable purposes and activities, Medical Group shall participate in any other charitable activities as and to the extent reasonably requested by Foundation from time to time, including but not limited to on-call coverage, service to Medicaid beneficiaries and county patients, in-service training, and participation on Foundation committees to promote the quality and accessibility of care. Subject to Section 1.2(a)(v), Medical Group shall ensure that Medical Group Physicians provide free or discounted care to members of the communities served by Foundation in accordance with such patient financial assistance policies as may be adopted or amended by Foundation from time to time. The parties acknowledge and agree that such services shall be compensable by Foundation as a Professional Service hereunder in accordance with the compensation schedule set forth in Exhibit 7.1 attached hereto.

1.8 Research Activities. In furtherance of the parties' shared objective to establish and maintain a medical foundation in accordance with Section 1206(l) of the California Health & Safety Code, Medical Group shall ensure that Medical Group Physicians participate in the medical research activities of Foundation as reasonably requested by the Foundation Board from time to time, to the extent such participation is consistent with the efficient and medically appropriate provision of Professional Services to Clinic Patients and is otherwise consistent with the standards herein described. The parties acknowledge and agree that such services shall be compensable by Foundation as a Professional Service hereunder in accordance with the compensation schedule set forth in Exhibit 7.1 attached hereto.

1.9 Community Medical Education Activities. In furtherance of the parties' shared objective to establish and maintain a medical foundation in accordance with Section 1206(l) of the California Health & Safety Code, Medical Group shall ensure that Medical Group Physicians participate in such community and patient medical education activities as may be reasonably

requested by the Foundation Board from time to time. The parties acknowledge and agree that such services shall be compensable by Foundation as a Professional Service hereunder in accordance with the compensation schedule set forth in Exhibit 7.1 attached hereto.

1.10 Billing Information. Medical Group agrees to provide Foundation with all patient encounter data and all billing information for Professional Services rendered by Medical Group Physicians including, but not limited to, the name of the patient, the date of service, the nature and extent of services provided, the diagnosis and appropriate billing codes and any supporting medical and non-medical information necessary to bill such services and to obtain payment and/or reimbursement therefor.

1.11 Internal Affairs of Medical Group. Subject to compliance with the terms of this Agreement, Medical Group shall remain responsible for management of its internal affairs and corporate governance, including compensation of Medical Group Physicians.

1.12 Nondiscrimination. Foundation and Medical Group acknowledge and agree that subject to Section 1.2(a)(v) and subject further to scheduling constraints and except to the extent that a circumstance such as age, sex, pre-existing medical condition, or physical or mental disability is medically significant to the provision of appropriate medical care to the patient, Medical Group shall require that Medical Group Physicians shall not differentiate or discriminate unlawfully in the provision of, or refuse to respond to a request for, any professional or other service described herein on the basis of a patient's race, color, ancestry, ethnicity, religion, national origin, citizenship, age, marital status, sex, sexual preference/orientation, pre-existing medical condition, medical history, genetics, physical or mental disability, insurance status, evidence of insurability, claims history, economic status or ability to pay for services in violation of any applicable state, federal or local law or regulation, or the rules and regulations of Foundation with respect to such matters.

1.13 Compliance with Foundation Rules. Medical Group shall comply, and shall cause each Medical Group Provider to comply, with the bylaws, guidelines, policies and procedures of Foundation ("***Foundation Rules***") applicable to Medical Group, Medical Group Physicians, the provision of Medical Group Services, or the obligations of Medical Group under this Agreement, including those Foundation Rules applicable to patient relations, scheduling, billing, coding, records and other administrative matters related to the operation of Foundation or the Clinic. Foundation Rules shall include, without limitation, those guidelines, policies and procedures established by Verity and adopted by the Foundation Board. If the Foundation Rules are materially inconsistent with the Medical Group's rights and obligations under this Agreement, the terms of this Agreement shall control.

1.14 Referrals. Medical Group and Medical Group Physicians shall be free to use, and refer patients to, any hospital, health care facility, physician or other health care provider subject to the best interests of patient care, obligations under managed care agreements and applicable law.

1.15 Exclusion. Medical Group does and Medical Group shall continue, through foundation resources, in a manner consistent with Medical Group's practice as of the Effective Date, prior to hire and at least once every year thereafter conduct or arrange for screenings of Medical Group's officers, directors, employees, contractors, or agents against the List of

Excluded Individuals/Entities maintained by the Office of Inspector General (“**OIG**”) of the Department of Health and Human Services and the Excluded Parties List System (“**EPLS**”) maintained by the U.S. General Services Administration and the Medi-Cal Suspended and Ineligible Provider List maintained by the California Department of Health Care Services. Medical Group shall immediately notify Foundation in the event that Medical Group or any of its officers, directors, employees, contractors or agents is excluded from participation in a state or federal health care program.

1.16 Notification of Certain Events. Medical Group shall notify each of the Foundation Chief Executive Officer and/or Foundation Chief Medical Officer in writing as soon as reasonably practicable (but in no event later than three (3) business days) after Medical Group or any Medical Group Provider becomes aware of any of the following:

(a) Medical Group or any Medical Group Provider becomes the subject of, or materially involved in, any investigation, proceeding or disciplinary action by or under any Federal Health Care Program, any state’s medical board, or any agency responsible for professional licensing and/or certification, professional standards or behavior;

(b) Medical Group or any Medical Group Provider becomes the subject of any action or proceeding arising out of the provision of any of the Medical Group Services or any other professional or administrative services;

(c) Any event that materially interrupts or affects Medical Group’s or any Medical Group Provider’s ability to perform any of the Medical Group Services;

(d) Any termination, non-renewal, cancellation or reduction in coverage of any insurance policy required under Article 8;

(e) Any notice from any third-party payor or governmental authority relating, directly or indirectly, to Foundation’s, Medical Group’s or any Medical Group Provider’s provision of services, except for routine requests for additional clinical information;

(f) Any failure to satisfy the terms of any representation or warranty made in Section 1.2 (Qualifications and Standards);

(g) Medical Group’s failure to retain, or the likelihood that Medical Group will fail to retain, a sufficient number of physicians to satisfy the requirements for maintaining status as a foundation clinic under Health and Safety Code Section 1206(l); or

(h) Any modification in or termination of Medical Group’s employment of or agreement with a Medical Group Provider during the term of this Agreement materially affecting a Medical Group Provider’s access to a Facility, compensation, changes to standard of care, performing services other than on behalf of Medical Group, or any other modification that would result in a material breach of this Agreement.

In addition to the foregoing, Medical Group shall notify each of the Foundation Chief Executive Officer, Foundation Chief Administrative Officer, and Foundation Chief Medical Officer in writing no later than forty-five (45) days prior to the effective date of any pending

change in corporate identity, form or name of Medical Group that necessitates a filing with or application for a permit from the Medical Board of California or the Secretary of State of the State of California or another state, and shall take all such actions and provide all such information requested by Foundation in order to amend and assign this Agreement, as necessary, to reflect Medical Group's new corporate identity, form or name.

1.17 Litigation Consultation.

(a) **Assistance in Litigation.** Medical Group shall use best efforts to cause Medical Group Physicians to be available to Foundation to testify as witnesses or expert witnesses, in the event litigation is brought against Foundation, its directors, officers, agents or employees based upon a claim of negligence, malpractice or any other cause of action, except where Medical Group or a Medical Group Provider is named an adverse party to Foundation in the proceeding. Medical Group shall be compensated for each Medical Group Provider providing such litigation assistance in accordance with Exhibit 1.17(a) attached hereto.

(b) **Expert Witness Consultant.** Medical Group shall ensure that its Medical Group Physicians shall not knowingly accept consulting assignments or otherwise contract, agree or enter into an engagement to provide expert testimony or evaluation on behalf of a plaintiff in connection with any claim asserting negligence, malpractice or professional liability on the part of Foundation or any hospital or health care facility that is a division or other subordinate organization of Verity, or in which any division or subordinate organization of Verity is named, or is expected to be named, as a defendant. The hospitals and health care facilities that are divisions or other subordinate organizations of Verity as of the Effective Date are listed in Exhibit 1.15(b) attached hereto.

1.18 Limitations on Authority of Medical Group.

(a) Medical Group is prohibited from and shall prohibit its Medical Group Physicians from (1) incurring any material financial obligation on behalf of Foundation; (2) obligating or committing any assets of Foundation for the purchase, acquisition or pilot trial of equipment, supplies or personnel; (3) entering into any contract on behalf of Foundation for the purchase, rental or other acquisition of equipment, supplies or personnel; (4) making, or allowing any other individual to make, any additions, alterations, improvements or repairs to any space, facilities or equipment furnished by Foundation; or (5) removing any equipment or supplies furnished by Foundation, each without the express prior written authorization of Foundation.

(b) In the event any Medical Group Provider, notwithstanding the foregoing, takes an action that is prohibited in this Section, Medical Group agrees to work with Foundation to cure or otherwise correct or reverse the action taken. In addition, Medical Group shall ensure that such Medical Group Provider agrees to and takes any action reasonably required by Foundation to cure or otherwise correct or reverse the action taken and to ensure that such Medical Group Provider commits no such action in the future.

(c) Section 1.18(b) applies and is available only once per Medical Group Provider. A Medical Group Provider who takes action prohibited under Section 1.16(a) and thereafter performs remedial action under Section 1.18(b), may have his or her approval

withdrawn under Section 6.4 if such Medical Group Provider subsequently engages in an activity prohibited under Section 1.18(a).

2. **[INTENTIONALLY OMITTED]**

3. **RESPONSIBILITIES OF FOUNDATION**

3.1 Overview. Foundation shall have overall responsibility for the operation of the Clinic, including, but not limited to, providing or arranging for the provision of, at its sole cost and expense, facilities, equipment, furniture, personnel, administrative and management services and supplies as necessary and appropriate for the operation of the Clinic and the provision of services and in accordance with the Foundation Bylaws and this Agreement. The parties acknowledge and agree that the goal with respect to such Foundation administrative and management services is to maximize operational and economic efficiencies and expertise and, where possible, to transition and/or consolidate certain services, related infrastructure and personnel by and between Foundation and Medical Group to avoid duplication or replication of same. To that end, following the Effective Date, the Foundation Board through a specific and identified individual and Medical Group shall work collaboratively and cooperatively to identify and agree upon administrative areas where operational efficiencies and/or improvement can be achieved with the goal of developing and implementing a transition and consolidation plan with respect to the functions, services and personnel required to operate Foundation, including legal services, marketing services, human resources services, information technology services and the other services described in this Article 3. Notwithstanding the foregoing, Medical Group and Foundation acknowledge and agree that certain aspects of Foundation management and administration will require more immediate transition or consolidation in order to comply with applicable laws. Consequently, Medical Group and Foundation further agree that each shall use best efforts to support and facilitate the transition or consolidation of those areas within the time frame required.

As used in this Agreement, the capitalized term “*Affiliate*” means any corporation, partnership, limited liability company, sole proprietorship or other person (individual or entity) which directly or indirectly through one or more intermediaries controls, or is controlled by or is under common control with the person (individual or entity) specified.

3.2 Non-Physician Personnel.

(a) **Personnel.** Foundation shall provide or arrange at its sole cost and expense for all personnel reasonably required for the proper operation of the Hunt Spine Institute, including but not limited to those personnel listed below. In order to comply with applicable federal and state labor and employment laws, Foundation and Medical Group acknowledge and agree that except where otherwise expressly provided, such personnel shall report to and shall be supervised by Foundation.

(i) Non-physician practitioner health care professionals such as nurses and medical assistants who are licensed or otherwise authorized under state law to provide direct patient care services within the scope of their licensure or authorization. Such personnel shall be subject to Medical Group and Medical Group Physician supervision only with respect to the

performance of patient care services to the extent required by California law, as set forth in this Agreement;

- (ii) practice manager
- (iii) information technology personnel;
- (iv) medical technicians, therapists, X-ray technicians;
- (v) receptionists, secretaries, clerks, medical transcriptionists, finance personnel, billing staff;
- (vi) human resources personnel, purchasing and marketing personnel;
- (vii) financial and accounting;
- (viii) billing, collections and claims payments;
- (ix) credentialing;
- (x) quality assurance, quality maintenance and utilization management;
- (xi) janitorial and maintenance personnel; and
- (xii) costs and expenses relating to recruitment.

(b) **Staffing and Employee Management.** Foundation shall be responsible for the provision of all Foundation employees as well as the management of employee issues including, without limitation, payroll, benefits administration, hiring, evaluation and employee-related liabilities, as applicable.

3.3 Financial Responsibility; Budget. Foundation shall be responsible for all aspects of the financial management of Foundation including, without limitation, the planning and implementation of all borrowing and financing for Foundation. Foundation, in conjunction with the Foundation Board shall provide the necessary resources for development and implementation of annual operating and capital budgets.

3.4 Ancillary Services. Foundation shall provide, directly or through arrangements with third-party providers, all ancillary services necessary for the proper operation of Foundation. All arrangements for ancillary services, including the scope and location of such services, shall be approved by the Foundation Board, and Foundation shall use its reasonable efforts to negotiate contracts that shall allow Medical Group Physicians to provide Professional Services in a high quality, efficient manner as required under this Agreement. Both parties shall comply with 42 U.S.C. Section 1395nn with regard to delivery of such ancillary services.

3.5 Third-Party Payor Contracting. Verity shall have overall responsibility for negotiating managed care contracts and health care agreements for and on behalf of Foundation. Except as otherwise required by law, the responsible third-party payor or set forth in Exhibit 3.5, managed care contracts or subcontracts for Foundation shall be in the name of Foundation. Regardless of whose name the contracts are in, revenues from all such contracts shall be the sole property of Foundation. Foundation, Medical Group and Verity shall work cooperatively and

in good faith to negotiate and finalize agreements that are beneficial for the shared organizations and the overall Verity strategy with a focus on maximizing the revenue available through such agreements. In no circumstances shall approval of agreements be unreasonably withheld or delayed.

3.6 Marketing and Public Relations Services. Foundation, in partnership with Verity, shall be responsible for all marketing and public relations services for Foundation's and Medical Group's respective businesses and shall conduct all marketing for the Professional Services as approved by the Foundation Board. Such marketing shall be consistent with the Verity strategic direction and branding guidelines and directed toward enhancing the business, stature and reputation of Foundation, Medical Group and all other physicians and physician organizations affiliated with Foundation.

3.7 Management and Clinical Information System.

(a) **Development and Financing.** Foundation shall be responsible for developing, purchasing and/or otherwise procuring, operating and maintaining such information and accounting systems (both software and hardware), including electronic health records systems, as appropriate, to support all Foundation clinical, administrative, teaching and research activities and services. Among other things, such systems shall be capable of processing managed care claims and tracking individual physician performance with respect to fee-for-service patients and managed care patients.

(b) **Integration; Ownership.** Foundation shall be responsible for integrating all medical functions and records for Clinic Patients. Foundation shall own any and all data, whether electronic data or other data, generated by such information systems during the Term of this Agreement.

(c) **Budget.** All obligations of Foundation under this Section 3.7 shall be reasonably subject to the then-applicable annual Foundation budget and both parties shall work together in good faith to ensure that such capital expenditures are available and are made in a timely manner and without unreasonable delay in response to the dedicated need once identified.

3.8 Security, Maintenance, Medical Waste Disposal and Laundry Services. Foundation shall provide the Clinic with all services and all personnel reasonably necessary and appropriate to provide proper security to the Clinic, as well as the maintenance of the Clinic premises. Foundation shall furnish or obtain all laundry, linen, stationery, forms, paging devices, postage, duplication services, printing services, janitorial services, routine medical waste disposal services, infectious medical waste disposal services, and any and all other supplies and services of a similar nature which are determined from time to time by the Foundation Board, to be reasonably necessary and appropriate for the day-to-day operation of the Clinic.

3.9 Research and Education Activities. Foundation shall, in consultation with the Operating Committee and with approval of the Foundation Board, develop and implement research and education activities in keeping with its status as a nonprofit, tax-exempt health care organization and a clinic exempt from licensure under Section 1206(l) of the California Health & Safety Code.

3.10 Charitable Activities. Foundation shall establish and implement policies and procedures regarding charity care, and such policies and procedures shall be consistent with and in furtherance of the charity care policies and procedures of Verity. Such policies and procedures may be amended from time to time without notice to the Medical Group.

3.11 Administrative Responsibilities. Foundation shall be responsible for its own administration and record-keeping matters including, without limitation, the maintenance of its good standing as a nonprofit, tax-exempt entity and as a Section 1206(l) clinic, submission of necessary tax filings and coordination of meetings of Foundation's governance boards and committees.

3.12 Limitation on Support Services. Notwithstanding anything to the contrary contained in this Agreement, within the respective powers and authorities delegated to each in accordance with the Foundation Bylaws, and the Foundation Board shall have the sole and exclusive right to determine the manner and timing of the provision of the services provided by Foundation pursuant to this Article 3, and in accordance with best practices for the provision of health care. Provided that Foundation provides such services substantially in accordance with the manner and timing reasonably determined or directed by the Foundation Board, Foundation shall not be deemed to be in breach of its obligations under this Agreement as a direct result of any failure or alleged failure to provide the services set forth in this Article 3 in a particular manner or within a particular time frame.

4. FOUNDATION STANDARDS

4.1 Corporate Responsibility Program; Standards of Conduct. Medical Group expressly agrees and shall cause each Medical Group Provider to expressly agree that the Essential Characteristics of the Verity Health System Corporate Responsibility Program, as adopted and amended from time to time and attached hereto as Exhibit 4.1 (the "***Corporate Responsibility Program***"), shall be incorporated herein and made a part of this Agreement. Medical Group shall, and shall cause each Medical Group Provider to, comply with such Corporate Responsibility Program. Without limiting the foregoing commitment to comply with the Corporate Responsibility Program, Medical Group agrees that:

(a) Medical Group shall and shall cause the Medical Group Physicians to cooperate with Foundation corporate compliance audits, reviews and investigations which relate to Medical Group and/or any of the Medical Group Services provided by Medical Group or any Medical Group Provider under this Agreement (including, without limitation, providing any and all Medical Group documents and/or information with respect to Medical Group and/or Medical Group Provider activities under this Agreement);

(b) If requested by Foundation, Medical Group shall, and shall cause Medical Group Physicians to, participate in corporate compliance-related seminars and educational programs sponsored by Foundation; and

(c) Medical Group shall and shall cause Medical Group Physicians to comply with and not do or cause to be done any act or omission which in any way conflicts with or violates the standards of conduct (the "***Standards of Conduct***") which are part of the Corporate

Responsibility Program. A copy of the Standards of Conduct which are currently in effect is attached hereto as Exhibit 4.1(c).

4.2 Acknowledgment. Medical Group acknowledges that Medical Group and each Medical Group Provider have been given ample opportunity to read and the Standards of Conduct.

5. UTILIZATION REVIEW, QUALITY ASSURANCE AND PEER REVIEW

5.1 Generally. Medical Group and Medical Group Physicians shall (1) participate in Foundation's quality improvement, utilization review and risk management programs and serve on such quality improvement, utilization review and risk management committees as may be reasonably requested by Foundation from time to time; (2) reasonably participate in on-going quality improvement monitoring activities, such as audits; (3) reasonably participate in risk management activities designed to identify, evaluate and reduce risk of patient injury associated with care; and (4) reasonably assist utilization review in setting, monitoring and achieving length of stay and ancillary utilization goals.

5.2 Quality Care Goals. Without limiting the foregoing, Medical Group and Medical Group Physicians shall provide and perform Professional Services to Clinic Patients in accordance with specified efficiency, quality, utilization and performance guidelines and goals for care delivery (the "*Quality Care Goals*") consistent with MACRA and any of MS requirements.

6. RETENTION, RECRUITMENT AND APPROVAL OF MEDICAL GROUP PHYSICIANS

6.1 Retention. Medical Group has employed, contracted with or otherwise engaged, and Foundation has approved and accepted, those Medical Group Physicians listed on Exhibit 6.1 attached hereto to provide the Professional Services under this Agreement.

6.2 Intentionally Omitted.

6.3 Approval by Foundation. Foundation shall have the right to approve or disapprove, in advance and in good faith, those Medical Group Physicians providing Professional Services, and Medical Group shall provide Foundation with the names and qualifications of such Medical Group Physicians no less than fourteen (14) days prior to the day that Medical Group intends the Medical Group Physicians to commence provision of Professional Services hereunder. The Medical Group Physicians listed in Exhibit 6.1 attached hereto have and hereby are approved by Foundation to provide Professional Services hereunder. In the event Foundation disapproves a Medical Group Provider with respect to someone not listed on Exhibit 6.1 as of the execution of this Agreement, Medical Group shall provide an alternate Medical Group Provider acceptable to Foundation. If Foundation does not affirmatively approve or disapprove of a proposed Medical Group Provider in writing within such fourteen (14) day period, Foundation shall be deemed to have accepted the proposed Medical Group Provider.

6.4 Withdrawal of Foundation Approval.

(a) Foundation may withdraw its approval for any Medical Group Provider to provide Professional Services due to Foundation's dissatisfaction, arrived at after deliberation and in good faith and continuing after (1) giving written notice to Medical Group of Foundation's specific reasons for dissatisfaction, (2) having a meeting between Foundation's representative, Medical Group and the subject Medical Group Provider; and providing Medical Group Provider, thirty (30) days from the date of the meeting between the Foundation representative (the "*Cure Period*"), Medical Group and the subject Medical Group Provider. Foundation's reasons for dissatisfaction may be based on any one or more of the following events:

(i) Any aspect of the performance by that Medical Group Provider hereunder endangers patient safety, is below the standards and expectations of Foundation or is reasonably likely to subject Foundation to material damage to its reputation.

(ii) Medical Group Provider fails to maintain compliance with all of the required qualifications and applicable covenants, provisions, representations and warranties set forth herein, including Sections 1.2 (Provider Standards), 4 (Foundation Standards), 8 (Insurance, Indemnification, Settlement and Defense of Claims), 9 (Compliance with Laws) and 11 (Records).

(iii) Medical Group Provider is convicted of a crime punishable as a felony or involving moral turpitude.

(b) After the end of the Cure Period, Foundation shall give Medical Group written notice of its final decision as to withdraw, or not, its approval for the Medical Group Provider, which may be determined by Foundation in its reasonable discretion. As an alternative to withdrawing its approval of the subject Medical Group Provider to serve under this Agreement, Foundation may condition its continuing approval on any reasonable terms. Upon notice of Foundation's final decision to withdraw its approval for the Medical Group Provider, Medical Group shall (1) subject to the terms of the employment agreement, remove immediately that Medical Group Provider from Foundation Facility premises and ensure that such Medical Group Provider provides no further Professional Services under this Agreement; (2) cause the remaining Medical Group Physicians who are approved to provide Professional Services under this Agreement to make a good faith attempt to provide the same level of Professional Services that were being provided to Foundation prior to the removal of the Medical Group Provider; and (3) if necessary, use good faith efforts to supply a replacement Medical Group Provider acceptable to Foundation.

(c) Withdrawal of Foundation approval for any Medical Group Provider to provide Professional Services shall not terminate this Agreement or modify or terminate any continuing obligation under this Agreement of such Medical Group Provider, including, but not limited to, those obligations set forth in Sections 4 (Foundation Standards), 11.5 (Access to Books and Records) and 14.2 (Confidentiality).

6.5 Right of Foundation. The parties acknowledge and agree that in addition to the Medical Group Physicians, other physicians, medical groups and/or professionals may in the future be employed, contracted with or otherwise engaged by Foundation to furnish professional and/or administrative services.

7. **BILLING AND COLLECTIONS**

7.1 **Compensation.**

(a) **To Medical Group.** Upon the terms and subject to the conditions set forth in this Agreement, as the sole and exclusive consideration for all Medical Group Services, including Professional Services, provided by Medical Group pursuant to this Agreement, Foundation shall pay an aggregate amount of cash compensation and provide such benefits as set forth in Exhibit 7.1 attached hereto.

(b) **To Medical Group Physicians.** Medical Group represents and warrants to Foundation that (1) to the best of its knowledge the compensation paid or to be paid by Medical Group to any Medical Group Provider is and shall at all times not be less than fair market value for services and items actually provided by any such provider, not taking into account the value or volume of referrals or other business generated by such provider for Foundation, Verity or any Hospital; (2) Medical Group has and shall at all times maintain a written agreement with each Medical Group Provider receiving compensation from Medical Group and each non-employed immediate family member of any Medical Group Physician receiving compensation from Medical Group; and (3) Medical Group does not have and shall not have or otherwise enter into any compensation arrangement with any immediate family member of any physician receiving compensation from Medical Group (other than with respect to Leonel Hunt, MD, and Gabriel Hunt, MD, who are immediate family members) except as previously approved by the Foundation Board from time to time and set forth in a written agreement. Subject to the foregoing, Medical Group shall have the right and obligation to determine individual compensation and bonuses payable to Medical Group Physicians. Medical Group shall provide periodic reports to the Foundation Board as it may reasonably request from time to time regarding the overall design and function of such compensation and incentive arrangements.

7.2 **Establishing Fees.** The professional fee component of standard fee-for-service charges for all goods provided and services rendered by Medical Group Physicians to Clinic Patients shall be set by Foundation with the approval of the Foundation Board, and shall be set forth on Foundation's fee schedule in effect from time to time. Rates and contract terms for preferred provider, managed care, and other non-fee-for-service charges shall be as established by Foundation with the approval of the Foundation Board, from time to time.

7.3 **Billing for Professional Services.**

(a) **Billing for Professional Services.** Subject to the provisions contained in Exhibit 7.1(a), Medical Group and the Medical Group Physicians hereby appoint Foundation as their agent and instrumentality for the purpose of billing for and receiving any and all such payments as Medical Group or Medical Group Physicians may be entitled to receive for the rendering of services (including Professional Services) to Clinic Patients pursuant to this Agreement, and Foundation hereby accepts this agency. Foundation shall have the sole and exclusive right to bill and collect for any and all Professional Services rendered to Clinic Patients (including those services provided to Medicare and Medi-Cal beneficiaries) as of and after the Effective Date and such services shall be billed in the name of Foundation and shall reflect a Foundation provider number and neither Medical Group nor any Medical Group Provider shall independently bill any patient or payor for any Professional Services or other services provided

under this Agreement. If and to the extent any Federal Health Care Program or other payor requires any professional fees to be billed in Medical Group's or a Medical Group Provider's name or under Medical Group's or a Medical Group Provider's provider number, Medical Group and the Medical Group Physicians shall delegate the responsibility for such billings to Foundation, and Foundation shall be responsible for such billings. Any billings services performed by Foundation for medical services performed by Medical Group prior to the Effective Date, shall incur an administrative fee of 6%.

(b) **Depository Accounts.** All collections from activities conducted under this Agreement on or after the Effective Date, whether addressed to or received by Medical Group, Medical Group Provider(s) or Foundation, shall be immediately deposited in Foundation's bank account, and shall belong to Foundation. To the extent any applicable law or regulation may not permit assignment or reassignment of right to receive payments, all payments received by Medical Group and/or Medical Group Physicians shall be deposited into a bank account held by Medical Group, which account shall be "swept" daily into a Foundation bank account.

(c) **Receivables.** Foundation shall have sole and exclusive right, title and interest in and to accounts receivable with respect to Professional Services rendered by Medical Group or Medical Group Physicians pursuant to this Agreement.

(d) **Assignment.** Medical Group hereby assigns (or reassigns, as the case may be) to Foundation all claims, demands and rights of Medical Group and/or Medical Group Physicians for any and all Professional Services rendered by Medical Group and/or Medical Group Physicians pursuant to this Agreement. Medical Group shall take such action and execute such documents, and shall ensure that Medical Group Physicians effectuate the assignment (or reassignment, as the case may be) to Foundation of all claims, demands and rights of Medical Group and Medical Group Physicians for any and all Professional Services rendered by Medical Group or Medical Group Physicians pursuant to this Agreement. Without limiting the generality of the foregoing, Medical Group shall complete, and shall cause each Medical Group Provider to facilitate the reassignment of the right to receive Medicare benefits to Foundation by completing, Form CMS 855R "Application for Individual Health Care Practitioners to Reassign Medicare Benefits." Any reassignment by Medical Group or Medical Group Provider to Foundation shall terminate upon termination of this Agreement with respect to services provided after such termination date.

(e) **Cooperation with Billing and Collections.** Medical Group shall cooperate with Foundation, and shall cause Medical Group Physicians to cooperate with Foundation, in the billing and collection of fees with respect to Professional Services rendered by Medical Group and/or Medical Group Physicians. Without limiting the generality of the foregoing, Medical Group shall cause Medical Group Physicians to cooperate with Foundation in completing such claim forms with respect to Professional Services rendered by Medical Group or Medical Group Physicians pursuant to this Agreement as may be required by insurance carriers, health care service plans, governmental agencies, or other third-party payors. In addition, to the extent any Medical Group Provider provides Professional Services to Clinic Patients for whom any other physician or medical group is reimbursed from any patient or third-

party payor, Medical Group shall assist Foundation in billing and seeking appropriate reimbursement from such other physician or group.

(f) **Collection by Foundation.** Foundation shall use commercially reasonable efforts to collect the fees and/or charges billed for the services rendered by Medical Group and the Medical Group Physicians, and shall consult from time to time with Medical Group regarding collection and write-off practices and activities, as well as practices and policies regarding professional courtesy adjustments. Foundation shall also submit to Medical Group periodic reports on Foundation's billing, collection and write-off practices and activities with respect to each Physician as well as Medical Group in the aggregate. Foundation shall, in consultation with Medical Group, develop administrative guidelines, policies and procedures relating to professional courtesy adjustments and the referral of delinquent patient accounts to collection agencies or to litigation, which shall be approved by the Foundation Board prior to implementation. Medical Group shall receive notice of any referrals of delinquent patient accounts to collection agencies or litigation.

(g) **Foundation as Exclusive Source of Compensation.** Medical Group shall seek and obtain compensation for the performance of Medical Group Services provided hereunder from Foundation only. Medical Group shall not, and shall ensure that Medical Group Physicians do not, bill, assess or charge any fee, assessment or charge of any type against any Clinic Patient or other person or entity with respect to Professional Services rendered hereunder. Medical Group shall promptly deliver to Foundation any and all compensation, in whatever form, that is received by Medical Group or any Medical Group Provider for Professional Services rendered pursuant to this Agreement. Further, Medical Group agrees and shall cause each Medical Group Provider to agree that Medical Group Provider will look solely to Medical Group for payment of all compensation due Medical Group Provider pursuant to the terms of Medical Group's agreement with Medical Group Provider, including, without limitation, salary and/or benefits arising out of the provision of contracted services as described in this Agreement. This provision shall survive any termination or expiration of this Agreement.

(h) **Billing and Accounting Records.** Foundation shall maintain accounting records which shall set forth the charges billed and collected for each service rendered by Medical Group and Medical Group Physicians. Medical Group shall be entitled to examine and copy Foundation's accounting books and records at any time for the purpose of auditing and verifying the amounts billed and collected by Foundation for the Professional Services rendered by Medical Group.

7.4 Third-Party Payor Arrangements. Medical Group shall, and shall cause each Medical Group Provider to, cooperate in all reasonable respects necessary to facilitate Foundation's entry into or maintenance of any third-party payor arrangements. Third-party payor arrangements are defined as arrangements for the provision of services under any Federal Health Care Program or other public or private health care, hospital care and/or managed care program. Medical Group shall, upon Foundation's request, (1) make best efforts to enroll as a provider and, as necessary, to enroll each Medical Group Provider (separate from Foundation) with respect to the Professional Services provided pursuant to this Agreement in any third-party payor arrangement; and (2) enter into an express contractual agreement with said third-party payor, or any intermediate organization including any independent practice association, if

required for said enrollment, which enrollment and agreement shall be consummated within thirty (30) days after Foundation's request. Medical Group shall comply, and shall cause each Medical Group Provider to comply, with all applicable requirements of all third-party payor programs and contracts entered into by Foundation relating to the provision of the Professional Services hereunder.

7.5 Billing Compliance Program.

(a) Foundation shall establish and maintain a compliance program and policies and procedures for the periodic audit of its billing and collection services for compliance with all applicable laws, rules and regulations and the standards of third-party payors. Medical Group may, upon reasonable request, review Foundation's compliance program and policies and procedures regarding billing and collections from time to time.

(b) If Foundation determines that there is a good-faith basis to believe that Foundation's billing and collection of Professional Services have not complied with legal requirements in some material respect that is likely to have resulted in overpayments or underpayments to Medical Group, Foundation shall, as soon as reasonably practicable, consult with Medical Group with the goal of reaching a mutually agreeable solution to remedy the situation.

7.6 Changes in Rules and Regulations. The parties understand that they may be required to alter their billing arrangements in order to comply with changing legal requirements. The parties therefore agree, upon written request of either party, to negotiate in good faith in order to modify this Agreement to comply with such legal requirements. If the parties cannot reach agreement on such modifications within one hundred and twenty (120) days after the initial written request, either party may terminate this Agreement upon ninety (90) days' additional written notice in accordance with Section 10.2(e). Nothing in this Section 7.6 is intended or shall be construed to permit the Foundation to reduce the compensation to be paid to Medical Group pursuant to Section 7.1 of this Agreement.

8. INSURANCE, INDEMNIFICATION, SETTLEMENT AND DEFENSE OF CLAIMS

8.1 Foundation Insurance. Foundation shall at all times at its sole expense maintain the following minimum levels of insurance for acts and omissions occurring during the Term of this Agreement:

(a) Commercial general liability insurance, covering its activities hereunder, in an amount not less than one million dollars (\$1,000,000) per occurrence and three million dollars (\$3,000,000) annual aggregate;

(b) property insurance, including all risk and business interruption insurances, in an amount not less than one hundred percent (100%) of the reasonable replacement value of Foundation's property;

(c) professional liability insurance, covering Foundation's activities hereunder, in an amount not less than one million dollars (\$1,000,000) per occurrence and three

million dollars (\$3,000,000) annual aggregate. Such policy shall also provide coverage for utilization management, quality management, referral authorization, peer review activities and medical director services;

(d) directors and officers liability insurance, to protect the members of the Foundation Board, the Operating Committee, each Chapter Committee and all similar agents of Foundation, including Foundation's medical directors and specifically including any Medical Group Provider providing medical director services. Such coverage shall have minimum limits of liability of five million dollars (\$5,000,000) per occurrence and five million dollars (\$5,000,000) annual aggregate;

(e) employment practices liability insurance covering Foundation and its affiliates in an amount not less than five million dollars (\$5,000,000) per occurrence and not less than five million dollars (\$5,000,000) in the aggregate; and

(f) all employment-related insurance benefits as are required by law for Foundation's employees (such as workers' compensation, state disability, and unemployment insurance) as well as such discretionary insurance benefits as may be determined by Foundation.

All policies carried by Foundation shall be issued by an insurance company licensed or otherwise qualified to issue professional liability and general liability insurance policies in the State of California and, if financially practicable, rated A- or better by A.M. Best Rating Agency or another equivalent rating agency; or, alternatively, be issued by an adequately funded and secured self-insurance trust or an adequately funded comparable alternative vehicle.

8.2 Medical Group Insurance.

(a) **Coverage Requirements.** Foundation shall procure and maintain during the Term of this Agreement and thereafter as provide below, maintain, on behalf of Medical Group at the Foundation's expense, continuous coverage (defined below) of policies of professional liability and general liability insurance satisfying the following minimum requirements. At Medical Group's sole and absolute discretion, Medical Group may instead procure and maintain insurance coverage directly in which case it shall notify Foundation in writing and Foundation shall reimburse Medical Group for all premiums and deductibles related thereto.

(i) in the case of the professional liability insurance policy, provide coverage for covered medical incidents, including negligent acts or omissions of Medical Group and Medical Group Physicians in the performance of Professional Services by Medical Group and Medical Group Physicians on behalf of Foundation to Clinic Patients under this Agreement; provided, that for a period of not less than 5 years, the Foundation shall pay the annual premium to enable Medical Group to maintain its current coverage and coverage limits with CAP-MPT. The Foundation shall reimburse Medical Group a pro rata share (as of the Effective Date) of the 2017 premium previously paid by Medical Group to CAP-MPT reflecting the "unused" portion of the insurance coverage;

(ii) in the case of the commercial general liability insurance policy, provide coverage for bodily injury and property damage resulting from negligent acts or omissions of Medical Group and Medical Group Physicians;

(iii) name Medical Group and Medical Group Physicians as named insureds;

(iv) be issued by an insurance company licensed or otherwise qualified to issue professional liability and general liability insurance policies or coverage in the State of California or alternatively be issued by an adequately funded and secured self-insurance trust or an adequately funded comparable alternative vehicle; and

(v) provide for minimum coverage limits consistent with the requirements of Foundation Rules, but in no event less than (1) one million dollars (\$1,000,000) per occurrence and three million dollars (\$3,000,000) in the annual aggregate for general liability insurance; and (2) one million dollars (\$1,000,000) per occurrence and three million dollars (\$3,000,000) in the annual aggregate for professional liability insurance and such limits shall, in each case, apply separately for Medical Group, for each Medical Group Physician, for each Medical Group Provider and for any and each other Medical Group personnel, and with commercially reasonable deductibles.

(b) **Directors and Officers Liability Insurance.** Notwithstanding the foregoing or anything to the contrary herein, Medical Group shall procure and shall at all times during the Term of this Agreement maintain at Foundation's direct expense (or to be reimbursed by Foundation), directors and officers liability insurance to provide continuous coverage for the protection of Medical Group's directors and officers in an amount of not less than five million dollars (\$5,000,000) per occurrence and five million dollars (\$5,000,000) in the annual aggregate.

(c) **Worker's Compensation Premiums.** Medical Group shall be responsible for maintaining, at Foundation's direct expense (or to be reimbursed by Foundation), and on behalf of Medical Group Physicians, worker's compensation insurance that is sufficient for the services being provided hereunder.

(d) **Continuous Coverage.** For purposes of this Agreement, the term "continuous coverage" means the maintenance of claims-made professional liability and general liability insurance during the period commencing as of the Effective Date, continuing during the Term of this Agreement (including any extensions or renewals hereof) and, if claims-made form of coverage, for an unlimited reporting period following the expiration or earlier termination of this Agreement (the "**Insurance Period**"). To satisfy the requirement of continuous coverage, if for any reason during the Insurance Period any insurance policy maintained or procured by the Foundation pursuant to this Section 8.2 terminates, expires, is cancelled or is not renewed, or if there is a reduction or other change in the amount or scope of any coverage under the policy (whether by action of the insurance company, Medical Group, or Medical Group Physician), Foundation shall (1) cause a replacement insurance policy meeting the requirements of this Section 8.2 to be in effect as of the effective date of the termination, expiration, non-renewal, cancellation, reduction, or other change of the prior insurance policy, and (2) purchase either extended reporting coverage (*i.e.*, "tail" coverage) or prior acts coverage (*i.e.*, "nose" coverage).

“Tail” coverage shall provide for a discovery/reporting period that would extend at least through the end of the Insurance Period, and “nose” coverage shall provide coverage.

8.3 Cooperation in Disposition of Claims. Medical Group and Foundation shall make all reasonable efforts to cooperate in a common defense of all claims, or potential claims, that are or may be covered by the terms of their current insurance policies, or any future policy or policies.

8.4 Form and Proof of Insurance.

(a) **Authority.** All insurance required hereunder shall be obtained through and maintained with insurance companies recognized to do business in California and that are financially secure and mutually acceptable to Foundation and Medical Group.

(b) **Certificate of Insurance from Foundation.** On an annual basis, and also at such times as Medical Group may reasonably request, Foundation shall provide Medical Group with certificates of insurance evidencing the insurance policies required by this Article.

(c) **Certificate of Insurance from Medical Group.** On an annual basis, and also at such times as Foundation may reasonably request, Medical Group shall provide Foundation with certificates of insurance evidencing the insurance policies required by this Article.

(d) **Form; Process.** With respect to all insurance policies required to be obtained and maintained hereunder, each such policy shall provide for not less than thirty (30) days’ prior notice to Foundation and Medical Group of any termination, expiration, non-renewal, cancellation, reduction, or other change in the amount or scope of any coverage required under this Article. In the event either party intends to cancel such insurance, such party shall give the other party not less than sixty (60) days’ prior written notice of such intent. In addition, each party agrees promptly to notify the other party of any termination, expiration, non-renewal, cancellation, reduction, or other change in the amount or scope of any coverage under the policy, but in no event later than fourteen (14) business days following the first party’s receipt of notification of such action.

(e) **Breach.** In the event either party fails to procure, maintain or pay for the insurance required under this Article, the other party shall have the right, but not the obligation, to obtain such insurance. In that event, the party for whom such insurance was obtained shall reimburse the other party for the cost of such insurance, and failure to repay the same upon demand shall constitute breach of a material provision of this Agreement.

8.5 Notice of Claims.

(a) Foundation shall give prompt written notice to Medical Group of all actual or threatened claims and lawsuits involving Medical Group, Medical Group Physicians, or other personnel employed or retained by Medical Group, and/or involving Foundation or Foundation’s staff or personnel within five (5) days of learning of such actual or threatened claims or lawsuits.

(b) Medical Group shall give prompt written notice to Foundation of all actual or threatened claims and lawsuits involving Medical Group, Medical Group Physicians, or other personnel employed or retained by Medical Group, and/or involving Foundation or Foundation's staff or personnel within five (5) days of learning of such actual or threatened claims or lawsuits.

8.6 Indemnification.

(a) **Indemnification by Foundation.** Foundation shall indemnify, defend and hold harmless Medical Group and its directors, officers, employees and agents from and against any and all claims, causes of action, liabilities, losses, damages, penalties, assessments, judgments, awards or costs, including reasonable attorneys' fees and costs, and reasonable costs incurred in connection with any related investigation (collectively, the "**Damages**"), arising out of, resulting from, or relating to: (i) the breach of this Agreement by Foundation; or (ii) the negligent, reckless or intentional acts or omissions of Foundation or any employee or agent of Foundation in the performance of Foundation's obligations under this Agreement, unless and to the extent Foundation is or would be indemnified for such acts or omissions pursuant to Section 8.6(b)(v) of this Agreement.

(b) **Indemnification by Medical Group.** Medical Group shall indemnify, defend and hold harmless Foundation, its Affiliates, and their respective directors, officers, employees and agents, from and against any and all Damages arising out of, resulting from, or relating to: (i) the breach of this Agreement by Medical Group; (ii) the negligent, reckless or intentional acts or omissions of Medical Group or any employee or agent of Medical Group; (iii) alleged Foundation negligence (but not gross negligence) if the alleged negligence of Foundation consists solely of following an improper order, policy, procedure or technique of Medical Group or any Medical Group Physician; (iv) [intentionally omitted]; or (v) alleged Foundation negligence if the alleged negligence of Foundation consists solely of failing to supervise or oversee the conduct of Medical Group or any Medical Group Physician. Notwithstanding anything to the contrary, Medical Group's maximum liability shall be capped at the amount of insurance proceeds paid by its insurer for the specific claim, except in the case of intentional misconduct or gross negligence.

(c) **Insurance.** The provisions of this Section 8.6 are intended to apply only to claims and liabilities that are not covered by or that exceed the policy limits of applicable insurance coverage and for which liability has not been otherwise allocated by agreement of the parties. This Section 8.6 does not apply if the effect of such provision would be to negate insurance coverage that would otherwise be available but for these contractual indemnity provisions. Nothing contained in this Section 8.6 is intended or should be construed to (i) create any liability to or right of recovery or subrogation on the part of any insurance carrier or any other third party against either of the parties to this Agreement; or (ii) affect the allocation of responsibility between or among insurance carriers or other persons who may have responsibility for satisfaction of all or any part of any claim made against either party hereto.

8.7 Cooperation Between the Parties. The parties recognize that, during the Term of this Agreement and for a period thereafter, certain risk management issues, legal issues, claims or causes of action may arise that involve or could potentially involve the parties and their respective employees and agents. The parties further recognize the importance of cooperating

with each other when such issues, claims or causes of action arise, to the extent such cooperation does not violate any applicable laws, cause the breach of any duties created by any policies of insurance or programs of self-insurance, or otherwise compromise the confidentiality of communications or information regarding the issues, claims or causes of action. The parties shall, therefore, use reasonable efforts to address such risk management claims or causes of action in a cooperative manner. Among other things, the parties agree to develop and memorialize a mutually acceptable plan for determining which party's policy will be primary and which will be secondary in situations where each party has a policy in place that governs the underlying issue or liability.

8.8 Survival of Indemnity Obligations. This Article 8 shall survive the termination or expiration of this Agreement.

9. COMPLIANCE WITH LAWS

9.1 Generally. Medical Group shall comply, and shall cause each Medical Group Provider to comply, with all applicable laws, rules and regulations of all governmental authorities and accrediting agencies having jurisdiction over Medical Group or such Medical Group Physician the provision of Medical Group Services, or the obligations of Medical Group under this Agreement, including Medicare and Medi-Cal laws, rules and regulations and all hospital and professional licensure and reimbursement laws, regulations, rules and policies.

9.2 Anti-Referral Laws. Nothing in this Agreement or in any other written or oral agreement between Foundation and Medical Group, nor any consideration offered or paid in connection with this Agreement, contemplates or requires the admission or referral of any patient to any Clinic, Hospital, Verity facility or Foundation Facility. This Agreement is not intended to influence Medical Group's or any Medical Group Provider's judgment in choosing the hospital or other health care facility or provider deemed by Medical Group or such Medical Group Provider to be best qualified to deliver goods or services to any particular patient. The rights of Medical Group under this Agreement shall not be dependent in any way on the referral of patients or business to Foundation, Verity or any Hospital by Medical Group or any Medical Group Provider. Any consideration specified in this Agreement is consistent with what the parties reasonably believe to be fair market value for the services provided. Medical Group acknowledges and shall cause Medical Group Physicians to acknowledge that it/they are subject to and shall comply with certain federal and state laws governing referral of patients, as may be in effect and/or amended from time to time, including but not limited to:

(a) Payments for referrals or to induce the referral of patients (Cal. Business and Professions Code Section 650; Cal. Labor Code Section 3215; and the Medicare/Medicaid Fraud and Abuse Law, Section 1128B of the Social Security Act; and all implementing regulations); and

(b) The referrals of patients by a physician for certain designated health care services to an entity with which the physician (or his or her immediate family) has a financial relationship (Cal. Business and Professions Code Sections 650.01 and 650.02; Cal. Labor Code Sections 139.3 and 139.31; and Section 1877 of the Social Security Act; and all implementing regulations).

9.3 Disclosure of Interests.

(a) In order to permit compliance with federal anti-referral statutes and regulations, as amended from time to time, Medical Group shall and shall cause Medical Group Physicians to complete Verity Health System's Conflict of Interests Disclosure Statement for Covered Associates, Physician Leaders, and Other Designated Persons to provide Foundation upon execution of this Agreement with information sufficient to disclose any ownership, investment or compensation interest or arrangement of Medical Group, Medical Group Physician, or any of Medical Group Physician's immediate family members, in any entity providing "designated health services," as that term is defined in the statutes and regulations. This provision is not intended to reallocate any disclosure or reporting requirements imposed upon Medical Group or a Medical Group Physician under any governmental program to Foundation, or to create an assumption of such disclosure obligations on the part of Foundation, and Medical Group acknowledges that it and/or each Medical Group Physician shall have the sole responsibility to fulfill any such, federal and/or state reporting requirements. A copy of the Conflict of Interests Disclosure Statement for Covered Associates, Physician Leaders, and Other Designated Persons currently in effect is attached hereto as Exhibit 9.3 (a).

(b) Medical Group shall immediately inform Foundation of any other arrangements that may present a conflict of interest or materially interfere with Medical Group's or a Medical Group Physician's performance of its/his/her duties under this Agreement.

9.4 Fair Compensation. The amounts charged and paid pursuant to this Agreement have been determined by Foundation and Medical Group, after good faith and arms' length negotiations, to be fair market compensation for the value of services rendered. No amount paid under this Agreement is intended to be, nor shall it be construed to be, an inducement or payment for patient referrals by Medical Group (or any Medical Group Physician) to Foundation or by Foundation to Medical Group (or any Medical Group Physician). The amounts charged pursuant to this Agreement do not include any discount, rebate, kickback or other reduction in charge and are not intended to be, nor shall they be construed as, an inducement or payment for patient referrals by Medical Group (or any Medical Group Physician) to Foundation or by Foundation to Medical Group (or any Medical Group Physician).

9.5 Privacy and Confidentiality. Both parties shall comply with all federal and state laws governing the confidentiality and privacy of patient health information, including, without limitation, the Health Insurance Portability and Accountability Act of 1996 and implementing regulations. In addition, Medical Group and each Medical Group Physician shall comply with Foundation and applicable Hospital medical staff policies and procedures regarding patient privacy and confidentiality.

9.6 Applicable Employment Laws. Without limitation of any provision herein set forth, Medical Group and Foundation shall comply with the provisions of Title VII of the Civil Rights Act of 1964 (42 U.S.C. § 2000 as amended by the Equal Opportunity Act of March 24, 1972, Public Law No. 92-261) in that Foundation and Medical Group shall not unlawfully discriminate against any individual with respect to his or her compensation, terms, conditions, or privileges of employment; or discriminate in any way which would deprive or intend to deprive any individual of employment opportunities or otherwise adversely affect his or her status as an

employee because of such individual's race, color, religion, sex, national origin, age, disability, medical condition, or marital status. Medical Group and Foundation shall ensure that services and benefits are provided without regard to race, color, religion, sex, age, or national origin in accordance with Title VII of the Civil Rights Act of 1964. Medical Group shall comply with Section 503 of the Rehabilitation Act of 1973, as amended (29 U.S.C. § 794), pertaining to the prohibition of discrimination against qualified handicapped persons. Required contract laws relative to Equal Employment Opportunity/Affirmative Action are incorporated herein by specific reference to Executive Order 11246, as amended; 41 C.F.R. § 60-1.4 (Equal Opportunity Clause); 41 C.F.R. § 60-250.4 (Disabled Veteran/Vietnam Veterans); and 41 C.F.R. § 60-741.4 (Disabled Workers). To the extent applicable, Medical Group and Foundation also agree to comply with 29 C.F.R. part 470 (Notice of Employee Rights Concerning Payment of Union Dues).

10. TERM AND TERMINATION

10.1 Term of Agreement. This Agreement shall have an initial term of ten (10) years commencing on the Effective Date (the "**Initial Term**"), subject to the termination rights in this Agreement. Following the eighth (8th) year, the parties shall meet and confer and, if they agree in writing, then the parties may renew this Agreement for an additional ten (10) year term (each such renewal period a "**Renewal Term**" and together with the Initial Term, the "**Term**").

10.2 Early Termination. Notwithstanding Section 10.1, this Agreement is subject to early termination upon the occurrence of any of the following events:

(a) **Material Breach.** Either party shall have the right to terminate this Agreement upon a material breach of any term or condition of this Agreement by the other party. Such termination may be effective immediately upon written notice to the breaching party, provided such breach continues uncured for thirty (30) days after a final determination pursuant to the dispute resolution provisions under Article 12 of this Agreement, that there has been a material breach as claimed. The party claiming breach of this Agreement shall initiate such process by providing written notice of the purported breach to the other party.

(b) **Insolvency.** Either party shall have the right to terminate this Agreement upon thirty (30) days' written notice if the other party declares bankruptcy, makes an assignment for the benefit of creditors or otherwise becomes insolvent.

(c) **Patient Safety.** To the extent permissible by law and without limiting the rights and obligations of Foundation and Medical Group to immediately terminate an individual Medical Group Provider's Clinic Privileges under Section 1.3(b) of this Agreement, Foundation may terminate this Agreement upon sixty (60) days written notice to Medical Group if Foundation reasonably determines that any aspect of the performance by Medical Group, or by one or more Medical Group Physicians on behalf of Medical Group, in the provision of services under this Agreement endangers patient safety and cannot be reasonably cured within such sixty (60) days; provided that Foundation's notice must set forth in reasonable detail the nature of the inappropriate services and the manner in which patient safety is endangered. If Medical Group disagrees with the actions or findings of Foundation, Medical Group may suspend the attempted termination until the matter is resolved under Section 12 below.

(d) **Crime.** Either party may terminate this Agreement immediately by giving written notice to the other party if such other party is excluded from participation in any Federal Health Care Program or is convicted of a crime punishable as a felony or involving moral turpitude.

(e) **Failure to Agree on Revised Agreement.** In the event the parties are unable to develop a revised Agreement in accordance with Section 7.6 (Changes in Rules & Regulations), either party may elect to terminate this Agreement upon sixty (60) days' written notice to the other party.

(f) **Change in Material Policy.** If Foundation adopts any change in material policy or procedure binding on Medical Group under this Agreement and that Medical Group reasonably believes is likely to adversely impact Medical Group or any Medical Group Provider, and such policy or procedure remains in effect thirty (30) calendar days following Medical Group's notice to Foundation, then Medical Group may terminate this Agreement upon sixty (60) days' written notice.

(g) **Change in Standing.** If Foundation or Verity, or any employee or representative publicly affiliated with Foundation or Verity (such as an executive or board member), or hospital or clinic at which Medical Group is providing services hereunder, is adjudicated a criminal or civil conviction or engages in other conduct that Medical Group reasonably believes is likely to materially injure, harm or diminishes the reputation or goodwill of Medical Group or its employees, shareholders, officers, director or other affiliates or representatives, or is charged with the commission of a felony, then Medical Group may, upon six (6) months prior written notice to Foundation, terminate this Agreement; provided, however, that if Foundation reasonably believes that it can resolve the reputational and goodwill harm then upon Foundation's request the parties shall meet and confer and negotiate in good faith to attempt to modify or amend this Agreement in order to protect Medical Group's reputation. If the parties, after good faith negotiations and the exercise of their respective reasonable efforts are unable to mutually agree upon actions necessary to restore and protect Medical Group's reputation or goodwill, then Medical Group may terminate this Agreement at the conclusion of this six (6) month notice period.

(h) **Withdrawal of Dr. Leonel Hunt or Gabriel Hunt.** If Foundation requires that either Dr. Leonel Hunt or Dr. Gabriel Hunt withdraw from the Medical Group or otherwise do not render services under this Agreement, then Medical Group may terminate this Agreement at its sole and absolute discretion.

(i) **Termination for Convenience.** This Agreement (including the Initial Term and any Renewal Term) may be terminated without cause by either party by providing written notice of termination at least one (1) year prior to the effective date of termination; provided, however, that no such termination shall be effective before the fourth (4th) anniversary of the Effective Date.

10.3 Government Action. In the event of any Government Action (defined below), the parties shall, within fourteen (14) days after one party gives written notice to the other of such Government Action, meet and confer and negotiate in good faith to attempt to modify or amend this Agreement in order to comply with the Government Action. The parties shall use

their respective best efforts to agree upon an amendment in order to comply with the Government Action, and each party shall accept and agree to any amendment that may be necessary to comply with such Government Action, provided that such amendment does not have a material adverse effect on such party's rights or obligations under this Agreement.

If the parties, after good faith negotiations and the exercise of their respective best efforts, are unable to mutually agree upon the amendments necessary to comply with the Government Action within one hundred twenty (120) days after written notification of such Government Action, or, if either party reasonably and in good faith determines that compliance with the Government Action is impossible or not feasible, that party may terminate this Agreement effective ninety (90) days after giving written notice of termination to the other party.

For purposes of this Section, "**Government Action**" means any future or amended legislation, statute, law, regulation, rule or procedure passed, adopted or implemented by any federal, state or local government or legislative body or any private agency, or any future decision, finding, interpretation or action by any governmental or private agency, court or other third party which, in the reasoned written opinion of counsel to either party, as a result or consequence, in whole or in part, of the arrangement between the parties set forth in this Agreement, if and when implemented, could reasonably be expected to result in or present a material risk of any one or more of the following:

(a) Revocation or threat of revocation of the status of any license, certification or accreditation granted to Foundation or any Verity Affiliate or to Medical Group or any Medical Group Provider;

(b) Revocation or threat of revocation of the federal, state or local tax-exempt status of Foundation, or any Verity Affiliate, or their respective tax-exempt financial obligations;

(c) Prohibition or restriction on the ability of Foundation or any Verity Affiliate to issue tax-exempt bonds, certificates of participation or other tax-exempt financial obligations;

(d) Violation of or threat of prosecution under 42 U.S.C. § 1320a-7b(b) (the federal Anti-Kickback law), 42 U.S.C. § 1395nn (the federal Stark law) or any comparable state law governing kickbacks, bribes, rebates or patient referrals if either Medical Group or any Medical Group Provider referred patients to Foundation or any Verity Affiliate;

(e) Violation by Foundation of any law, regulation, rule or procedure applicable to Foundation which would materially prohibit the Foundation from materially conducting its business;

(f) Prohibition of Medical Group, Foundation or any Verity Affiliate from submitting claims or materially reducing the reimbursement received by Foundation or any Verity Affiliate for services provided by Medical Group or any Medical Group Provider by 10% or more from the prior year;

(g) Subjecting Foundation, Medical Group, any Medical Group Provider any Verity Affiliate, any Verity Affiliate provider, or any of their respective officers, directors,

employees or agents to civil action or criminal prosecution by any governmental authority or other person or entity or the imposition of any sanction on the basis of their approval of or participation in this Agreement or performing their respective obligations hereunder.

For the purpose of this Agreement, “*Affiliate*” when used to qualify “*Verity*” means any entity that, directly or indirectly, controls, is controlled by, or is under common control with Foundation.

10.4 Regulatory Impact Condition. Notwithstanding the foregoing, if termination of this Agreement by Medical Group would cause Foundation to fall out of compliance with Section 1206(l) of the California Health & Safety Code (“*Section 1206(l)*”), the parties shall meet and discuss in good faith how to bring about the termination of this Agreement while ensuring Foundation’s ongoing, continuous and uninterrupted compliance with Section 1206(l). The parties shall, thereafter, implement the agreed upon plan which plan shall, among other things, include the time needed for such implementation. If the parties are unable to agree upon a plan within sixty (60) days of their first meeting (the “*Termination Discussion Period*”) and have not mutually agreed to extend the discussion period, Medical Group shall be permitted to effect termination of this Agreement at the end of the sixth (6th) full calendar month following the last day of the Termination Discussion Period.

10.5 Dispute Regarding Termination. In the event of any dispute regarding either party’s right to terminate this Agreement, the parties shall maintain the status quo pending resolution of the dispute by dispute resolution proceedings in accordance with Article 12 of this Agreement provided (i) the disputing party provides written notice of its dispute (including the fact that it is disputing such termination and a reasonably detailed basis for such dispute) within fourteen (14) calendar days of receiving termination notice, and (ii) such dispute is resolved within ninety (90) calendar days. During the pendency of such proceedings, the parties shall comply with this Agreement, Medical Group shall continue to render timely and appropriate medical services to Clinic Patients, and Foundation shall pay due compensation for services in accordance with the terms of this Agreement. Further, during the pendency of the proceedings, Medical Group shall have the right to occupy and have access to the facilities, equipment, books and records of Foundation to the extent necessary to enable Medical Group to continue to provide medical services to Clinic Patients.

10.6 Effect of Termination. Upon termination or expiration of this Agreement, all rights and obligations of the parties shall cease except: (a) those rights and obligations that have accrued and remain unsatisfied prior to the termination or expiration of this Agreement; (b) those rights and obligations that expressly survive termination or expiration of this Agreement; and (c) Medical Group’s obligations to continue to provide services to Clinic Patients under its care at the time of expiration or termination of this Agreement, until the patient’s course of treatment is completed or is transferred to the care of another physician(s).

11. RECORDS

11.1 Medical Records. Foundation shall provide, at its sole cost and expense, all systems and personnel necessary and appropriate for the proper maintenance of medical records.

11.2 Medical Records; Documentation. Medical Group shall require Medical Group Physicians to prepare appropriate notes in each Clinic Patient's medical record with respect to all clinical services rendered to such Clinic Patient. Medical Group agrees, and shall require each of the Medical Group Physicians to agree, to take reasonably necessary actions to assist Foundation in the creation, production and maintenance of patient medical records and other documents and materials necessary for compliance with applicable federal and state statutes, regulations and rules.

11.3 Records Relating to Patient Care. Promptly after the Effective Date, Medical Group shall transfer to Foundation, as custodian, all medical records then maintained and stored by Medical Group, whether on-site, off-site or electronically, which records Foundation shall maintain in accordance with applicable law and Foundation policy. All records, files and other documents relating to the diagnosis, care and treatment of Clinic Patients shall be the property of Foundation and shall not be removed from Foundation premises during the Term of this Agreement or thereafter. To the extent permitted by law, Medical Group shall have access to the medical records of those Clinic Patients treated by Medical Group Physicians which Medical Group determines are necessary and appropriate for purposes of treatment, verification of services performed, responding to any complaints or claims, billing for services rendered, or fulfilling its obligations pursuant to its corporate compliance or risk management programs.

11.4 Records Relating to Quality of Patient Care. All records, files, proceedings and related information of Medical Group and the Foundation pertaining to the evaluation and improvements of the quality of patient care at the Clinic shall be kept strictly confidential by Medical Group and Foundation. Medical Group shall not, and shall cause each Medical Group Provider not, to voluntarily disclose such confidential information, either orally or in writing, except as expressly required by law or pursuant to written authorization by Foundation.

11.5 Access to Books and Records.

(a) **Generally.** Foundation and Medical Group shall, at all reasonable times and upon reasonable notice, have access to and copies of such books and records of the other as necessary to respond to any inquiry, investigation or audit of governmental agencies, bill for Professional Services, fulfill obligations pursuant to corporate compliance, quality improvement and risk management programs, respond to any payor dispute or audit, and/or respond to any malpractice or other patient claim, and similar business purposes. If this Agreement is terminated pursuant to Section 10.2(a) as a result of a breach by Foundation or pursuant to Section 10.3 or 13.2, then subject to the compliance with applicable law, Foundation shall provide Medical Group with a copy of all medical records and charts then maintained and stored by Foundation, whether on-site or off-site or electronically maintained, pertaining to any Clinic Patients, at no cost to Medical Group.

(b) **Verification of Costs.** If and to the extent required by Section 1395(x)(v)(1) of Title 42 of the United States Code, until the expiration of four (4) years after the termination of this Agreement, Medical Group shall, upon request, make available to the Secretary of the United States Department of Health and Human Services ("**Secretary**") or to the Comptroller General of the United States General Accounting Office ("**Comptroller**"), or any of their duly authorized representatives, a copy of this Agreement and such books, documents and

records as are necessary to certify the nature and extent of the costs of the services provided by Medical Group hereunder.

(c) **Subcontracts.** Medical Group further agrees that in the event Medical Group carries out any of its duties under this Agreement through a subcontractor, with a value or cost of ten thousand dollars (\$10,000) or more over a twelve (12)-month period with a related organization, such contract shall contain a clause permitting access by the Secretary, the Comptroller and their duly authorized representatives to the books and records of the related organization.

(d) **Notice of Third-Party Record Requests.** If either party receives a request or demand to disclose any books, documents or records relevant to this Agreement for the purpose of an audit or investigation, such party shall, not later than two (2) business days after receipt of such request or demand, notify the other party in writing of the nature and scope of such request or demand. Such party shall make available to the other party, upon written request, all such books, documents or records.

(e) **Business Records and Reports.** In performing its duties hereunder, each party may generate business or financial records and reports relating to the operation of Foundation. Each party shall have access to and copies of such records and reports of the other relating to the Foundation and Medical Group Services hereunder.

12. DISPUTE RESOLUTION

If any controversy, claim, dispute or allegation of breach arises related to this Agreement, the parties shall initiate and comply with the dispute resolution procedures described in this Article 12.

12.1 Special Meeting. Except as set forth in Section 12.6, below, in the event of any dispute or disagreement between the parties with respect to this Agreement, either party may request in writing a special meeting for the resolution of the dispute (a "***Special Meeting***"). The Special Meeting shall be held at a mutually agreeable location within fourteen (14) days of a written request for the meeting, which request shall specify the nature of the dispute to be resolved. The Special Meeting shall be attended by representatives of each party (who may or may not be accompanied by legal counsel, in each such party's respective discretion), who shall attempt in good faith to resolve the dispute and shall have reasonable authority to do so.

12.2 Mediation. If a dispute has not been resolved within thirty (30) days after the date of the Special Meeting or within forty-five (45) days of the written request for the Special Meeting, either party may initiate mediation of the dispute by sending a written request for mediation to the other party. The parties shall jointly select an independent and neutral person qualified to act as a mediator. If the parties cannot agree on a mediator then each party shall nominate one mediator and the two mediators together shall select a third mediator and the mediation shall be conducted solely by the third mediator. The mediation proceeding shall commence not more than thirty (30) days after the written request for mediation. The mediation shall be attended by representatives of each party (who may or may not be accompanied by legal counsel, in each such party's respective discretion), who shall attempt in good faith to resolve the

dispute and shall have reasonable authority to do so. Unless the parties otherwise agree, all fees and expenses of the mediation shall be borne equally by the parties.

12.3 Arbitration. If the parties are unable to reach a mutually acceptable resolution to the dispute within thirty (30) days following an initial mediation conference or within sixty (60) days following the written request for mediation, the matter shall be submitted to arbitration. Either party may commence arbitration by giving a written notice to the other party demanding arbitration. There shall be one (1) impartial arbitrator, who shall be experienced in arbitration and knowledgeable regarding the health care/health related services industry. The parties shall jointly select a single arbitrator. If the parties cannot reach agreement as to a mutually acceptable arbitrator within fourteen (14) days after the demand to arbitrate is made, they shall request that the arbitrator be chosen by JAMS/Endispute, Inc.

12.4 Hearing. The arbitration process shall consist of an adversarial hearing and each party shall have the right to call and cross-examine witnesses under oath and to introduce oral and documentary evidence. The arbitration hearing shall take place in Los Angeles, California, and shall be governed by the rules of Section 1280 *et seq.* of the California Code of Civil Procedures. The decision of the arbitrator shall be final and binding. The parties desire that any arbitration shall commence and proceed promptly in accordance with the JAMS rules. In addition to all other relief, the arbitrator shall award to the prevailing party reimbursement of attorneys' fees and costs and reimbursement of arbitration fees and costs.

12.5 [Intentionally Omitted]

12.6 Injunctive Relief. Notwithstanding the provisions of this Article 12 and except as provided in Section 12.4 above, each party hereto shall have the right to apply for and obtain a temporary restraining order or other temporary, interim or permanent injunctive or equitable relief from a court of competent jurisdiction in order to enforce the provisions of any part of this Agreement as may be necessary to protect its rights under those Sections.

(a) **Costs.** In the event injunctive relief is sought pursuant to Section 12.6 above, the prevailing party shall be entitled to recover as an element of its costs of suit, reasonable attorneys' fees and costs, as determined by the court.

12.7 Waiver of Jury Trial. To the extent not prohibited by applicable law which cannot be waived, each party hereby waives, and covenants it shall not assert (whether as plaintiff, defendant, or otherwise), any right to trial by jury in any forum in respect of any issue, claim, demand, cause of action, action, suit or proceeding arising out of or based upon the Agreement or the subject matter thereof, in each case whether now existing or hereafter arising and whether in contract or tort or otherwise. Any party may file an original counterpart or a copy of this Section with any court as written evidence of the consent of each of the parties to the waiver of its right to trial by jury.

13. INDEPENDENT CONTRACTORS

13.1 Independent Contractors. In the performance of their duties and obligations hereunder, it is mutually understood and agreed that the parties are at all times acting and performing as independent contractors, and nothing in this Agreement is intended nor shall be

construed to create between (1) Foundation and (2) Medical Group or Medical Group Physicians an employer/employee, joint venture, agency, lease or landlord/tenant relationship. In furtherance of the independent status of the parties, neither party shall hold itself out as an officer, agent, or employee of the other party and both parties shall take all reasonable steps to disavow such status or relationship in every instance where a reasonable person might assume that such a relationship exists between the parties.

13.2 Governmental Challenge. In the event any governmental entity, including without limitation, the Internal Revenue Service, should question or challenge the independent contractor status of either party or any Medical Group Provider with respect to the other in connection with the services rendered hereunder, the parties hereto mutually agree that both Medical Group and Foundation shall have the right to participate in any discussion or negotiation occurring with such governmental entity, regardless of who initiated such discussions or negotiations. The parties shall use their respective best efforts to agree upon an amendment to this Agreement in order to address the basis of the governmental challenge to their independent contractor status with respect to one another. In the event the governmental entity concludes that an independent contractor relationship does not exist between Medical Group and Foundation, Foundation, and that this Agreement cannot be amended to change that conclusion, either party may terminate this Agreement immediately upon written notice to the other party.

13.3 Tax and Benefits. Medical Group and Medical Group Physicians shall look only to Medical Group for setting and administering the terms and conditions of their employment or contracts. None of Medical Group or Medical Group Physicians shall have a claim against Foundation under this Agreement or otherwise for social security benefits, workers' compensation benefits, vacation pay, sick leave, retirement benefits, disability or unemployment benefits, or employee benefits of any kind unless Foundation has employed any such person. Foundation shall not withhold on behalf of Medical Group or Medical Group Physicians any sums for income tax, unemployment insurance, social security or any other purposes, and all such withholdings or obligations shall be the sole responsibility of Medical Group. Medical Group shall indemnify, defend and hold harmless Foundation from any and all loss or liability, if any, arising under this Section 13.3.

14. GENERAL AND MISCELLANEOUS PROVISIONS

14.1 Complaints. Medical Group and Foundation shall cooperate in good faith to investigate any complaints made by Foundation or Clinic Patients concerning any Medical Group Provider and to resolve the complaint in a reasonable time with appropriate action. Medical Group shall notify Foundation immediately of any material and substantiated complaints concerning any Medical Group Provider.

14.2 Confidentiality.

(a) **Confidential Information.** Each party hereto acknowledges that in connection with its performance under this Agreement, it may have access to and the use of confidential information and trade secrets of the other party hereto, including financial statements, internal memoranda, reports, patient lists, and other materials or records of a proprietary nature (collectively, the "**Confidential Information**"). In order to protect the Confidential Information, each party agrees that it shall not, for so long as any such Confidential

Information remains confidential, secret or otherwise wholly or partially protectable, use or release such Confidential Information (except in connection with the performance of its respective duties hereunder) or divulge the Confidential Information to any third party, without first obtaining the prior written consent of the other party. Confidential Information shall exclude and this prohibition against use and release of information shall not apply to information (1) required to be released by contracts existing as of the Effective Date of this Agreement or to fiscal intermediaries, governmental agencies or commissions with government powers and duties related to disclosure of information having the right to compel disclosure of such information; (2) otherwise compelled to be released by process of law; (3) required to be disclosed to Foundation representatives or others in connection with Foundation's tax-exempt bonds or other financing transactions; (4) provided to Foundation's or Medical Group's financial, business or legal advisors, provided that such financial or legal advisors agree to keep such information confidential; or (5) that is in or enters the public domain without a breach of the Agreement. Notwithstanding the foregoing, each party hereto (and each Medical Group Provider) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated hereby and all materials of any kind (including opinions and other tax analyses) that are provided to such party relating to such tax treatment and tax structure.

(b) **Agreement Confidential.** This Agreement shall be treated as Confidential Information, subject to the exclusions set forth in Section 14.2(a) above.

(c) **Announcement.** The parties will release a mutually acceptable statement announcing this transaction at a time and manner mutually acceptable to them. Until that time, neither party shall make any unilateral public announcement concerning the transaction contemplated by this Agreement.

14.3 Assignment; Binding Effect.

(a) Except as otherwise set forth herein, neither party may assign rights or delegate duties under this Agreement without the express written approval of the other party. Foundation may delegate duties by subcontracting with Medical Group for the provision of services hereunder; provided, however, that Foundation shall remain ultimately responsible for services provided pursuant to any such delegation.

(b) Subject to the foregoing, the provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto, their successors, and permitted assigns.

14.4 Use of Clinic Premises. Medical Group shall not, and shall ensure that Medical Group Physicians do not, use any part of the Clinic for the provision of any services or goods to any person or entity other than the provision of Medical Group Services in accordance with this Agreement, except in an emergency or with the prior written consent of the Foundation, which consent may be given, withheld or conditioned in either case reasonably and without undue delay by Foundation.

14.5 Change of Control; Dissolution. Unless approved by the prior written consent of the Foundation Board which consent may be given, withheld, or conditioned by the Foundation Board in its sole and absolute discretion, Medical Group shall not permit, approve or

take any action that would cause or result in: (1) any sale, transfer or other disposition of all or substantially all of the assets of Medical Group to any person other than Foundation or a Foundation Affiliate; (2) any sale or other disposition of at least 50% of the outstanding securities of Medical Group, other than any sale or other disposition solely to one or more shareholders of Medical Group immediately preceding such transaction; (3) any merger, consolidation or other reorganization of Medical Group if, immediately following such transaction, the shareholders of Medical Group immediately preceding such transaction do not own, directly or indirectly, outstanding voting securities representing more than a majority of the combined outstanding voting power of the surviving, consolidated or reorganized entity, other than a merger, consolidation or other reorganization solely among the shareholders of Medical Group immediately preceding such transaction; or (4) dissolution and/or liquidation of Medical Group or the cessation or the active conduct of Medical Group's business activities.

14.6 Vested Rights. No amendment, supplement or termination of this Agreement shall affect or impair any rights or obligations which shall have theretofore matured hereunder.

14.7 Successors. This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective heirs, executors, administrators and permitted assigns.

14.8 Headings; Syntax. Headings are not part of this Agreement and are included solely for convenience and are not intended to be full or accurate descriptions of the contents thereof. All references made and pronouns used herein shall be construed in the singular or plural and in such gender as the sense and circumstances require.

14.9 Further Actions. Each party agrees that it shall hereafter execute and deliver such further instruments and so such further acts as may be required or useful to carry out the intent and purpose of this Agreement and as are not inconsistent with the terms hereof.

14.10 No Third-Party Rights. The parties do not intend the benefits of this Agreement to inure to any third person not a signatory hereto. Notwithstanding anything contained herein, or any conduct or course of conduct by any party hereto, before or after signing this Agreement, this Agreement shall not be construed as creating any right, claim or cause of action against either party by any person or entity not a party to this Agreement.

14.11 Notice. All notices required by this Agreement shall be in writing, and shall be deemed effective when personally delivered; when mailed by certified or registered mail, return receipt requested; or when deposited with a comparably reliable postal delivery service (such as Federal Express); addressed to the other party as follows:

| | |
|---------------------|---------------------------------|
| If to Medical Group | Hunt Spine Institute |
| | Attention: Dr. Leonel Hunt |
| | Attention: Dr. Gabriel Hunt |
| | 444 San Vicente Blvd., Suite 80 |
| | Los Angeles, CA 90048 |
| | Tel: () |
| | Email: huntleonel@gmail.com |
| | Fax: () |

With a copy (which
shall not constitute
notice) to

Solomon Ward Seidenwurm & Smith, LLP
Attention: Michael B. Abramson, Esq.
401 B Street, Ste 1200
San Diego, CA 92101
Tel: (619) 231-0303
Email: mabramson@swsslaw.com
Fax: (619) 615-7907

If to Foundation

Verity Medical Foundation
400 Race Street
San Jose, CA 95126
Attention: Eric Marton, Chief Executive Officer
Tel: (213) 484-7429
Email: eric.marton@verity.org
Fax: ()

With a copy (which
shall not constitute
notice) to

Verity Health System of California, Inc.
203 Redwood Shores Parkway, #800
Redwood City, CA 94065
Attention: Maria Kwok, Deputy General Counsel
Tel: (650) 551-6604
Email: mariakwok@verity.org
Fax: ()

The above addresses may be changed by a notice delivered as set forth in this Section 14.11.

14.12 Waiver. No delay or omission by either party to exercise any right or remedy under this Agreement shall be construed to be either acquiescence or the waiver of the ability to exercise any right or remedy in the future. Any waiver of any terms and conditions hereof shall be in writing, and signed by the parties hereto. A waiver of any term or condition hereof shall not be construed as a future waiver of the same or any other term or condition hereof.

14.13 Force Majeure. Except for either party's obligation to pay any monies hereunder for services performed which such payments shall be made, where appropriate, after taking into account and accommodating for the circumstances and reasonably projected consequences of the force majeure situation, neither party to this Agreement shall be liable nor deemed to be in default for any delay or failure to perform caused by acts of God, war, acts of terrorism, disasters, pandemics, strikes, or any similar cause beyond the control of either party.

14.14 Catastrophe. In the event that any Clinic shall be partially damaged or destroyed by fire, earthquake or other catastrophe, and such damage is sufficient to render the facilities untenable but not entirely or substantially destroyed, this Agreement may be suspended by Foundation until such time as Foundation determines that the premises or the facilities shall again be tenantable. In the event Foundation determines that the Clinic has been entirely or

substantially destroyed by fire, earthquake, or other catastrophe, this Agreement may be terminated by either party upon fourteen (14) days' written notice to the other; or, in the alternative, this Agreement shall be suspended until such time as Foundation shall erect or otherwise acquire new facilities with accommodations substantially similar to the Clinic, in the event that Foundation gives written notice to Medical Group that it shall erect or otherwise acquire facilities. Nothing in this Agreement shall obligate Foundation to erect or otherwise acquire such facilities. Notwithstanding the foregoing, in the event there is a catastrophe of the sort and having the effects described in this Section, Foundation and Medical Group shall use their respective best efforts to find a mutually agreeable, temporary solution or alternative is available for the ongoing provision of patient services. If such a mutually agreed upon solution or alternative is identified, the parties shall memorialize the arrangement in a signed writing and proceed to implement the arrangement in accordance therewith.

14.15 Governing Law. This Agreement shall be construed and enforced in accordance with the laws of California, without regard to conflict of law rules.

14.16 Construction/Severability.

(a) This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with therein. In addition, each party has had the benefit of legal advice from experienced and knowledgeable legal counsel. Accordingly, any rule of law (including Civil Code Section 1654) or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purpose of the parties.

(b) In the event any portion of this Agreement is declared invalid or void by a court or arbitrator, such portion shall be severed from the this Agreement, and the remaining provisions shall remain in effect, unless the effect of such severance would be to substantially alter the agreement or obligations of the parties, in which case this Agreement may be immediately terminated in its entirety by the adversely affected party.

14.17 Tax Exempt Financing. Notwithstanding anything in this Agreement to the contrary, if Foundation uses the proceeds of tax-exempt bonds to finance any of the premises on which services are provided under this Agreement, this Agreement shall be amended to the extent deemed necessary by bond counsel to assure that this Agreement do not cause a prohibited amount of "private use." After receiving reasonable notice of the proposed amendment, and a written opinion from bond counsel confirming the need for such amendment, Medical Group shall agree to the changes that bond counsel deems necessary; provided, however, that if Medical Group determines that the amendment would materially impair its rights under this Agreement or materially increase its obligations, it shall have the right to terminate this Agreement without penalty upon five (5) days' notice to Foundation.

14.18 Amendment. This Agreement may be amended at any time by mutual agreement of the parties without additional consideration, provided that before any amendment shall become effective, it shall be reduced to writing and signed by the parties.

14.19 Incorporation of Recitals and Exhibits. All schedules, exhibits, addenda, and recitals referred to in this Agreement are an integral part of this Agreement and are incorporated in full into this Agreement by this reference.

14.20 Entire Agreement; Modification. This Agreement, including all exhibits, contains the entire agreement of the parties relating to the subject matter of this Agreement. This Agreement, and any exhibits, may only be modified in writing, signed by both parties, effective on the date set forth in such writing.

14.21 Cumulation of Remedies. The various rights, options, elections, powers, and remedies of the respective parties hereto contained in, granted, or reserved by this Agreement, are in addition to any others that said parties may be entitled to by law, shall be construed as cumulative, and no one of them is exclusive of any of the others, or of any right or priority allowed by law.

14.22 Counting Days. If the day for performance of any obligation under this Agreement is a Saturday, Sunday, or legal holiday (within the meaning of California Civil Code Section 7), then the time for performance of any obligation under this Agreement shall be extended to 5:00 p.m. on the first business day following such Saturday, Sunday, or legal holiday.

14.23 Other Service Agreements. Foundation shall maintain a file which lists all other agreements or arrangements (if any) under which Medical Group and/or Medical Group Physician (or any immediate family member of any Medical Group Physician) provides services to Foundation.

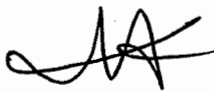
14.24 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute one and the same instrument.

(Signature page follows)

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the
dates set forth below to be effective as of the Effective Date.

Hunt Spine Institute, Inc.
a California Professional Medical Corporation

Date: 7/5/17

By: 
Name: Leonel A. Hunt, MD
Title: President

Verity Medical Foundation,
a California nonprofit corporation

Date: 7/5/17


By: 
Name: Eric Marton
Title: President and Chief Executive Officer

Exhibit List

| | |
|--------------------|---|
| Exhibit 1.1(a) | Clinics |
| Exhibit 1.1(b) | Medical Group, Educational, and Research Services |
| Exhibit 1.1 (c) | Organization and Staffing - Initial Staffing Plan And Budget |
| Exhibit 1.2(a)(xi) | Form of Physician's Employment Agreement |
| Exhibit 1.3(d) | Disciplinary Procedures |
| Exhibit 1.5 | Outside Activities |
| Exhibit 1.6 | Competitive Investments |
| Exhibit 1.17(a) | Litigation Assistance Compensation |
| Exhibit 1.17(b) | Verity Divisions and Subordinate Organizations |
| Exhibit 3.5 | Exception for Managed Care Contracts |
| Exhibit 4.1 | Essential Characteristics of a Corporate Responsibility Program |
| Exhibit 4.2(c) | Standards of Conduct |
| Exhibit 6.1 | Approved Medical Group Physicians |
| Exhibit 7.1 | Compensation |
| Exhibit 9.3(a) | Conflict of Interests Disclosure Statement for Covered Associates, Physician Leaders, and Other Designated Persons |

Disclosure Schedule List

| | |
|--------------------------------|--|
| Disclosure Schedule 1.2(a)(ii) | Exceptions to Board Certification |
| Disclosure Schedule 1.2(a)(iv) | Exceptions to Medical Staff Membership and Clinical Privileges |
| Disclosure Schedule 1.2(b) | Representations and Warranties Disclosures |

Exhibit 1.1 (a)

Sites

1. Cedar Sinai Clinic
444 South Vincente Ave, Suite 800
Los Angeles, CA 90048
2. St. Vincent Medical Center 1206(d) Clinic
2200 West 3rd Street,
Los Angeles, CA 90057

Exhibit 1.1(b)

Medical Group Educational and Research Services

Medical Group shall provide basic patient education relating to matters including but not limited to: (a) identifying patient candidates for Foundation research studies; and (b) talking to community groups regarding disease prevention and/or healthy lifestyles.

Exhibit 1.1(c)

Organization and Staffing - Initial Staffing Plan And Budget

| CEDAR SINAI CLINIC 444 South Vincente Ave, Suite 800 Los Angeles, CA 90048 | | | | |
|---|---------------------|--|--------------------------------------|--|
| Name | Date of Hire | Job Title (1 FTE status unless otherwise indicated) | Rate of Pay or Salary | Benefits |
| Jamie Galarraga | Sept 10, 2012 | Executive Assistant | \$35/hr | Paid Medical, Dental, Vision. 401K |
| Johana Gonzalez | Oct 18, 2010 | Surgical Coordinator | \$35/hr | Paid Medical, Dental, Vision. 401K |
| Wendy Meza | Sept 28, 2011 | Admin Assist | \$35/hr | Paid Medical, Dental, Vision. 401K |
| Jeannet Cendejas | July 6, 2015 | Surgical Coordinator | \$35/hr | Paid Medical, Dental, Vision. 401K |
| TBD | 2016 | Admin Assist | \$28/hr | None |
| TBD | To be hired | Executive Assistant | \$30/hr | Paid Medical, Dental, Vision. 401K |
| Gohar Abrahamyan | July 1, 2009 | PA | \$250K | Paid Medical, Dental, Vision. 401K. Discretionary funds of \$7500/yr for continuing education |

| St. Vincent 1206(d) Clinic¹ 2200 West 3rd Street, Los Angeles, CA 90057 | | | | |
|--|---------------------|--|--------------------------------------|---|
| Name | Date of Hire | Job Title (1 FTE status unless otherwise indicated) | Rate of Pay or Salary | Benefits |
| MA/LVN | To be hired | Part time MA/LVN (0.2 FTE) | \$18.50/hr (estimated) | |
| PSR | To be hired | Part time PSR (0.2 FTE) | \$17.50/hr (estimated) | |
| Cheri Phillips | To be hired | PA | \$160K | Paid Medical, Dental, Vision. 401K. Discretionary funds of \$7500/yr for continuing education |

¹ Staffing for St. Vincent 1206(d) clinic will be hired upon mutually agreed upon later date by the parties.

Exhibit 1.2(a)(xi)

Form of Physician's Employment Agreement

[Separately attached]

Exhibit 1.3(d)

Disciplinary Procedures

The due process for physician disciplinary actions is described in relevant sections of each physician employment agreement.

Exhibit 1.5

Outside Activities

Medical Director Agreements at St. Vincent Medical Center. Notwithstanding anything to the contrary to provisions in Section 1.4 and this Section 1.5 above, Foundation agrees and approves as Outside Activities for Medical Group to provide medical director services in the development, implementation and maintenance of inpatient and outpatient comprehensive spine center at St. Vincent Medical Center. Medical Director Agreements for Orthopedic-Spine Program Neurosurgery-Spine and Skull Based Program will be entered into no later than three (3) months from the Effective Date of this Agreement, but the intended commencement date for the Medical Director Agreements is August 14, 2017. The compensation of the Orthopedic-Spine Program Neurosurgery-Spine and Skull Based Program will be subject to a formal fair value assessment and opinion letter from a qualified third-party valuation firm.

Physicians may perform medical procedures and practice medicine outside the United States and such activities will not be governed by this Agreement.

Subject to written approval of an Outside Activities Request contained in Section 1.5 above, Physicians may directly or indirectly engage in medical device and technology development, consulting, promotion, research and development, marketing and other services on their own behalf or on behalf of third parties, and such activities will not be governed by this Agreement

Exhibit 1.6

Competitive Investments

1. Linden Surgical Center
2. Advanced Pain Medical Group/Surgical Center

Exhibit 1.17(a)

Litigation Assistance Compensation

For any litigation consultation a Medical Group Provider provides at the request or on behalf of Foundation, Medical Group shall be compensated by Foundation in an amount equal to \$200 per hour of consultation services not to exceed \$2,000 per day plus reasonable out-of-pocket expenses incurred by such Medical Group Provider in the provision of such consultation services.

Exhibit 1.17(b)

Verity Divisions and Subordinate Organizations

- Verity Health System of California, Inc.
- Robert F. Kennedy Medical Center
- O'Connor Hospital
- Saint Louise Regional Hospital
- St. Francis Medical Center
- St. Vincent Medical Center
- Seton Medical Center
- Seton Medical Center Coastside (a division of Seton Medical Center)
- Seton Medical Center Foundation (fka Seton Health Services Foundation)
- Caritas Business Services
- Marillac Insurance Company, Ltd.
- O'Connor Hospital Foundation
- Robert F. Kennedy Medical Center Foundation
- Saint Louise Regional Hospital Foundation
- St. Francis Medical Center of Lynwood Foundation
- St. Vincent Medical Center Foundation
- St. Vincent de Paul Ethics Corporation
- St. Vincent Dialysis Center
- De Paul Ventures, LLC
- De Paul Ventures – San Jose ASC, LLC
- Verity Holdings, LLC
- Verity Medical Foundation
- De Paul Ventures – San Jose Dialysis ASC, LLC
- Verity BASM Holdco, LLC
- Forest Ambulatory Surgical Associates, LP
- National Ambulatory Surgery Center, LLC
- Los Altos Surgery Center, LP
- SOAR Surgery Center, LLC
- Knowles Surgery Center, LLC

Exhibit 3.5

Exception for Managed Care Contracts

Cedar Sinai Medical Group of Beverly Hills dba Cedars-Sinai Medical Group HMO

Exhibit 4.1

Essential Characteristics of the Corporate Responsibility Program

The Verity Health System Corporate Responsibility Program (CRP) will have the following characteristics:

1. Require proactive guidance, self-review, monitoring, auditing and reporting.

Each organization is to be proactive in the area of corporate compliance. Each Hospital will develop, implement, and maintain a Corporate Responsibility Plan (Plan) to carry out the requirements of the Verity Health System Corporate Responsibility Program. The Hospital's Plan will provide guidance through the development of standards of conduct and procedures to be followed in identified risk areas and will provide for self-review and audit to detect and report illegal activity.

2. Require good faith effort to comply with law and regulations.

Each Hospital is expected to comply with federal, state and local laws and regulations. With the proliferation of a myriad of laws and regulations in the health care field, coupled with increased governmental scrutiny, inadvertent non-compliance can expose Verity Health System to civil and criminal fines and penalties. By providing a focus and education on compliance with laws and regulations that impact Verity Health System in risk-sensitive areas, the Plan helps demonstrate the exercise of appropriate due diligence and a good faith effort to comply.

3. Require commitment of high-level personnel.

The Plan will only be as effective in accomplishing its goals and objectives as the level of commitment made by the organization's board of directors, president/CEO and executive management. Each Hospital will assign a high-level executive responsible to oversee the implementation and operation of the Plan, and be accountable to its president/CEO for corporate compliance.

4. Heighten awareness and sensitivity to high-risk areas through education and communication.

Through an initial and ongoing environmental assessment/risk analysis, high-risk areas will be identified that need to be addressed in the Plan. Upon inclusion in the Plan, the education and communication procedures in the Plan will heighten the awareness of and the sensitivity to these areas throughout the Hospital, which will help facilitate compliance.

5. Be complementary, not duplicative, of existing policies, standards and guidelines.

The CRP has been designed to complement, not duplicate, other Verity Health System policies. Because of the importance placed on corporate compliance, Verity Health System believes that it merits a separate policy and plan, with specifically identified focus and accountabilities.

Exhibit 4.1(c)

Standards of Conduct

Verity Health System of California, Inc. (Verity Health System) is committed to carrying out our health care services in a manner consistent with the Verity Health System Values. Our shared Verity Health System Values serve to guide our actions and include: Respect, Caring, Authenticity, Passion, and Stewardship.

The following Standards of Conduct are a practical extension of the Verity Health System Values. They describe expectations for conduct necessary to promote and protect the integrity of Verity Health System. We are expected to act in a manner consistent with these standards.

Each of us is accountable for our own actions, and we must also hold each other accountable for adherence to the Standards of Conduct. We are encouraged to report violations of the Standards of Conduct and are protected from retaliation.

Quality of Care: Verity Health System is committed to providing competent and compassionate care, respecting and safeguarding the dignity of the patient, and allowing patient access to all medical information necessary to make decisions about their care. A central focus of Verity Health System in meeting patient needs is serving the whole person in his or her intellectual, emotional, and physical dimensions. Care will be provided in a safe and positive environment, free of disruptive, disrespectful, discourteous, and unethical behavior.

Laws and Regulations: Verity Health System will operate in accordance with all laws and regulations. In our work, these laws and regulations apply to areas such as patient referrals, employment, physician relationships, billing and payment practices, discount arrangements, lobbying, political contributions, the environment, health and safety, and dealings with payers and regulatory agencies.

Human Resources: Verity Health System maintains a work environment where we treat each other with honesty and respect. We are expected to perform our duties with care, compassion, and courtesy in a lawful and ethical manner. Disruptive, offensive, harassing, disrespectful, and unethical behaviors are unacceptable and will be addressed.

Business and Ethics: Verity Health System is committed to ethical business conduct and integrity. We must represent Verity Health System accurately and honestly and must not do anything that purposely defrauds anyone, including other companies or the government, of money, property, or services. Recordkeeping and billing for services provided to patients must be complete, accurate, timely, and lawful.

Confidentiality: In keeping with various laws, regulations, and professional guidelines, we must maintain the confidentiality of medical records and other patient information. We are also expected to keep information, regarding our colleagues and the proprietary business practices of the organization, confidential.

Conflict of Interests: We are expected to act in the best interests of Verity Health System and the patients we serve. We may not use our positions to profit personally or to assist others in profiting in any way at the expense of the organization. In any situation where outside interests conflict with those of the organization, the conflict must be disclosed in accordance with organizational policy.

Responsible Stewardship: Verity Health System is committed to preserving and protecting our organization's assets by making prudent and effective use of its resources. Verity Health System encourages innovative, cost-effective business decisions and strives to eliminate wasteful practices.

Exhibit 6.1

Approved Medical Group Physicians

| <u>No.</u> | <u>Name</u> | <u>Specialty</u> |
|-------------------|--------------------|-------------------------|
| 1. | Leonel A. Hunt, MD | |
| 2. | Gabriel Hunt, MD | |

Exhibit 7.1

Compensation

Foundation's compensation to Medical Group will consist of two elements, including (i) the base compensation as further described in Sections 2, 3 and 4 below, and (ii) the reimbursement of business expenses as further described in Section 5(d)(i) below. Except as otherwise indicated, all section references in this Exhibit 7.1 refer to sections in this Exhibit.

1. **Compensation Period.** The initial compensation period shall commence on August 14, 2017 and end on August 13, 2019. Thereafter, the compensation periods shall be successive one (1) year terms, commencing on the same date in August as the commencement date identified in the previous sentence and terminating on the same date one year later, subject to earlier termination concurrently with the termination of this Agreement (each, a "**Compensation Period**").

2. **Base Compensation.** For all Physician services provided pursuant to this Agreement, Foundation shall pay Medical Group an aggregate base compensation equal to the sum of the number of "**wRVUs**" (as defined below) of professional medical services provided by each Physician multiplied by the applicable "**wRVU Rate**" (as defined in Section 3 below) "**wRVUs**" shall mean the professional work relative value units for CPT and HCPCS Codes as published on an annual basis in the Federal Register to establish the Medicare fee schedule. If at any time after the Effective Date, the wRVU assignments are materially modified by CMS, Foundation and Medical Group shall in good faith negotiate an appropriate revision to the wRVU assignments that will preserve the original intent of the parties and that will continue to provide fair market value compensation to Medical Group and the Physicians, as further described in Section 4 below. Notwithstanding, if within ninety (90) days of any anniversary date of the Compensation Period following the second year, or the first ninety (90) days of any subsequent anniversary, either party reasonably believes that the fair market value wRVU rate has substantially changed so that the compensation to the Medical Group under this Section 4 for certain specific medical procedures is materially more or materially less than the compensation to the Medical Group was for the same medical procedure as of the Effective Date of this Agreement, or that the compensation payable to Medical Group for a set of medical services is materially more or materially less than the compensation for the same set of medical services as of the Effective Date of this Agreement, then the parties agree to perform a new third-party fair market value analysis in good faith to derive a modified wRVU rate and/or make other adjustments to the compensation under this Agreement to ensure there is no material deviation in the compensation payable per specific procedure or set of medical services as a result of such change in conversion rate. For the purposes of clarity, Medical Group earning materially more following the second year of the Agreement due to the actual volume of services provided by Medical Group will not be grounds to adjust the compensation payable.

(a) **wRVU Production.** All clinical services performed domestically by Medical Group will be counted towards the wRVU production. For avoidance of doubt, clinical services performed internationally will not be counted towards the wRVU production.

(b) Recognition of wRVUs. For purposes of this Exhibit 7.1, wRVUs shall be deemed to be generated during the quarter in which completed documentation of services rendered by Physicians is received by Foundation, correctly coded in a legally and contractually compliant manner, and the services are posted to Foundation's computerized billing system, regardless of when such services are actually performed. In addition, if the number of wRVUs posted is subsequently adjusted to reflect the results of payor audits and compliance audits of claims based on the procedure, diagnosis, and billing codes assigned by Physicians, then Foundation shall adjust base compensation accordingly. This provision shall survive the termination of this Agreement.

3. First Two Year Floor Guarantee. In consideration of Professional Services provided by the Medical Group, Foundation shall guarantee Medical Group an annual base compensation of at least **One Million Eight Hundred Thousand Dollars (\$1,800,000.00)** per year for the first two (2) years of the term of this Agreement so long as wRVU production does not fall below 75% of historical (three year average) levels of 23,192 wRVUs. Should wRVU production fall below 75% historical average, Medical Group shall be compensated at its Actual wRVU (as defined below) multiplied by its wRVU rate of **Seventy-Five Dollars (\$75.00)**. For any wRVUs generated above the 23,192 wRVUs will be considered wRVUs earned by the Group and will be paid at **Seventy-Five Dollars (\$75.00)** per wRVU conversion rate ("wRVU rate").

| Scenario | Method |
|--|---|
| Below 75% of 23,192 wRVUs or 17,394wRVU | Actual wRVU x \$75.00 |
| 17,394wRVUs -23,192 wRVUs | \$1.8M Guarantee |
| Above 23,192 wRVUs | \$1.8M Guarantee + excess wRVU above 23,192 x \$75.00 |

4. Third Year and Beyond. For each year following the second year of the Agreement, in consideration of Professional Services provided by Medical Group, Foundation shall compensate Group for each Group Physician's Actual wRVUs based on **Seventy-Five Dollars (\$75.00)** per wRVU rate. As used in this formula, "*Actual wRVUs*" refers to the wRVUs actually generated and reported by the Group Physicians for a given period of time.

5. Payment Terms

(a) First Two Year Floor Guarantee. Commencing the initial compensation period and the following second compensation period, Foundation shall pay Medical Group in equal monthly installments equal to the base compensation guarantee as set forth in Section 3 above.

(b) Third Year and Beyond. For each year following the second year of the Agreement, Foundation shall pay Medical Group a semi-monthly (i.e., twice per month) “draw”, which shall be based on an estimated wRVUs payable for such month.

(c) wRVUs Reconciliation. Within thirty (30) days after the end of each quarter during the applicable Compensation Period (except for the first quarter of the first Compensation Period), the actual number of wRVUs generated and the actual amount of base compensation for such quarter shall be determined (except for the reconciliation occurring after the second quarter of the first Compensation Period, which shall be based on the first quarter and the second quarter of the first Compensation Period, not just the second quarter), and adjusting payments shall be made between Foundation and Medical Group. Any compensation payable to Medical Group under this Agreement that has not been paid as of the end of a compensation period or as of a termination date, including without limitation due to a pending final reconciliation of wRVUs, shall be paid as soon as practical thereafter but in no event later than ninety (90) days following such termination date.

(d) Timing of Payments. No later than the twentieth (20th) day of each month throughout the term (pro-rated for any partial month), Foundation will pay by electronic funds transfer to Medical Group’s bank account an amount of funds sufficient to pay (i) the subsequent month’s business expenses (including all Medical Group Physicians’ salaries, payroll taxes, workers compensation, retirement plan, Physician continuing education expense (at a not to exceed amount to be agreed by the parties per Physician per year), insurance and other benefit payments and other costs and expenses related to the operating of the Medical Group), (ii) the monthly lease (and related fees and costs) with respect to the office space occupied by Medical Group at Cedars Sinai, and (iii) compensation as set forth in Section 3 and 4 in this Exhibit. All other amounts payable under this Agreement shall be due and payable by Foundation within thirty (30) days of invoice. In addition to all other rights and remedies under this Agreement or applicable law, any amount due to Medical Group under this Agreement not paid when due will accrue interest at the lesser of 1.5% per month or the maximum legal rate until paid in full.

6. Physician Specialty Additions. In the event that a new Physician is recruited (pursuant to Section 6.3 of this Agreement) to join Medical Group to provide services to Foundation patients in accordance with this Agreement, Foundation shall reimburse Medical Group the compensation of such Physician as mutually agreed by the parties for a period of up to two (2) years. If such Physician compensation with Medical Group includes Physician wRVU production expectations, then any excess wRVUs production above the expectation generated by Physician will remain as compensation of the Medical Group for an agreed upon term up to two (2) years. The parties will revisit an amendment to Medical Group overall compensation after the end of any such new Physician addition.

7. Compensation For Research Activities Under Section 1.6. Foundation shall compensate Medical Group One Hundred Fifty Dollars (\$150.00) per hour for any services provided under Section 1.6.

8. Compensation For Community Medical Education Activities Under Section 1.7. Foundation shall compensate Medical Group One Hundred Fifty Dollars (\$150.00) per hour for any services provided under Section 1.7

9. Benefits. Foundation shall provide or reimburse Medical Group for commercially reasonable benefits to each benefit-eligible Physician, as determined by Foundation based on current market standards.

Exhibit 9.3

**Conflicts of Interest Disclosure Statement for Covered Associates, Physician Leaders, and
Other Designated Persons.**

[Separately attached]

EXHIBIT C

EXHIBIT C

DEVELOPMENT AGREEMENT
BETWEEN
ST. VINCENT MEDICAL CENTER
AND
HUNT SPINE INSITTUE, INC.

This Development Agreement ("*Agreement*") is entered into effective May 15, 2018 ("*Effective Date*") by and between St. Vincent Medical Center, a California nonprofit public benefit corporation ("*Hospital*") and Hunt Spine Institute, Inc., a California professional corporation ("*Contractor*"). Together, Hospital and Contractor are "*Parties*," and each is a "*Party*."

RECITALS

WHEREAS, Hospital is the owner and operator of a general acute care hospital located at 2131 West. 3rd. Street Los Angeles Ca. 90057. Hospital is affiliated with Verity Health System of California, Inc. ("*Verity*"), and

WHEREAS, Contractor employs or contracts with Gabriel Hunt, M.D. and Leonel Hunt, M.D. ("*Physicians*"), who are duly licensed to practice medicine in the State of California, and experienced in the fields of Neurologic Surgery and Orthopedic Spine Surgery ("*Specialty*"); and

WHEREAS, as Contractor has expertise in the Specialty, Foundation desires to retain Contractor to provide development services to Verity so as to improve access to patients and quality of certain services provided by Verity.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, the parties hereby agree as follows.

1. CONTRACTOR AND PHYSICIANS' OBLIGATIONS.

1.1. **Development Duties.** Contractor shall provide Physicians to provide certain development duties set forth on Exhibit A, attached hereto and incorporated by reference ("*Services*"). Physicians shall perform Services under the direction of Hospital's President and CEO and Chief Medical Officer.

1.2. **Qualifications of Physicians.** During the Term, Contractor shall ensure Physicians (a) are duly licensed as Physicians under California law, (b) Board Certified in Neurosurgery and Orthopedic Surgery, (c) are members in good standing of the active medical staff of St. Vincent Medical Center ("*Hospital*"), and (d) hold all clinical privileges on the active medical staff of Hospital appropriate to the provision of Services hereunder, (e) participate as providers in the Medicare and Medicaid programs (Titles XVIII and XIX of the Social Security Act, respectively), (f) maintain unrestricted federal Drug Enforcement Administration ("*DEA*") registration numbers, (g) are employed by or under contractual arrangement with Contractor, and (h) maintain insurance coverage as set forth herein. Contractor shall provide documentation of compliance with all provisions of this section to Foundation upon request. Contractor shall obtain the written consent of Foundation in advance of replacing Physicians.

Contractor represents and warrants to Hospital that (a) Physicians' licenses to practice medicine have not been suspended, revoked or restricted; (b) neither Contractor, nor Physicians, have

been reprimanded, sanctioned or disciplined by a licensing board or state or local medical society or specialty board; (c) Physicians have never been denied membership or reappointment of membership on the medical staff of a hospital and no hospital medical staff membership or clinical privileges of Physicians have ever been suspended, curtailed or revoked for a medical disciplinary cause or reason; (d) neither Contractor, nor Physicians, have been excluded from participation in, or sanctioned by, a state, federal or local health care program, including Medicare or Medicaid; (e) neither Contractor, nor Physicians, have been reprimanded, sanctioned or disciplined by the DEA, been denied a DEA registration number or had a DEA registration number restricted; (f) neither Contractor, nor Physicians, have been denied insurance coverage or had such insurance coverage restricted; and (g) Contractor is authorized to contract on behalf of Physicians for the provision of Services.

1.3. Hours. Contractor shall spend a maximum of fifty-six (56) hours but in no event less than twenty (20) hours per month providing Services.

1.4. Development Efforts. Contractor and Physicians shall devote necessary time and energy to Services and shall refrain from establishing, consulting with, managing, or providing services, including Services to other Orthopedics-Spine or Neurologic programs, without the prior written consent of Hospital.

1.5. Compliance. Contractor and Physicians shall comply with applicable governmental laws and regulations and applicable standards and recommendations of The Joint Commission, the American Medical Association, and the American Board of Orthopedic Surgery.

1.6. Exclusion. Contractor shall screen its officers, directors, shareholders, employees, contractors or other agents who furnish, order or prescribe items or services reimbursable under federal health programs to or for patients of Foundation under this Agreement against the List of Excluded Individuals/Entities maintained by the Office of Inspector General ("OIG") of the Department of Health and Human Services, the System for Awards Management ("SAM"; formerly the Excluded Parties List System) and any successor list maintained by the U.S. General Services Administration, and the Medi-Cal Suspended and Ineligible Provider List maintained by the California Department of Health Care Services prior to hire and once per year thereafter. Contractor will immediately notify Foundation if Contractor or Physicians are excluded from participation in a federal health care program. Contractor will indemnify Foundation for claims, judgments, overpayments or expenses arising from such exclusion.

1.7. Use of Premises. Contractor shall and shall cause Physicians to use Hospital premises solely for the provision of Services. No part of the premises of Hospital shall be used by Contractor or Physicians as an office for the general practice of medicine.

1.8. Notice of Events. Contractor shall immediately notify Foundation of: (a) failure to satisfy the terms, representations or warranties made herein; (b) incident reports filed or malpractice claims or professional disciplinary actions asserted or initiated against Contractor or a Physician; (c) modification in or termination of Contractor's relationship with a Physician during the Term; and (d) a change in corporate identity, form or name of Contractor that necessitates filing with, or application for a permit from, the Medical Board of California, the Secretary of State of California or another state. Contractor shall provide notice required pursuant to this Section 1.8 no later than forty-five (45) days prior to the effective date of the change, and shall take such actions and provide such information requested by Foundation in order to amend and assign this Agreement to reflect Contractor's new corporate identity, form or name.

1.9. Expert Witness Consultant. Contractor shall ensure that Physicians do not accept consulting assignments or otherwise contract, agree or enter into an engagement to provide expert testimony or evaluation on behalf of a plaintiff in connection with any claim asserting negligence,

malpractice or professional liability on the part of Hospital or health care entity related to Verity. Contractor shall, and shall cause Physicians to, refrain from accepting consulting assignments if the defendant(s) include medical staff, officers or members of the Medical Staff Executive Committee of Verity, and the claim relates to an occurrence at a Verity facility; provided, however, the provisions of this paragraph shall not apply to situations in which Physicians served as attending physicians.

1.10. Limitations on Authority of Contractor. Contractor shall not, and shall cause Physicians to not, (a) incur financial obligations on behalf of Foundation; (b) obligate or commit assets of Foundation for the acquisition of equipment, supplies or personnel; or (c) remove equipment or supplies furnished by Foundation.

1.11. Verity Employees. During the Term and for one (1) year thereafter, neither Contractor, nor Physicians shall directly or indirectly, hire, contract with, seek to hire or contract with, or assist in hiring or contracting with a Verity employee, nor take action which results in the termination of employment or other arrangement between Verity and such employee or otherwise interferes with such employment or contractual arrangement.

2. HOSPITAL OBLIGATIONS

2.1. Licensure and Accreditation. Hospital shall provide, a specified below, space, equipment, supplies, resources, and non-Physician personnel necessary for Hospital to remain licensed by California Department of Public Health and accredited by The Joint Commission.

2.2. Responsibility under Title 22. In compliance with Section 70713 of Title 22 of the California Code of Regulations, Foundation shall retain responsibility for its services rendered pursuant to this Agreement.

2.3. Space, Equipment and Supplies. Foundation shall furnish for use of Contractor such space, equipment and supplies as reasonably necessary to provide Services.

3. COMPENSATION

3.1. Invoices. On or before the fifth (5th) day of each month during the Term, Contractor shall submit a written invoice to Hospital in the form attached hereto as Exhibit B ("Invoice"), or as otherwise required by Hospital, detailing specific Services provided, days and corresponding time spent during the immediately preceding calendar month. Hospital will not accept invoices submitted more than sixty (60) days after the end of the calendar month for which payment for Services is sought.

As compensation for Services and expressly conditioned upon Contractor's timely submission to Foundation of an Invoice, Foundation shall pay Contractor, Two Hundred Ninety-Seven Dollars and Sixty-Two Cents (\$297.62) per hour, not to exceed **Sixteen Thousand Six Hundred Sixty Seven Dollars and Seventy-Two Cents (\$16,667.72)** per month, on or before the twentieth (20th) day of each month for the preceding month's service.

Payment shall be made in the name of Contractor. Contractor shall provide Hospital with a completed and executed copy of IRS Form W-9 identifying Contractor's taxpayer identification number.

3.2. Conditions for Payment. Payment of the compensation provided herein is conditioned upon Contractor's and Physicians' (a) timely and fully performing the Services, and (b) maintaining such records and supporting documents as may, from time to time, be required to comply with the requirements of governmental agencies and third party payors, including: preparing complete and

accurate time records which document separately all time spent providing Services hereunder, in a form acceptable to pursuant to 42 CFR section 415.60 and in order to comply with Medicare requirements, executing and updating at such times and on such forms as requested by Hospital, a written allocation statement specifying the respective amounts of time to be spent in furnishing Services to Hospital, and completing or assuring the prompt completion of other written records necessary to be maintained under this Agreement.

4. INDEPENDENT CONTRACTOR

4.1. Independent Contractor. The Parties acknowledge and agree that Contractor and Physicians are independent contractors, and nothing in this Agreement is intended to create an employer/employee, joint venture, agency, lease or landlord/tenant relationship. Contractor shall not, and shall cause Physicians to not, hold itself/themselves out as officers, agents or employees of Hospital.

4.2. Governmental Challenge. In the event a governmental entity questions or challenges the independent contractor status of Contractor or Physicians with respect to Foundation and Services rendered hereunder, the Parties agree that they shall have the right to participate in any discussion or negotiation with such governmental entity, regardless of who initiated such discussions or negotiations. In the event the governmental entity concludes that an independent contractor relationship does not exist, Hospital may terminate this Agreement immediately upon written notice to Contractor.

4.3. Tax and Benefits. Neither Contractor nor Physicians shall have a claim against Hospital under this Agreement, or otherwise, for social security benefits, workers' compensation benefits, vacation pay, sick leave, retirement benefits, disability or unemployment benefits, or employee benefits of any kind. Hospital shall not withhold any sums for income tax, unemployment insurance, social security or any other purposes, all such withholdings or obligations being the sole responsibility of Contractor. Contractor shall indemnify, defend and hold harmless Hospital from all loss or liability, arising hereunder.

5. INSURANCE AND INDEMNIFICATION

5.1. Insurance. Contractor, at its sole cost and expense, shall procure and maintain in force throughout the Term continuous coverage (as defined below) of policies of professional liability insurance. Without limitation, professional liability insurance policies shall (i) provide coverage for covered medical incidents, including negligent acts or omissions of Contractor and Physicians in the performance of professional health care or medical services during its term, (ii) name Contractor and Physicians as named insureds, (iii) be issued by an insurance company licensed or otherwise qualified to issue professional liability insurance policies or coverage in the State of California and rated A- or better by A.M. Best Rating Agency or be issued by an adequately funded and secured self-insurance trust, and (iv) provide for minimum coverage limits consistent with the requirements of the Hospital, but in no event less than One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) in the annual aggregate, and such limits shall apply separately for Contractor and for Physicians.

5.2. Continuous Coverage. For purposes of this Agreement, "continuous coverage" means the maintenance of professional liability insurance during the period commencing on the Effective Date, continuing during the Term (including extensions or renewals hereof) and, if claims-made form of coverage, expiring not less than five (5) years following the expiration or earlier termination of this Agreement ("Insurance Period"). To satisfy the requirement of continuous coverage, if, during the Insurance Period any insurance policy maintained by Contractor required hereunder terminates, expires, is cancelled or is not renewed, or if there is a reduction or other change in the amount or scope of coverage under a policy, Contractor shall (i) cause a replacement insurance policy meeting the requirements of this Paragraph V.B. to be in effect as of the effective date of the termination, expiration, non-renewal,

cancellation, reduction, or other change of the prior insurance policy, and (ii) purchase either extended reporting coverage (i.e., "tail" coverage) or prior acts coverage (i.e., "nose" coverage). "Tail" coverage must provide for a discovery/reporting period that would extend at least through the end of the Insurance Period, and "nose" coverage must provide coverage at least as of the start of the Insurance Period.

5.3. Certificate of Insurance. Contractor shall provide Hospital with certificates of insurance evidencing the insurance policies required by this Section 5.1. Such insurance policy or policies shall also provide for not less than thirty (30) days' prior notice to Hospital of termination, expiration, non-renewal, cancellation, reduction, or other change in the amount or scope of coverage(s) required hereunder. Contractor shall give Hospital not less than sixty (60) days' prior written notice of its intent to cancel such insurance, and agrees to notify Hospital of other termination, expiration, non-renewal, cancellation, reduction, or other change in the amount or scope of coverage under the policy, no later than ten (10) days following Contractor's or Physicians' receipt of notification of such action. In the event Contractor fails to procure, maintain or pay for the insurance required hereunder, Hospital shall have the right, but not the obligation, to obtain such insurance. In that event, Contractor shall reimburse Hospital for the cost thereof, and failure to repay the same upon demand by Hospital shall constitute breach of a material provision of this Agreement.

5.4. Indemnification. Contractor shall defend, indemnify and hold harmless Hospital, Verity, its members, directors, officers, employees, and agents from all claims, damages, costs, and expenses (including reasonable attorneys' fees) due to negligence or willful acts or omissions of Contractor (including its directors, officers, employees, agents, or Physicians) arising out of, or in connection with, the performance of this Agreement.

6. BOOKS AND RECORDS.

6.1. Books and Records. Contractor shall and shall cause Physicians to maintain books and records relating to Services in accordance with industry standards, and in compliance with state and federal laws and regulations, the regulations and requirements of the voluntary accrediting institutions in which Hospital participates, Medical Staff Bylaws and Hospital Rules and Regulations. Contractor shall and shall cause Physicians to maintain and provide such books and records to Hospital, and to state and federal agencies, as may be necessary for Contractor and/or Hospital to comply with applicable state, federal, and local law and regulation and with contracts between Hospital and third party payors. Contractor shall and shall cause Physicians to retain books and records for at least six (6) years after the termination of this Agreement.

6.2. Access to Contractor Books and Records. Contractor shall and shall cause Physicians to, in connection with Services provided hereunder, cooperate fully with Hospital, by, among other things, maintaining and making available all necessary books, documents and records, in order to assure that Hospital will be able to meet all legal requirements and all requirements for participation and payment associated with private, federal, state, or other public third party payment programs, including without limitation, Section 1861(v)(1)(I) of the federal Social Security Act, as amended.

6.2.1. Until the expiration of four (4) years after the furnishing of Services, Contractor shall make available to the Secretary of Health and Human Services and the Comptroller General of the United States, or their duly authorized representatives, upon written request of any of them, this Agreement, and all books, documents and records that are necessary to certify the nature and extent of the cost of services hereunder. If Contractor carries out any duties of this Agreement through a subcontract with a value or cost of Ten Thousand Dollars (\$10,000) or more over a twelve (12) month period, such subcontract shall contain a clause to the effect that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the subcontracting organization shall make available, upon written request to the Secretary or the Comptroller General, or their duly authorized

representatives, the subcontract, and books, documents and records of such organization that are necessary to verify the nature and extent of such costs.

6.2.2. If Contractor is requested to disclose books, documents or records pursuant to this section, Contractor shall notify Hospital of the nature and scope of such request, and Contractor shall make available, upon written request of Hospital, all such books, documents or records, during regular business hours of Contractor.

7. CONFIDENTIALITY

7.1. Agreement Confidential. The Parties hereto, and Physicians, shall not release information concerning this Agreement without the consent of the other Party, except as permitted herein. This shall not prevent the Parties from disclosing contents of this Agreement to their respective attorneys, and shall not apply to information required to be released by contracts existing as of the date of this Agreement, or to fiscal intermediaries, public agencies or commissions with government powers and duties related to disclosure of information having the right to compel disclosure of such information, nor to information otherwise compelled to be released by process of law, nor to information required to be disclosed to Hospital's representatives or others in connection with Hospital's or Verity's tax exempt bonds or other financing transactions.

7.2. Medical Staff and Committee Records. All records, files, proceedings and related information of Contractor, Hospital and the Medical Staff and its committees pertaining to the evaluation and improvements of the quality of patient care at Hospital shall be kept strictly confidential by Contractor. Contractor shall not, and shall cause Physicians not to, disclose such confidential information except as expressly required by law or pursuant to written authorization by Hospital.

7.3. Records. Records produced related to, or under, this Agreement shall be and remain the property of Hospital. The Parties shall each be responsible for maintaining patient confidentiality pursuant to state law and/or HIPAA with respect to information obtained by either Party or their agents pursuant to this Agreement.

7.4. Trade Secrets. Contractor acknowledges, and shall cause Physicians to acknowledge that, Contractor and Physicians may have access to confidential information of Hospital and its operations which include, but is not limited to, financial statements, internal memoranda, reports, patient lists, and other materials or records of a proprietary nature ("*Confidential Information*"). In order to protect Confidential Information, Contractor agrees that neither it, nor Physicians, will use or divulge Confidential Information (except in connection with the performance of its or his duties hereunder) without first obtaining the prior written consent of the Hospital President and CEO or his/her designee.

8. COMPLIANCE WITH HOSPITAL STANDARDS

8.1. Corporate Responsibility Program. Contractor agrees and shall cause Physicians to agree that Hospital's Corporate Responsibility Program ("*Compliance Program*"), shall be incorporated herein and made a part hereof. Contractor shall and shall cause Physicians to comply with such Compliance Program at its sole cost and expense. Contractor acknowledges that (a) it has received a description of the Compliance Program titled "Essential Characteristics of the Verity Health System of California, Inc. Corporate Responsibility Program, and the Standards of Conduct ("*Standards of Conduct*")", each attached hereto as Exhibit C; (b) it and Physicians have read and reviewed these copies; (c) it shall and shall cause Physicians to cooperate with corporate compliance audits, reviews and investigations which relate to Contractor or Services and/or provide documents and information with respect to Services; and (e) it shall cause Physicians to participate in compliance-related programs sponsored by Hospital.

8.2. Deficit Reduction Act. In compliance with Section 6032 of the Deficit Reduction Act of 2005, Hospital shall provide Contractor with access to Hospital's policies detailing California and federal false claims laws, including but not limited to the False Claims Act, and regulations, including whistleblower protections and penalties, and Hospital's policies and procedures for detecting and preventing fraud, waste, and abuse (available at <http://www.stvincentmedicalcenter.com/for-patients-visitors/your-privacy/defecit-reduction-act-policies/>), and Contractor agrees and shall cause each Physician to agree to abide by such policies in connection with the provision of services under this Agreement.

9. COMPLIANCE WITH LAWS

9.1. Generally. Contractor shall, and shall cause Physicians to, comply with applicable federal and state laws and regulations and accrediting agencies having jurisdiction over Hospital, Contractor or Physicians and/or this Agreement, including Medicare and Medi-Cal laws, rules and regulations and professional licensure.

9.2. Anti-Referral Laws. Nothing in this Agreement or in any other written or oral agreement between Hospital and Contractor, nor consideration offered or paid in connection with this Agreement, contemplates or requires the admission or referral of patients to Hospital. Consideration specified in this Agreement is consistent with what the Parties reasonably believe to be fair market value for Services. Contractor acknowledges and shall cause Physicians to acknowledge that it/they are subject to and must comply with certain federal and state laws governing referral of patients, as may be in effect or amended from time to time, including but not limited to:

9.2.1. Payments for referrals or to induce the referral of patients (Cal. Business and Professions Code Section 650; Cal. Labor Code Section 3215; and the Medicare/Medicaid Fraud and Abuse Law, Section 1128B of the Social Security Act; and all implementing regulations); and

9.2.2. The referrals of patients by a Physicians for certain designated health care services to an entity with which the Physicians (or his/her immediate family) has a financial relationship (Cal. Business and Professions Code Sections 650.01 and 650.02; Cal. Labor Code Sections 139.3 and 139.31; and Section 1877 of the Social Security Act; and all implementing regulations).

9.3. Disclosure of Interests. In order to permit compliance with federal anti-referral statutes and regulations, Contractor shall and shall cause Physicians to provide Hospital upon execution of this Agreement with information sufficient to disclose ownership, investment or compensation interests or arrangements of Contractor, Physicians, or of Physicians' immediate family members, in any entity providing "designated health services," as that term is defined in the statutes and regulations. This provision is not intended to reallocate disclosure or reporting requirements imposed upon Contractor or Physicians under governmental program to Hospital, or to create an assumption of such disclosure obligations on the part of Hospital, and Contractor acknowledges that it and Physicians shall have the sole responsibility to fulfill such federal and/or state reporting requirements.

9.4. Contractor shall immediately inform Hospital of other arrangements that may present a conflict of interest or materially interfere with Contractor's or Physicians' performance of its or his duties under this Agreement. Hospital may exercise its right to terminate this Agreement or to suspend this Agreement under Section 10.2.6 if Contractor or Physicians pursue or engage in conduct that constitutes a conflict of interest or that interferes with Contractor's or Physicians' performance under this Agreement.

9.5. Privacy and Confidentiality. The Parties shall comply with federal and state laws governing the confidentiality and privacy of patient health information, including, without limitation, the Health Insurance Portability and Accountability Act of 1996 and implementing regulations, and the

8.2. Deficit Reduction Act. In compliance with Section 6032 of the Deficit Reduction Act of 2005, Hospital shall provide Contractor with access to Hospital's policies detailing California and federal false claims laws, including but not limited to the False Claims Act, and regulations, including whistleblower protections and penalties, and Hospital's policies and procedures for detecting and preventing fraud, waste, and abuse (available at <http://www.stvincentmedicalcenter.com/for-patients-visitors/your-privacy/defecit-reduction-act-policies/>), and Contractor agrees and shall cause each Physician to agree to abide by such policies in connection with the provision of services under this Agreement.

9. COMPLIANCE WITH LAWS

9.1. Generally. Contractor shall, and shall cause Physicians to, comply with applicable federal and state laws and regulations and accrediting agencies having jurisdiction over Hospital, Contractor or Physicians and/or this Agreement, including Medicare and Medi-Cal laws, rules and regulations and professional licensure.

9.2. Anti-Referral Laws. Nothing in this Agreement or in any other written or oral agreement between Hospital and Contractor, nor consideration offered or paid in connection with this Agreement, contemplates or requires the admission or referral of patients to Hospital. Consideration specified in this Agreement is consistent with what the Parties reasonably believe to be fair market value for Services. Contractor acknowledges and shall cause Physicians to acknowledge that it/they are subject to and must comply with certain federal and state laws governing referral of patients, as may be in effect or amended from time to time, including but not limited to:

9.2.1. Payments for referrals or to induce the referral of patients (Cal. Business and Professions Code Section 650; Cal. Labor Code Section 3215; and the Medicare/Medicaid Fraud and Abuse Law, Section 1128B of the Social Security Act; and all implementing regulations); and

9.2.2. The referrals of patients by a Physicians for certain designated health care services to an entity with which the Physicians (or his/her immediate family) has a financial relationship (Cal. Business and Professions Code Sections 650.01 and 650.02; Cal. Labor Code Sections 139.3 and 139.31; and Section 1877 of the Social Security Act; and all implementing regulations).

9.3. Disclosure of Interests. In order to permit compliance with federal anti-referral statutes and regulations, Contractor shall and shall cause Physicians to provide Hospital upon execution of this Agreement with information sufficient to disclose ownership, investment or compensation interests or arrangements of Contractor, Physicians, or of Physicians' immediate family members, in any entity providing "designated health services," as that term is defined in the statutes and regulations. This provision is not intended to reallocate disclosure or reporting requirements imposed upon Contractor or Physicians under governmental program to Hospital, or to create an assumption of such disclosure obligations on the part of Hospital, and Contractor acknowledges that it and Physicians shall have the sole responsibility to fulfill such federal and/or state reporting requirements.

9.4. Contractor shall immediately inform Hospital of other arrangements that may present a conflict of interest or materially interfere with Contractor's or Physicians' performance of its or his duties under this Agreement. Hospital may exercise its right to terminate this Agreement or to suspend this Agreement under Section 10.2.6 if Contractor or Physicians pursue or engage in conduct that constitutes a conflict of interest or that interferes with Contractor's or Physicians' performance under this Agreement.

9.5. Privacy and Confidentiality. The Parties shall comply with federal and state laws governing the confidentiality and privacy of patient health information, including, without limitation, the Health Insurance Portability and Accountability Act of 1996 and implementing regulations, and the

Health Information Technology for Economic and Clinical Health Act and implementing regulations (collectively, "HIPAA"). In addition, Contractor shall and shall cause Physicians to comply with Hospital and Medical Staff policies and procedures regarding patient privacy and confidentiality.

9.6. In providing Services, Contractor and Physicians may have access to Protected Health Information (as defined by HIPAA) of a Hospital patient who is not also a mutual patient of Contractor or Physicians, resulting in Contractor serving as a Business Associate (as defined by HIPAA) of Hospital.

9.7. Change in Law. In the event of a change in Medi-Cal or Medicare requirements, Joint Commission accreditation guidelines or requirements, federal or state tax exemption requirements, or federal or state law or regulation which may have a material effect on either Party's operations, either Party may elect to renegotiate this Agreement. Where such notice is provided, both Parties shall negotiate in good faith during the thirty (30) day period thereafter in an effort to develop a revised Agreement, which, to the extent reasonably practicable, will adequately protect the interests of both Parties in light of the changes which constituted the basis for the exercise of this provision.

10. TERM AND TERMINATION

10.1. Term. This Agreement shall commence on the Effective Date and shall expire on May 15, 2019, unless sooner terminated or extended as otherwise provided in this Agreement. This Agreement may be renewed upon mutual written agreement of the Parties.

10.2. Termination of Agreement. Notwithstanding any other provisions of this Agreement, this Agreement may be terminated upon any of the following:

10.2.1. Without Cause. Either Party may terminate this Agreement, without cause, by giving no less than sixty (60) days' written notice to the other Party. In the event of such termination, the Parties shall not enter into another agreement with each other for the same Services as are provided hereunder for a period of one (1) year after the later of the initial Effective Date or the effective date of the most recent amendment to this Agreement.

10.2.2. For Breach. Either Party may terminate this Agreement in the event of the other Party's breach hereof by giving thirty (30) days' prior written notice of the general nature of such breach. Notwithstanding the foregoing, this Agreement shall not terminate in the event that the breaching Party cures the breach, to the satisfaction of the non-breaching Party, within fifteen (15) days of the receipt of such notice.

10.2.3. Immediately. Hospital may terminate this Agreement immediately by giving written notice to Contractor, upon the occurrence of any one or more of the following:

10.2.3.1. Hospital reasonably determines that any aspect of the performance by or on behalf of Contractor or Physicians hereunder endangers patient safety.

10.2.3.2. Contractor or Physicians fail to maintain compliance with the qualifications, covenants, provisions, representations and warranties set forth in herein.

10.2.3.3. Contractor or Physicians are convicted of a crime punishable as a felony or involving moral turpitude.

10.2.3.4. Contractor (a) commences a voluntary case under the Bankruptcy Code, (b) has filed against it a petition commencing an involuntary case under the Bankruptcy Code that shall not have been dismissed within sixty (60) days after the date on which such

petition is filed, (c) seeks relief as a debtor under any applicable law, other than the Bankruptcy Code, of any jurisdiction relating to the liquidation or reorganization of debtors or to the modification or alteration of the rights of creditors, or consents to or acquiesces in such relief, (d) has entered against it an order by a court of competent jurisdiction (i) finding it to be bankrupt or insolvent, (ii) ordering or approving its liquidation or reorganization as a debtor or any modification or alteration of the rights of its creditors or (iii) assuming custody of, or appointing a receiver or other custodian for, all or a substantial portion of its property, (e) makes an assignment for the benefit of, or enters into a composition with, its creditors, or appoints, or consents to the appointment of, or suffers to exist a receiver or other custodian for, all or a substantial portion of its property, or (f) any similar occurrence reasonably indicating an imminent inability to perform substantially all of its duties under this Agreement.

10.2.3.5. Contractor is unable to provide Services for a period in excess of thirty (30) consecutive days, or thirty (30) days in the aggregate over any three (3) month period.

10.2.4. In the event legal counsel for either Party advises that the provision of Services under this Agreement poses a material risk of violating legal requirements or a legal requirement related to Hospital's tax-exempt status or tax-exempt bond financing, the Parties in good faith shall undertake to revise this Agreement to comply with such legal requirements. In the event the Parties are unable to agree upon the revised terms within thirty (30) days thereafter, either Party may terminate this Agreement immediately upon written notice to the other.

10.2.5. Effect of Termination. Upon expiration or termination of this Agreement, neither Party shall have further obligations hereunder except for those obligations which arose prior to the date of termination and/or those which extend beyond the Term.

10.2.6. Suspension of Agreement. Hospital may suspend this Agreement (i) in order to permit Hospital to conduct a review of ethical, clinical, compliance-related, quality, or patient care-related matter; or (ii) in lieu of termination of this Agreement.

10.2.6.1. Suspension of the Agreement shall take effect upon Contractor's receipt of notice and shall remain in effect until reinstated by Hospital by written notice to Contractor. If the Agreement remains suspended for sixty (60) consecutive days, the suspension shall be treated as termination of the Agreement without cause for all purposes of this Agreement.

10.2.6.2. During a period of suspense, Hospital shall be relieved of its duties and obligations hereunder, including, without limitation, any obligation to make payment for services rendered by Physicians.

11. DISPUTE RESOLUTION

11.1. Special Meeting. In the event of any dispute or disagreement between the Parties with respect to this Agreement, either Party may request in writing a meeting for the resolution of the dispute. The meeting shall be held within ten (10) days of a written request for a meeting, which shall specify the nature of the dispute to be resolved. The meeting shall be at a mutually agreeable location, attended by representatives of both Parties (who may or may not be accompanied by legal counsel) who shall attempt in good faith to resolve the dispute and shall have reasonable authority to do so.

11.2. Costs. In the event an action is brought to enforce or interpret any part of this Agreement, the prevailing Party shall be entitled to recover its reasonable attorneys' fees.

12. MISCELLANEOUS PROVISIONS

12.1. Notices. Written notice required under this Agreement shall be delivered personally or sent by United States registered or certified mail, postage prepaid and return receipt requested, addressed or delivered to a Party at the following addresses:

Contractor
Hunt Spine Institute, Inc.
444 San Vicente Blvd., Suite 80
Los Angeles, CA 90048

Hospital
President and Chief Executive Officer
St. Vincent Medical Center
2131 West Third Street
Los Angeles, CA 90057

12.2. Obligations of Physicians. All obligations and prohibitions imposed on Contractor pursuant to this Agreement are applicable to Physicians. Contractor shall require Physicians to comply with all terms and conditions of this Agreement.

12.3. Other Agreements. Hospital and Contractor acknowledge and agree that this Agreement and other agreements or arrangements between Hospital and Contractor, Physicians or an immediate family member of Physicians shall be cross-referenced to a master list of contracts maintained Hospital. For the purposes of this section, "immediate family member" means a husband or wife; birth or adoptive parent, child or sibling; stepparent, stepchild, stepbrother, or stepsister; father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law; grandparent or grandchild; and spouse of a grandparent or grandchild.

12.4. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of California, without regard to conflict of law rules.

12.5. Force Majeure. Neither Party shall be liable for delay or failure to perform its obligations as a result of Acts of God, war, acts of terrorism, disasters, strikes, or similar cause beyond the reasonable control of either Party.

12.6. Tax Exempt Financing. In the event that the Hospital uses the proceeds of tax-exempt financing, this Agreement shall be amended as may be necessary in order for Hospital to comply with the requirements of such financing so that the services provided under this Agreement are not considered "private activity use" under the Internal Revenue Code. Immediately upon request by Hospital, Contractor shall execute all such amendments presented by Hospital and shall return promptly said executed original amendments to Hospital.

12.7. Severability. The provisions of this Agreement are severable and if any portion is held invalid, illegal or unenforceable, the remainder of this Agreement shall be effective and binding upon the Parties.

12.8. Assignment and Delegation. Contractor shall not assign or delegate its rights or obligations under this Agreement without Hospital's prior, written consent.

12.9. Amendment. This Agreement may only be amended by a writing, duly executed by the Parties.

12.10. Entire Agreement. This Agreement supersedes all prior agreements, negotiations and communications between the Parties regarding the subject matter contained herein.

12.11. Remedies Cumulative. The rights, options, powers, and remedies of the Parties herein, are in addition to those to which the Parties may be entitled by law, are cumulative, and no one of them is exclusive.

12.12. No Third Party Rights. The Parties do not intend benefits of this Agreement to inure to third persons not a signatory hereto.

12.13. Waiver. No waiver of any right or remedy in any instance shall constitute a continuing or subsequent waiver of the same right or remedy.

12.14. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute the same instrument.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized representatives effective as of the date first above written.

ST. VINCENT MEDICAL CENTER

HUNT SPINE INSTITUTE, INC.

By: 
Margaret Pfeiffer

Its: President and Chief Executive Officer


By: 
LEONEL HUNT
Its: DIRECTOR

EXHIBIT B
TIME SHEET FORM

The following services were provided by _____, M.D. ("Physicians") on behalf of Hunt Spine Institute, Inc. ("Contractor") during the month of _____ (date and year). *Use as many sheets as necessary.*

| | Services Provided (please list specific activity performed) | Date | Hours |
|----|--|-------------|--------------|
| 1. | Foundation Staff Education & Training | | |
| | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| 2. | Clinical Supervision | | |
| | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| 3. | Quality Improvement Activities (committees, case review, etc.) | | |
| | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| 4. | Administration Activities | | |
| | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| 5. | Community Education | | |
| | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| 6. | Medical Management Activities | | |
| | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| 7. | Compliance Activities | | |
| | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| 8. | Other | | |
| | _____ | _____ | _____ |
| | _____ | _____ | _____ |

I certify to the best of my knowledge that the activities described above are directly related to the development agreement that I have with the Foundation and that I have not billed the Medicare program separately for the duties and responsibilities described above.

Hunt Spine Institute, Inc.

By: _____

Total Hours _____

Approved by:

Foundation Representative _____

Date _____

EXHIBIT A

DESCRIPTION OF SERVICES

Administrative Duties

- Facility design/planning
- Clinical team build
- Clinical team workflow design
- Clinical team training
- Neuro spine program development
- Ortho spine program development
- Participate in St. Vincent joint operating Committee meetings
- Work with St. Vincent medical center leadership to develop quality initiatives
- Work with Verity health marketing department to develop marketing/communications plan

Administrative Meetings

- A. Develop, participate, attend and serve as a leader of the Spine Advisory committee.
- B. Lead and direct the Spine Operations Committee. Develop and direct meetings on a periodic basis. Meetings will address such issues as operations, marketing, and clinical performance improvement, implant and biologic usage.
- C. Participate and attend departmental and divisional meetings as requested.
- D. Meet on a routine scheduled basis with St. Vincent Medical Center designated personnel to review and discuss such issues as spine strategic planning, initiatives, corrective actions, vendor relations, contract negotiation, inventory control of spine osteobiologics technology and equipment, nursing and technical staffing, compliance, marketing planning initiatives and other resources, as required.
- E. In coordination with the Medical Staff and its Policies and Procedures, develop standards for Peer Review criteria for the Program and participate in chart review/case presentation as requested by the Medical Staff.

Strategic Planning

- A. Participate in strategic planning and implementation of a spine program at St. Vincent Medical Center by participating in meetings and preparing requested materials.
- B. Identify and present developmental spine opportunities as they arise.
- C. Work with the Foundation's business development team to create a business plan to address identified needs to move the spine initiative forward.
- D. Participate in the execution on that plan.
- E. Develop and implement mechanisms to foster relationships with medical staff members of St. Vincent Medical Center.