

ADDENDUM D

PHYSICIAN RECRUITMENT AGREEMENT

by and among

PALOMAR POMERADO HEALTH (“Hospital”)

and

Philip Balikian, M.D. (“Physician”)

and

Centre for Healthcare (“Group”)

TABLE OF CONTENTS

PHYSICIAN RECRUITMENT AGREEMENT1

ARTICLE I. PHYSICIAN’S OBLIGATIONS.....2

ARTICLE II. GROUP’S OBLIGATIONS5

ARTICLE III. RECRUITMENT INCENTIVES.....7

ARTICLE IV. PROMISSORY NOTE; SECURITY AGREEMENT; GROUP GUARANTEE..11

ARTICLE V. INSURANCE AND INDEMNITY.....11

ARTICLE VI. RELATIONSHIPS AMONG THE PARTIES13

ARTICLE VII. TERM AND TERMINATION.....14

ARTICLE VIII. GENERAL PROVISIONS.....19

Exhibits

Exhibit 1.1(a) – Service Area..... 1.1(a)-1

Exhibit 3.2(b) – Physician Financial Report..... 3.2(b)-1

Exhibit 4.1(a) – Secured Promissory Note4.1(a)-1

Exhibit 4.1(b) – Physician Security Agreement 4.1(b)-1

Attachment A – Description of Collateral 4.1(b)-7

Attachment B – Account Control Agreement..... 4.1(b)-8

Exhibit 4.2 – Group Guarantee and Security Agreement 4.2-1

Attachment A – Description of Collateral 4.2-9

Exhibit 6.3 – Code of Conduct 6.3-1

Exhibit 8.15 – Obligations under the Health Insurance Portability and
Accountability Act of 1996 (“HIPAA”) 8.15-1

PHYSICIAN RECRUITMENT AGREEMENT

THIS PHYSICIAN RECRUITMENT AGREEMENT (this “**Agreement**”) is entered into and effective as of August 1, 2006 (the “**Execution Date**”), by and among PALOMAR POMERADO HEALTH, a California district hospital (“**Hospital**”), Philip Balikian, M.D., an individual (“**Physician**”), and Centre for Healthcare (PIMG), a professional corporation (“**Group**”). Hospital, Physician, and Group are sometimes referred to in this Agreement, individually, as a “**Party**” or, collectively, as the “**Parties.**”

RECITALS

A. Hospital owns and operates two acute care hospital facilities located in Inland North San Diego County, which serve the communities of Escondido, San Marcos, Valley Center, Pala, Pauma Valley, Ramona, Julian, Poway, Rancho Bernardo, and Rancho Peñasquitos.

B. Physician is duly licensed to practice medicine in the State of California (the “**State**”) and is board certified for the practice of medicine in the specialty of orthopedics (the “**Specialty**”).

C. At the time of the recruitment discussions, Physician operated a medical practice in Somerset, Kentucky.

D. Hospital has determined that there is a community need for the services of Physician based upon the fact that:

1. The population-to-physician ratio in the community is deficient in the Specialty.
2. There is demand in the community for medical services in the Specialty and a documented lack of availability of or long waiting periods for medical services in the Specialty.
3. Physicians are reluctant to relocate to the community due to Hospital’s high cost of living, relatively high housing costs, and traditionally low level of reimbursement for medical services.
4. The number of physicians in the Specialty will be reduced due to the retirement or departure of physicians presently in the community within the next three-to-five year period.
5. There is a documented lack of physicians serving indigent or Medicaid patients in the community.

E. Physician has expressed to Hospital that Physician will not relocate to the Service Area without the financial assistance provided by Hospital pursuant to this Agreement.

F. Physician has further expressed to Hospital that Physician desires to establish a medical practice in the Service Area as an employee of Group, rather than establish Physician's own private medical practice.

AGREEMENT

THE PARTIES AGREE AS FOLLOWS:

ARTICLE I. PHYSICIAN'S OBLIGATIONS

1.1 Provision of Professional Services.

(a) Physician shall commence providing professional services in the Service Area no later than November 1, 2006 (the "**Start Date**"), and shall thereafter operate a medical practice in the Specialty (the "**Practice**"), as an employee of Group, at one or more offices (the "**Offices**") located within the geographic area identified by the U.S. Postal Service Zip Codes listed in Exhibit 1.1(a) (the "**Service Area**"). The Offices are hereby approved by Hospital, and Physician shall not relocate the Offices without the prior written consent of Hospital.

(b) Physician acknowledges and agrees that Hospital has no obligation or role with respect to any aspects of the relationship between Physician and Group, and that Physician is solely responsible for establishing all necessary legal relationships with Group, including any employment or independent contractor agreement, tax filings, insurance, and ensuring that Group takes all steps necessary for Physician to meet Physician's obligations under this Agreement.

1.2 Full-Time Commitment. Physician shall, from and after the Start Date, personally devote Physician's full-time professional efforts to the Practice. Physician shall devote an average of at least forty (40) hours per week to the Practice.

1.3 Participation in Governmental Programs. Physician shall, from and after the Start Date, be a participating provider in the Federal health care programs, as defined at 42 U.S.C. Section 1320(a)-7b(f) ("**Federal Health Care Programs**"), which programs include, but are not limited to, Medicare and Medicaid; accept and perform professional services for Federal Health Care Program patients at a level that is commensurate with the community need in the Service Area as determined by Hospital; and participate in any Medicare and/or Medicaid managed care efforts and programs of Hospital, as reasonably requested by Hospital from time to time.

1.4 Uncompensated Care. Physician shall, from and after the Start Date, provide uncompensated care as reasonably requested by Hospital from time to time. Hospital and Physician shall cooperate in designating the recipients of uncompensated care.

1.5 Medical Staff Membership. Physician shall, from and after the Start Date, be a member in good standing in the "active staff" category of Hospital's medical staff (the "**Medical Staff**"), and maintain all clinical privileges necessary to practice medicine in the Specialty at Hospital; provided, however, that if Physician, as of the Start Date, is not a member in good standing in the "active staff" category of the Medical Staff, or has not obtained all clinical

privileges necessary to practice medicine in the Specialty at Hospital, Physician shall have a reasonable amount of time to obtain such membership and/or clinical privileges, provided that Physician diligently pursues such membership and/or clinical privileges in accordance with the normal procedures set forth in the bylaws, rules, regulations, guidelines and policies of Hospital and Medical Staff (collectively, the “**Hospital Rules**”). Physician shall, from and after the Start Date, actively participate in the Medical Staff department or section encompassing the Specialty and on all Medical Staff committees to which Physician may be appointed by the Medical Staff from time to time. Physician may obtain and maintain medical staff membership and clinical privileges at any other hospital or health care facility.

1.6 Professional Qualifications. Physician shall, from and after the Start Date, be duly licensed to practice medicine in California, and shall be board certified in the Specialty. Physician shall exclusively practice medicine in the Specialty.

1.7 Professional Standards. Physician shall, from and after the Start Date, comply with all Hospital Rules, and participate in continuing education as necessary to maintain licensure, professional competence and skills commensurate with the standards of the medical community and as otherwise required by the medical profession.

1.8 Participation on Emergency Department Call Panels. Physician shall, from and after the Start Date, participate on any on-call panels of physicians practicing in the Specialty maintained by Hospital’s emergency department, in a manner consistent with the coverage schedule and call requirements established by Hospital and the Medical Staff for such services.

1.9 Services to Former Patients. Physician hereby represents and warrants to Hospital that Physician reasonably expects that all or substantially all of Physician’s revenue from professional medical services furnished from and after the Start Date will be derived from professional services furnished to patients not treated by Physician at any time during the three (3) year period immediately preceding the Start Date. Physician shall not directly or indirectly call on or solicit for the Practice any patient previously treated by Physician at Physician’s former practice. Physician shall notify Hospital in writing as soon as reasonably practical but no later than five (5) business days after Physician provides professional services to a patient previously seen by Physician at Physician’s former practice and shall provide Hospital with the patient’s name in such notification.

1.10 Participation in Managed Care. Physician shall, from and after the Start Date, participate in all managed care programs, and shall accept and perform professional services for managed care patients, as reasonably requested by Hospital from time to time. Physician shall join and maintain a provider agreement with such independent physician associations or other organizations as reasonably requested by Hospital from time to time.

1.11 Community Benefit Activities. Physician shall, from and after the Start Date, participate in health fairs and other community health activities sponsored by Hospital in the Service Area, as reasonably requested by Hospital from time to time.

1.12 Notification of Certain Events. Physician shall notify Hospital in writing within forty-eight (48) hours after becoming aware of the occurrence of any of the following events:

(a) Physician becomes the subject of, or materially involved in, any investigation, proceeding, hearing or other disciplinary action by any federal, state or local governmental agency or program, including the Federal Health Care Programs;

(b) Physician's medical staff membership or any clinical privilege at any health care facility (including Hospital) is denied, suspended, terminated, restricted, revoked or voluntarily relinquished for any reason, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto;

(c) Physician becomes the subject of any suit, action or other legal proceeding arising out of Physician's professional services;

(d) Physician is required to pay damages or any other amount in any malpractice action by way of judgment or settlement;

(e) Physician becomes the subject of any disciplinary proceeding or action by any hospital, any state's medical board or any similar agency responsible for professional licensing, or professional standards or behavior;

(f) Physician is charged with a felony or with a misdemeanor involving fraud, dishonesty, or moral turpitude;

(g) Physician violates, or causes any other person or entity to violate, the Code of Conduct (as defined in Section 6.3);

(h) any act of nature or any other event occurs which substantially interrupts all or a portion of the Practice or which has a material adverse effect on Physician's ability to perform Physician's obligations under this Agreement;

(i) any material adverse change in the condition of the Practice;

(j) Physician changes Physician's Specialty or the location of the Offices;

(k) Physician's license to practice medicine in the State or any other jurisdiction, or Physician's Drug Enforcement Agency ("**DEA**") registration, is denied, suspended, terminated, restricted, revoked or relinquished for any reason, whether voluntarily or involuntarily, temporarily or permanently, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto; or

(l) the occurrence of any Event of Default (as defined in Section 7.2).

ARTICLE II.
GROUP'S OBLIGATIONS

2.1 Association with Physician. On or before the Start Date, Group shall engage Physician as an employee of Group. Except as otherwise required by or set forth in this Agreement, Hospital shall have no right to dictate the terms upon which Group engages Physician, which terms shall be as agreed upon by Physician and Group. Group shall notify Hospital in writing within forty-eight (48) hours after becoming aware of the termination or pending termination of Physician's employment with Group.

2.2 Physician Base Compensation. Group shall pay to Physician, each month during the Assistance Period (as defined in Section 3.2(a)), as base compensation, no less than an amount equal to the Guaranteed Monthly Income (as defined in Section 3.2(a)), before income and employment taxes, and less (a) the actual cost and expense incurred by Group for Physician's benefits and (b) the applicable monthly Income Guarantee Advance (as defined in Section 3.2(c)).

2.3 Physician Bonus Compensation. Group may, in addition to Physician's base compensation, pay to Physician such bonus compensation as determined by Group from time to time in its sole and absolute discretion, or, if set forth in an agreement between Group and Physician, as determined pursuant to such agreement; provided that, in either case, the aggregate compensation payable to Physician is fair market value not taking into account the value or volume of referrals to or other business generated for Hospital or any Affiliate (as defined in Section 7.4(d)).

2.4 Full-Time Practice. Group shall, from and after the Start Date, use its best efforts to ensure that Physician has a patient load sufficient to enable Physician to provide professional medical services on a full-time basis in the Service Area.

2.5 Books and Records. Group shall, from and after the Start Date, establish and maintain an accurate bookkeeping system for all practice expenses, payments, and patient billings and receipts of Group and Physician. Group shall retain all such books and records for a period of five (5) years following the expiration or termination for any reason of this Agreement. Group shall, from and after the Start Date, allow Hospital to audit Group's books and records during regular business hours for purposes of monitoring Group's compliance with the terms and conditions of this Agreement. This Section shall survive the expiration or termination for any reason of this Agreement.

2.6 Accounts Receivable. Group shall, from and after the Start Date, take all necessary and reasonable steps to ensure that: (a) bills and claims are submitted to patients and payors as soon as reasonably possible after services are furnished, but not more than fifteen (15) days after Physician's provision of services for a patient; (b) bills and claims are collected in a timely and commercially reasonable manner; reasonable and affirmative collection actions are taken with respect to bills and claims which are outstanding for more than ninety (90) days; and (c) all collections from patients and payors are immediately recorded so the Parties may calculate the amount of any Income Guarantee Advances (as defined in Section 3.2(c)) due to Physician.

2.7 Attribution of Collections and Expenses. Group shall, for purposes of determining the amount of the Income Guarantee Advances, attribute to Physician any and all amounts received by Group or Physician with respect to services furnished by Physician in connection with the Practice, including amounts received with respect to professional medical services, medical director services, on-call coverage services or administrative services provided or to be provided by Physician, and shall attribute to Physician only those additional incremental operating expenses (including the amount of any additional incremental capital costs and expenses depreciable in accordance with generally accepted accounting principles) that are actually and reasonably incurred by Group and/or Physician and directly related to the operation of the Practice.

2.8 Monthly Reports. Group shall provide the following information to Hospital, as soon as reasonably possible, but not more than thirty (30) days following the last day of each month of the Assistance Period (as defined in Section 3.2(a)), as an attachment to each Physician Financial Report (as defined in Section 3.2(b)): (a) an accounting of the salary and benefits paid to Physician during the month; (b) an accounting of the total practice expenses and Incremental Practice Expenses (as defined in Section 3.2(c)) incurred by Group during the month; (c) an accounts receivable report detailing Group's outstanding accounts receivable attributable to the professional services provided by Physician during the month and an aging report on all of Group's outstanding accounts receivable (including, without limitation, any reserves for contractual allowances and bad debts) related to Physician; and (d) a collections report detailing the Practice Receipts (as defined in Section 3.2(c)) for the month.

2.9 Quarterly Reports. Group shall provide the following information to Hospital not more than thirty (30) days after the last day of each fiscal quarter during Group's fiscal year: (a) a detailed quarterly financial statement of Group's professional medical practice, including a profit and loss statement; (b) a statement detailing the amounts, classes, aging and other relevant information regarding Group's outstanding accounts receivable attributable to Physician; and (c) such additional information regarding the financial condition or the professional medical practice of Group or the collateral under the Group Guarantee (as defined in Section 4.2) as Hospital may reasonably request from time to time.

2.10 Employment Taxes and Benefits. Group shall, from and after the Start Date, be responsible for paying, withholding or providing all employment taxes, benefits and expenses (including federal and state income and employment taxes) related to Physician.

2.11 No Limitations or Restrictions on Physician's Practice. During the term of this Agreement, Group shall not impose or enforce, or attempt to impose or enforce, any limitations or restrictions on Physician's practice of medicine, other than limitations or restrictions directly related to quality of care. Without limiting the generality of the foregoing, during the term of this Agreement, Group shall not impose or enforce, or attempt to impose or enforce, any restrictions or limitations on Physician's ability to compete with Group or any other limitations or restrictions that impair or impede, or could reasonably be expected to impair or impede, Physician's ability to establish and operate a medical practice separate and apart from Group.

2.12 Physician's Former Patients. Group represents and warrants to Hospital that Group reasonably expects that all or substantially all of Physician's revenues from the provision of professional medical services from and after the Start Date will be derived from professional services furnished to patients not treated by Physician at any time during the three (3) year period prior to the Start Date. Group shall not, directly or indirectly, call on or solicit (or attempt to call on or solicit) for the Practice any patient previously treated by Physician at Physician's former practice.

ARTICLE III. **RECRUITMENT INCENTIVES**

3.1 Recruitment Incentives. Hospital shall make available to Physician a loan consisting of the advances described in this Article III (the "**Recruitment Loan**"). Physician shall repay the Recruitment Loan pursuant to the terms and conditions of the Recruitment Note (as defined in Section 4.1(a)); provided, however, that amounts due to Hospital under the Recruitment Note may be forgiven, in whole or in part, as applicable, if Physician satisfies certain conditions, outlined below and set forth in the Recruitment Note. Notwithstanding any other provision of this Agreement, the aggregate amount of the Recruitment Loan shall not exceed [REDACTED]

3.2 Income Guarantee Advances.

(a) **Guaranteed Monthly Income.** Hospital shall advance to Physician such amounts, calculated in accordance with Section 3.2(c), as may be necessary for Physician to receive a minimum monthly income, before income and employment taxes, of [REDACTED] per month (the "**Guaranteed Monthly Income**") for Twelve (12) successive months (the "**Assistance Period**"), commencing on the Start Date. The Parties acknowledge and agree that the Guaranteed Monthly Income shall be deemed to cover the cost and expense of Physician's benefits, if any, for each such month.

(b) **Physician Financial Report.** Within ten (10) days after the last day of each month during the Assistance Period and each of the three (3) months after the Assistance Period, Physician shall submit (or cause Group to submit) to Hospital an accurate and complete report of Practice Receipts and Incremental Practice Expenses (each as defined in Section 3.2(c)) on the form attached as **Exhibit 3.2(b)** (the "**Physician Financial Report**"). Group and Physician shall acknowledge their approval and certify the accuracy of the contents of each Physician Financial Report by signing the Physician Financial Report prior to submission to Hospital.

(c) **Timing and Calculation of Advances.** Not more than thirty (30) days following receipt of the Physician Financial Report for each month during the Assistance Period, Hospital shall advance to Physician an amount equal to: (i) the Guaranteed Monthly Income, plus (ii) the additional incremental operating costs and expenses: (A) actually and reasonably incurred by Physician or Group, (B) directly attributable to the provision of professional medical services by Physician during such month, and (C) identified in and subject to the limits specified in the Physician Financial Report ("**Incremental Practice Expenses**"); minus: (iii) the amount

collected, on a cash basis, in such month from all sources by Group and Physician and attributable to services furnished by Physician in connection with the Practice, including, without limitation, amounts received with respect to professional medical services, medical director services, on-call coverage services or administrative services provided or to be provided by Physician (“**Practice Receipts**”). The sums advanced to Physician pursuant to this Section shall be referred to as the “**Income Guarantee Advances**.”

(d) **Prorated Advances.** If the Start Date is other than the first (1st) day of a month, or if the last date of the Assistance Period is other than the last day of a month, the amounts of Guaranteed Monthly Income, Practice Receipts, and Incremental Practice Expenses shall be prorated based upon the actual number of days in the Assistance Period elapsed during such month and the aggregate number of days in that month.

(e) **Excess Receipts.** If Practice Receipts exceed the sum of Guaranteed Monthly Income and Practice Expenses in any month during the Assistance Period, Physician shall remit (or cause Group to remit) to Hospital such excess (the “**Excess Receipts**”), but only up to the amount of the then-outstanding principal balance of, and accrued interest owing on, the Income Guarantee Advances. Physician shall remit (or cause Group to remit) such Excess Receipts to Hospital on the same day that the Physician Financial Report is submitted to Hospital. All Excess Receipts shall be applied by Hospital against the then-outstanding balance of the Recruitment Loan, in accordance with the terms of the Recruitment Note (as defined in Section 4.1(a)).

(f) **Aggregate Amount.** Notwithstanding any other provision of this Agreement, the aggregate amount of the Income Guarantee Advances shall not exceed [REDACTED]

(g) **Recruitment Note.** Physician shall repay the Income Guarantee Advances pursuant to the terms and conditions of the Recruitment Note (as defined in Section 4.1(a)).

(h) **Contingencies to Payment of Income Guarantee Advances.** Notwithstanding any other provision of this Agreement, Hospital’s obligation to advance any Income Guarantee Advances to Physician pursuant to this Section 3.2 shall be contingent upon Physician’s and Group’s compliance with the terms and conditions of this Agreement, the Recruitment Note (as defined in Section 4.1(a)), the Physician Security Agreement (as defined in Section 4.1(b)), and the Group Guarantee (as defined in Section 4.2), including, without limitation, the timely submission to Hospital of accurate and complete monthly Physician Financial Reports in accordance with Section 3.2(b).

(i) **Payment Instructions.** Physician hereby directs Hospital to deliver directly to Group checks drawn in Physician’s name representing Income Guarantee Advances to which Physician may be entitled under this Section 3.2 (the “**Payment Instructions**”). The Parties acknowledge and agree that the Payment Instructions shall terminate upon the termination of Physician’s employment with Group, without penalty or loss to Physician of benefits under this Section 3.2. From and after the date of cancellation of the Payment

Instructions, Hospital shall deliver directly to Physician any and all Income Guarantee Advances to which Physician may be entitled under this Section 3.2.

(j) **No Transfer to Group.** Physician shall not transfer or assign to Group, and Group shall not demand or accept from Physician, any Income Guarantee Advance advanced to Physician by Hospital pursuant to this Section, except to the extent that such amounts actually incurred by Group represent reimbursement for Incremental Practice Expenses.

(k) **Waiver of Income Guarantee Advances Amounts.** Physician, in Physician's sole discretion, and notwithstanding the Payment Instructions, may waive the right to receive Income Guarantee Advances amounts with respect to any month during the Assistance Period by giving written notice to Hospital at the time the Physician Financial Report is submitted for such month to Hospital.

3.3 Moving Expense Reimbursement.

(a) **Moving Expense Reimbursement.** Hospital shall, within Thirty (30) days after submission by Physician to Hospital of receipts in accordance with Section 3.3(d), advance to Physician an amount necessary to reimburse Physician for the Moving Expenses (as defined in Section 3.3(b)) actually and reasonably incurred by Physician in connection with Physician's relocation to the Service Area; provided, however, that such amount shall not exceed [REDACTED]. The amount advanced to Physician pursuant to this Section shall be referred to as the "**Moving Expense Reimbursement.**"

(b) **Moving Expenses.** For the purposes of this Agreement, "**Moving Expenses**" shall mean and be limited to the actual and reasonable cost of: (i) one or more moving vans for personal and practice-related possessions; (ii) packing of personal and practice-related possessions (including packing materials); (iii) loading and unloading of personal and practice-related possessions; and (iv) relocation travel expenses for airfare, or mileage and lodging if traveling by automobile, for Physician and Physician's immediate family.

(c) **No Transfer to Group.** Physician shall not transfer or assign to Group, and Group shall not demand or accept from Physician, any Moving Expense Reimbursement amounts advanced to Physician by Hospital pursuant to this Section, unless and only to the extent that such amounts were actually incurred by Group for Moving Expenses and Group has furnished receipts evidencing such Moving Expenses to Hospital.

(d) **Contingencies to Reimbursement of Moving Expenses.** Hospital's obligation to advance the Moving Expense Reimbursement to Physician shall be contingent upon Physician's submission, within sixty (60) days after the Start Date, of accurate receipts to Hospital evidencing the Moving Expenses, in form and substance acceptable to Hospital, and Physician's compliance with the terms of this Agreement, the Recruitment Note (as defined in Section 4.1(a)) and the Physician Security Agreement (as defined in Section 4.1(b)). If Physician does not submit receipts to Hospital within sixty (60) days after the Start Date, Hospital shall not be obligated to advance any further amounts under the Moving Expense Reimbursement, and Physician shall immediately return to Hospital any amounts previously advanced to Physician under the Moving Expense Reimbursement.

(e) **Recruitment Note.** Physician shall repay the Moving Expense Reimbursement pursuant to the terms and conditions of the Recruitment Note (as defined in Section 4.1(a)).

3.4 Assistance Advance.

(a) **Assistance Advance.** Hospital shall, on or before August 1, 2006, advance to Physician an amount equal to [REDACTED]. The amounts advanced to Physician pursuant to this Section shall be referred to as the “**Assistance Advance.**”

(b) **Use of Funds.** Physician shall use the Assistance Advance for the following purposes only: 1) start up expenses including consulting, signage, minor medical and office equipment (less than \$2,000 each), furnishings, and initial medical and office supplies inventory which shall cumulatively not exceed [REDACTED]; and 2) Tail Coverage (as described in Section 5.3) which shall not exceed [REDACTED] (the “**Permitted Purposes**”).

(c) **Contingencies to Payment of Assistance Advance.** Hospital’s obligation to advance the Assistance Advance to Physician shall be contingent upon Physician’s submission, within ninety (90) days after the Start Date, of documentation of the use of such funds for the Permitted Purposes above to Hospital, in form and substance acceptable to Hospital. If Physician does not submit such documentation to Hospital within ninety (90) days after the Start Date, Hospital shall not be obligated to advance any further amounts to Physician under the Assistance Advance and Physician shall immediately remit to Hospital any amounts previously advanced to Physician under the Assistance Advance.

(d) **No Transfer to Group.** Physician shall not transfer or assign to Group, and Group shall not demand or accept from Physician, any Assistance Advance advanced to Physician by Hospital pursuant to this Section, except to the extent that such amounts actually incurred by Group represent reimbursement for Incremental Practice Expenses.

(e) **Recruitment Note.** Physician shall repay the Assistance Advance pursuant to the terms and conditions of the Recruitment Note (as defined in Section 4.1(a)).

3.5 Signing Bonus. Hospital shall within thirty (30) days after the Start Date, provide to Practitioner an amount equal to [REDACTED] as a signing bonus.

3.6 Final Statement. Within thirty (30) days after submission of the last Physician Financial Report, Hospital shall prepare and deliver to Physician and Group a written statement of all amounts advanced by Hospital to Physician pursuant to this Agreement and all Excess Receipts paid by Physician to Hospital pursuant to this Agreement (the “**Final Statement**”). Physician must provide written notification to Hospital of any objections to the amounts reported by Hospital within thirty (30) days of Hospital’s delivery of the Final Statement. If Physician does not provide a written notice of objection within thirty (30) days of Hospital’s delivery of the Final Statement, the amount reported by Hospital on the Final Statement shall be the total principal balance owed by Physician to Hospital under the Recruitment Note. If Physician does object, the Parties

may either agree to binding arbitration or either Party may file a legal action to determine the amount of the total principal balance owed by Physician to Hospital under the Recruitment Note.

ARTICLE IV.
PROMISSORY NOTE; SECURITY AGREEMENT; GROUP GUARANTEE

4.1 Physician's Deliverables. Concurrently with the execution of this Agreement, Physician shall execute and deliver to Hospital:

- (a) the secured promissory note in the form attached as **Exhibit 4.1(a)** (the “**Recruitment Note**”);
- (b) the security agreement in the form attached as **Exhibit 4.1(b)** (the “**Physician Security Agreement**”); and
- (c) a completed IRS Form W-9 identifying Physician's taxpayer identification number.

4.2 Group's Deliverables. Concurrently with the execution of this Agreement, Group shall execute and deliver to Hospital a guarantee and security agreement in the form attached as **Exhibit 4.2** (the “**Group Guarantee**”).

4.3 Further Cooperation. Physician and Group shall perform, or ensure the performance of, all actions and execute, or ensure the execution of, all documents necessary to perfect the security interests granted in the Physician Security Agreement and the Group Guarantee, as reasonably requested by Hospital from time to time.

ARTICLE V.
INSURANCE AND INDEMNITY

5.1 Malpractice Liability Insurance. Physician shall obtain and continuously maintain, or cause Group to obtain and continuously maintain, professional malpractice liability insurance coverage, issued by an insurance company licensed or otherwise qualified to issue professional liability insurance policies or coverage in the State, and acceptable to Hospital, in the amount of at least One Million Dollars (\$1,000,000) per occurrence or claim and Three Million Dollars (\$3,000,000) in the annual aggregate for the acts and omissions of Physician. Such coverage shall provide for a date of placement preceding or coinciding with the Start Date of this Agreement.

5.2 Certificate of Insurance. On or before the Start Date, Physician shall provide to Hospital, or cause Group to provide to Hospital, an original certificate evidencing professional malpractice liability insurance coverage, and shall provide to Hospital, or cause Group to provide to Hospital, proof of continued professional malpractice liability insurance coverage on an annual basis (or as periodically requested by Hospital). Physician shall provide to Hospital, or cause Group to provide to Hospital, at least thirty (30) days' prior written notice of cancellation or any material change in such professional malpractice liability insurance coverage.

5.3 Tail Coverage. If Physician's professional malpractice liability insurance is provided on a claims-made basis, upon the expiration or termination for any reason of this Agreement, Physician shall continuously maintain, or cause Group to continuously maintain, such insurance or purchase, or cause to be purchased, from an insurance company licensed or otherwise qualified to issue professional liability insurance policies or coverage in the State, and acceptable to Hospital, extended reporting period (*i.e.*, "tail") coverage for the longest extended reporting period then available to ensure that insurance coverage in the amount set forth in Section 5.1 of this Agreement is maintained for claims which arise from professional services provided by Physician during the term of this Agreement.

5.4 Indemnification.

(a) **Indemnification by Physician.** Physician shall indemnify and hold harmless Hospital from and against: (i) any and all liability arising out of Physician's failure to comply with the terms of this Agreement, and any injury, loss, claims, or damages arising from the negligent operations, acts, or omissions of Physician or Physician's employees or agents relating to or arising out of their professional services or this Agreement; and (ii) any and all costs and expenses, including reasonable legal expenses, incurred by or on behalf of Hospital in connection with the defense of such claims.

(b) **Indemnification by Group.** Group shall indemnify and hold harmless Hospital from and against: (i) any and all liability arising out of Group's failure to comply with the terms of this Agreement, and any injury, loss, claims, or damages arising from the negligent operations, acts, or omissions of Group or Group's employees or agents relating to or arising out of their professional services or this Agreement; and (ii) any and all costs and expenses, including reasonable legal expenses, incurred by or on behalf of Hospital in connection with the defense of such claims.

(c) **Indemnification by Hospital.** Hospital shall indemnify and hold harmless Physician and Group from and against: (i) any and all liability arising out of Hospital's failure to comply with the terms of this Agreement, and any injury, loss, claims, or damages arising from the negligent operations, acts, or omissions of Hospital or its employees or agents relating to or arising out of this Agreement; and (ii) any and all costs and expenses, including reasonable legal expenses, incurred by or on behalf of Physician or Group in connection with the defense of such claims.

5.5 Cooperation among the Parties.

(a) The Parties recognize that, during the term of this Agreement and for a period thereafter, certain risk management issues, legal issues, claims or actions 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 in good faith when such issues, claims or actions 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 actions. As such, the Parties hereby agree to cooperate in good

faith, using their best efforts, to address such risk management and claims handling issues in a manner that strongly encourages full cooperation among the Parties.

(b) The Parties further agree that if a controversy, dispute, claim, action or lawsuit (each, an “**Action**”) arises with a third party wherein two or more of the Parties are included as defendants, each such Party shall promptly disclose to the other Party in writing the existence and continuing status of the Action and any negotiations relating thereto. Each such Party shall make every reasonable attempt to include the other such Party in any settlement offer or negotiations. In the event the other such Party is not included in the settlement, the settling Party shall, unless prohibited by the settlement agreement, immediately disclose to the other such Party in writing the acceptance of any settlement and terms relating thereto.

5.6 Survival of Insurance and Indemnity Obligations. The provisions of this Article V shall expressly survive the expiration or earlier termination of this Agreement.

ARTICLE VI. **RELATIONSHIPS AMONG THE PARTIES**

6.1 Independent Contractor. Physician and Group are and shall at all times be independent contractors with respect to Hospital in meeting their respective responsibilities under this Agreement. Nothing in this Agreement is intended nor shall be construed to create a partnership, employer-employee or joint venture relationship between Hospital and either Physician or Group.

6.2 No Tax/No Benefit Contributions. Hospital shall not be liable under this Agreement for withholding or compensating, paying or providing for taxes (including, but not limited to, federal and state income and employment taxes), or providing employee benefits of any kind (including contributions to government mandated, employment-related insurance and similar programs) to, or on behalf of, Physician or any other person employed or retained by Physician. If Hospital is required to compensate, pay or provide for taxes, or provide employee benefits of any kind (including contributions to government mandated, employment-related insurance and similar programs) to, or on behalf of, Physician or any person employed, retained by or associated with Physician, Physician shall reimburse Hospital the amount of any such expenditure within ten (10) days after being notified of such expenditure.

6.3 Code of Conduct. Each of Physician and Group hereby acknowledges receipt of Hospital’s Code of Conduct, attached to this Agreement as **Exhibit 6.3** (the “**Code of Conduct**”), and agrees that he, she, or it has been given ample opportunity to read, review and understand the Code of Conduct. Neither Physician nor Group shall act in any manner which conflicts with or violates the Code of Conduct, or cause another person to act in any manner which conflicts with or violates the Code of Conduct. Physician and Group shall comply with the Code of Conduct as it relates to their respective business relationships with Hospital, any Affiliate (as defined in Section 7.4(d)), or Hospital’s or any Affiliate’s employees, agents, servants, officers, directors, contractors and suppliers of any kind.

6.4 Referrals. Nothing in this Agreement or in any other written or oral agreement between Hospital and either Physician or Group, nor any consideration offered or paid in

connection with this Agreement, contemplates or requires the admission or referral of any patients or business to Hospital or any Affiliate (as defined in Section 7.4(d)) by Physician or any Group Physician (as defined in Section 6.5). This Agreement is not intended to influence Physician's or any other Group Physician's judgment in choosing the hospital or other health care facility or provider deemed by Physician or any other Group Physician to be best qualified to deliver goods or services to any particular patient. The rights of Physician and Group under this Agreement shall not be dependent in any way on the referral of patients or business to Hospital or any Affiliate by Physician or any other Group Physician. Notwithstanding the foregoing, Physician and Group shall not refer any Hospital patient to any provider of health care services that Physician or any other Group Physician knows or should know is excluded or suspended from participation in, or sanctioned by, any Federal Health Care Program.

6.5 Practice of Medicine; Limitation on Control. Hospital is neither authorized nor qualified to engage in any activity, which may be construed or deemed to constitute the practice of medicine. Hospital shall neither have nor exercise any control or direction over the professional medical judgment of Physician or Group or any other physician employed by or contracting with Group (each, a "**Group Physician**"), or the methods by which any of them performs professional medical services; provided, however, that Physician, Group and the Group Physicians shall be subject to and shall at all times comply with the Hospital Rules, and the terms and conditions of this Agreement.

6.6 Termination of Physician's Relationship with Group.

(a) If and on the date that Physician ceases to perform professional medical services in association with Group for any reason during the term of this Agreement, Group's obligations under Article II of this Agreement (other than Group's obligation to maintain books and records in accordance with Section 2.5) shall be automatically transferred and assigned to Physician, and Physician shall be deemed to have accepted and assumed, and thereafter be solely and exclusively responsible for, the obligations of Group under Article II of this Agreement.

(b) If Physician subsequently establishes a practice with another professional corporation, professional partnership or medical services organization (the "**Alternative Group**"), Physician shall cause the Alternative Group to execute and deliver to Hospital, not more than thirty (30) days following the commencement of Physician's association therewith: (i) an agreement to accept and assume the obligations of Group under this Agreement and to abide by the terms and conditions of this Agreement, in such form as reasonably requested by Hospital; and (ii) a guarantee and security agreement substantially in the form of the Group Guarantee attached as **Exhibit 4.2**.

ARTICLE VII.
TERM AND TERMINATION

7.1 Term. This Agreement shall have a term commencing on the Execution Date and continuing until all sums owing on the Recruitment Note are either forgiven or paid in full in accordance with the terms of this Agreement and the Recruitment Note.

7.2 Termination by Hospital. Hospital shall have the right to terminate this Agreement immediately upon the occurrence of any one or more of the following events (each an “Event of Default”):

- (a) breach of this Agreement by Physician where the breach is not cured within thirty (30) days after Hospital gives written notice of the breach to Physician;
- (b) breach of this Agreement by Group where the breach is not cured within thirty (30) days after Hospital gives written notice of the breach to Group;
- (c) any representation or warranty made by Physician or Group in or pursuant to this Agreement, the Physician Security Agreement or the Group Guarantee shall prove to be untrue or incorrect in any respect when made or deemed made;
- (d) Physician’s voluntary retirement from the practice of medicine;
- (e) Physician’s medical staff membership, or any clinical privilege at any health care facility (including Hospital) is denied, suspended, terminated, restricted, revoked or relinquished for any reason, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto;
- (f) Physician’s license to practice medicine in the State, or any other jurisdiction, is denied, suspended, terminated, restricted, revoked or relinquished for any reason, whether voluntarily or involuntarily, temporarily or permanently, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto;
- (g) Physician fails to maintain current and valid DEA registration;
- (h) Physician is charged with or convicted of a felony or with a misdemeanor involving fraud, dishonesty, or moral turpitude;
- (i) Physician’s performance of this Agreement, in the sole determination of Hospital, jeopardizes the mental or physical health or well-being of any patient of Hospital;
- (j) Physician, Group or any Group Physician is debarred, suspended, excluded or otherwise ineligible to participate in any Federal Health Care Program;
- (k) Physician or Group acts, or Physician or Group causes another person to act, in a manner which conflicts with or violates the Code of Conduct or Hospital Rules;
- (l) breach by Physician or Group of any HIPAA Obligation;
- (m) Physician makes an assignment for the benefit of creditors, admits in writing Physician’s inability to pay Physician’s debts as they mature, applies to any court for the appointment of a trustee or receiver of any of the Collateral (as defined in Section 1 of the Physician Security Agreement) or any substantial part of Physician’s properties, or commences any voluntary proceedings under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or other similar law of any jurisdiction;

(n) any application or any proceedings described in Section 7.2(m) is filed or commenced against Physician, and Physician indicates Physician's approval, consent or acquiescence thereto, or an order is entered adjudicating Physician bankrupt or insolvent and such order remains in effect for thirty (30) days;

(o) Physician or Group breaches, defaults or fails to fully perform or observe, when and as required, any covenant, condition or agreement contained in any other agreements, promissory notes, instruments or documents with Hospital or any Affiliate (as defined in Section 7.4(d)), including, without limitation, the Recruitment Note, the Physician Security Agreement and the Group Guarantee, subject to any applicable cure periods expressly provided for in such agreements, promissory notes, instruments or documents;

(p) Physician defaults with respect to the payment of indebtedness or under any agreement, covenant, provision or condition with respect to such indebtedness, whether such indebtedness is owing to either Hospital or to any other creditor;

(q) any execution, levy or attachment is placed on any assets of Physician;

(r) Physician transfers all or substantially all of Physician's assets; or

(s) Physician is rendered unable to comply with the terms of this Agreement for any reason.

7.3 Termination by Physician. Physician shall have the right to terminate this Agreement upon the breach of this Agreement by Hospital where the breach is not cured within thirty (30) days after Physician gives written notice of the breach to Hospital.

7.4 Termination or Modification in the Event of Government Action.

(a) In the event of any Government Action, the Parties shall, within ten (10) days after one Party gives written notification of the Government Action to the other Parties, meet and confer to negotiate in good faith to attempt to amend this Agreement in order to comply with the Government Action.

(b) If the Parties, after good faith negotiations that shall not exceed thirty (30) days, are unable to make the amendments necessary to comply with the Government Action, or, alternatively, if Hospital determines in good faith that compliance with the Government Action is impossible or infeasible, Hospital may terminate this Agreement effective ten (10) days after the date that Hospital gives a written notice of termination under this Section to the other Parties.

(c) For the purposes of this Section, "**Government Action**" shall mean any legislation, regulation, rule or procedure passed, adopted or implemented by any federal, state or local government or legislative body or any private agency, or any notice of a decision, finding, interpretation or action by any governmental or private agency, court or other third party which, in the opinion of counsel to Hospital, as a result or consequence, in whole or in part, of the arrangement among the Parties set forth in this Agreement, the Recruitment Note, the Physician Security Agreement or the Group Guarantee, if or when implemented, could reasonably be expected to result in or present a material risk of any one or more of the following:

- (i) revocation or threat of revocation of the status of any health facility license granted to Hospital or any Affiliate (as defined in Section 7.4(d));
- (ii) revocation or threat of revocation of the federal, state or local tax-exempt status of Hospital or any Affiliate, or their respective tax-exempt financial obligations;
- (iii) constitute a violation of 42 U.S.C. Section 1395nn (commonly referred to as the Stark law) or any state law governing patient referrals if Physician or any Group Physician referred patients to Hospital or any Affiliate;
- (iv) prohibit Hospital or any Affiliate from submitting claims or materially reducing the reimbursement received by Hospital or any Affiliate for services provided to patients referred by Physician or any Group Physician; or
- (v) subject Hospital, Physician, Group, any Affiliate, or any of their respective employees or agents, to civil or criminal prosecution or the imposition of any sanction (including any excise benefit tax penalty under Internal Revenue Code Section 4958) on the basis of their participation in executing this Agreement or performing their respective obligations under this Agreement.

(d) For the purposes of this Agreement, “**Affiliate**” shall mean any entity which, directly or indirectly, controls, is controlled by or is under common control with Hospital.

7.5 Automatic Termination upon Death or Permanent Disability.

(a) This Agreement shall automatically terminate upon the death or the inability of Physician to practice medicine in the Specialty for the foreseeable future (as evidenced by the opinion of an independent physician acceptable to Hospital) after such disability has existed for a continuous period exceeding one (1) year due to Physician’s physical or mental condition but excluding any such condition resulting, in whole or in part, from substance abuse, alcohol abuse, or criminal or fraudulent conduct by Physician (“**Permanent Disability**”).

(b) Notwithstanding any other provision of this Agreement, Hospital shall forgive the entire then-outstanding balance of principal and all accrued unpaid interest owing on the Recruitment Note, together with all other applicable fees, costs and charges, if any, in the event of Physician’s death or Permanent Disability. If Physician’s disability is determined not to be a Permanent Disability in the opinion of an independent physician acceptable to Hospital, all rights and duties under this Agreement shall be suspended until such short-term disability is deemed to no longer exist as determined by an independent physician acceptable to Hospital. Upon the termination of Physician’s short-term disability, the rights and duties of this Agreement shall recommence as if it was the day upon which Physician left the Practice due to the disability.

7.6 Qualifying Leave of Absence.

(a) If any Qualifying Leave of Absence (as defined below) occurs during the Assistance Period, Physician's obligations under Sections 1.1 and 1.2 of this Agreement, and Hospital's obligations under Article III of this Agreement, shall be suspended, and such Qualifying Leave of Absence shall not constitute an Event of Default under this Agreement, the Recruitment Note, or the Physician Security Agreement. In such event, Physician's obligations under Sections 1.1 and 1.2 of this Agreement, and Hospital's obligations under Article III of this Agreement, shall recommence as of the end of such Qualifying Leave of Absence, and the Assistance Period shall be extended for a period equal to the length of such Qualifying Leave of Absence.

(b) If a Qualifying Leave of Absence (as defined below) occurs after the end of the Assistance Period, Physician's obligations under Sections 1.1 and 1.2 of this Agreement shall be suspended, any repayment and/or forgiveness under the Recruitment Note shall be suspended, and such Qualifying Leave of Absence shall not constitute an Event of Default under this Agreement, the Recruitment Note, or the Physician Security Agreement. In such event, Physician's obligations under Sections 1.1 and 1.2 of this Agreement shall recommence as of the end of such Qualifying Leave of Absence, and the Repayment Period under the Recruitment Note shall be extended for a period equal to the length of such Qualifying Leave of Absence.

(c) Physician shall provide to Hospital at least thirty (30) days' advance notice of any Qualifying Leave of Absence is to begin if the need for the Qualifying Leave of Absence is foreseeable, otherwise, as soon as practicable.

(d) Physician acknowledges and agrees that any leave of absence that does not constitute a Qualifying Leave of Absence, and any Qualifying Leave of Absence that exceeds a period of three (3) months, shall constitute an Event of Default for purposes of this Agreement.

(e) For purposes of this Agreement, "**Qualifying Leave of Absence**" shall mean a leave of absence for a period not to exceed three (3) months that is taken by Physician for one of the following reasons: (i) to take medical leave for Physician's own Serious Health Condition; (ii) to care for an immediate family member (child, parent or spouse) with a Serious Health Condition; (c) for the birth and care of a newborn child of Physician; or (d) for placement with Physician of a son or daughter for adoption or foster care. For purposes of this Agreement, "**Serious Health Condition**" shall have the same meaning as set forth in the federal Family and Medical Leave Act, 29 U.S.C. Section 2601 *et seq.*

7.7 Rights upon Expiration or Termination.

(a) **Generally.** Upon any termination or expiration of this Agreement, all rights and obligations of the Parties shall cease except those rights and obligations that have accrued or expressly survive such termination or expiration.

(b) **Immediate Repayment of Outstanding Indebtedness.** Upon the termination or expiration of this Agreement for any reason, except termination of this Agreement pursuant to Sections 7.3, 7.4 or 7.5, Hospital may, at its option, declare any outstanding indebtedness evidenced by the Recruitment Note to be immediately due and payable to Hospital.

(c) **Repayment upon Termination by Physician or Government Action.** If this Agreement is terminated by Physician pursuant to Section 7.3 or as a result of Government Action pursuant to Section 7.4, the entire outstanding balance of principal and accrued interest together with any applicable fees, costs and charges owing on the Recruitment Note as of the effective date of such termination shall be payable by Physician to Hospital in thirty-six (36) equal monthly installments of principal and interest commencing as of the date that is one (1) month following the effective date of the termination of this Agreement; provided, however, if such repayment terms violate any federal, state or local law, rule or regulation, or Government Action, Physician shall pay to Hospital, on the effective date of the termination of this Agreement, the entire outstanding balance of principal and accrued interest together with any applicable fees, costs and charges owing on the Recruitment Note as of the effective date of such termination. Physician shall not have any right to offset the amount owing to Hospital under this Section upon termination by any amounts that then or thereafter may be owing by Hospital to Physician whether as a result of the termination or otherwise.

ARTICLE VIII. **GENERAL PROVISIONS**

8.1 Amendment. This Agreement may be modified or amended only by mutual written agreement of the Parties. Any such modification or amendment must be in writing, dated, signed by the Parties and explicitly indicate that such writing modifies or amends this Agreement.

8.2 Assignment. Except for assignment by Hospital to an entity owned, controlled by, or under common control with Hospital, or as otherwise contemplated by Section 6.6(a), no Party may assign any right, interest, duty, or obligation under this Agreement without each other Party's prior written consent. Subject to the foregoing, this Agreement shall be binding on and shall inure to the benefit of the Parties and their respective heirs, successors, assigns and representatives.

8.3 Attorneys' Fees. If any Party brings an action or proceeding, arising out of or relating to this Agreement, the Recruitment Note, the Physician Security Agreement or the Group Guarantee, the non-prevailing Party shall pay to the prevailing Party reasonable attorneys' fees and costs incurred in bringing such action, including, without limitation, fees incurred in post judgment motions, contempt proceedings, garnishment, levy, debtor and third party examinations, discovery, bankruptcy litigation, arbitration, trial, and any appeal or review, all of which shall be deemed to have accrued upon the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. Any judgment or order entered shall contain a provision providing for the recovery of attorneys' fees and costs incurred in enforcing such judgment. The prevailing Party shall be the Party who is identified in any judgment or order entered as the Party entitled to recover its costs of suit, whether or not the action or proceeding proceeds to final judgment or award.

8.4 Choice of Law. This Agreement shall be construed in accordance with and governed by the laws of California, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of the laws of any jurisdiction other than California.

8.5 Compliance with Laws. Physician and Group shall comply with all applicable laws, ordinances, codes and regulations of federal, state and local governments, and any Government Action, including, without limitation, policies, standards, requirements, guidelines, and recommendations of the Joint Commission on Accreditation of Healthcare Organizations (“JCAHO”), all as in effect and amended from time to time.

8.6 Compliance with Medicare Rules. To the extent required by law or regulation, Physician and Group shall make available, or shall cause to be made available upon written request from Hospital, the Secretary of Health and Human Services, the Comptroller General of the United States, or any other duly authorized agent or representative, this Agreement and Physician’s and Group’s books, documents and records pertaining to this Agreement. Physician and Group shall preserve or cause to be preserved such books, documents and records for a period of ten (10) years after the end of the term of this Agreement. If Physician or Group is requested to disclose books, documents or records pursuant to this Section for any purpose, Physician or Group, as the case may be, shall notify Hospital of the nature and scope of such request, and shall make available to Hospital, upon written request of Hospital, all such books, documents or records. This Section shall survive the expiration or termination for any reason of this Agreement.

8.7 Confidentiality. No Party shall disclose any of the provisions of this Agreement to any person or entity, other than the Parties’ respective attorneys or accountants, without the prior written consent of each other Party, unless and only to the extent such disclosure is required by law, subpoena or legal process. Any Party may disclose the provisions of this Agreement to any person or entity without the prior written consent of the other Parties to the extent such disclosure is requested or required by (a) the Party’s respective contracts existing as of the date of this Agreement; or (b) fiscal intermediaries, public agencies or commissions with governmental powers and duties related to disclosure of information which have the right to compel disclosure of such information. Hospital may also disclose the provisions of this Agreement to any person or entity without the prior written consent of Physician or Group to the extent such disclosure is requested or required by (a) Hospital’s representatives or others in connection with any tax-exempt bond or other financing transactions of Hospital or any Affiliates; or (b) Hospital’s corporate integrity program.

8.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

8.9 Dispute Resolution. All disputes, controversies, claims, questions, or disagreements arising out of or relating to this Agreement, shall be litigated in any state or federal court having appropriate jurisdiction and located within California, County of San Diego. The Parties, by the execution of this Agreement, expressly consent to the jurisdiction of any such court, to venue therein and to the service of process in any such action or proceedings, as required by applicable law.

8.10 Entire Agreement. This Agreement is the entire understanding and agreement of the Parties regarding its subject matter, and supersedes any prior oral or written agreements, representations, understandings or discussions among the Parties with respect to such subject

matter. No other understanding among the Parties shall be binding on them unless set forth in writing, signed and attached to this Agreement.

8.11 Exhibits and Attachments. The attached exhibits and attachments, together with all documents incorporated by reference in the exhibits and attachments, form an integral part of this Agreement and are incorporated by reference into this Agreement.

8.12 Force Majeure. No Party shall be liable for nonperformance or defective performance or late performance of any of his, her or its obligations under this Agreement to the extent and for such periods of time as such nonperformance, defective performance or late performance is due to reasons outside such Party's control, including acts of God, war (declared or undeclared), terrorism, action of any governmental authority, riots, revolutions, fire, floods, explosions, sabotage, nuclear incidents, lightning, weather, earthquakes, storms, sinkholes, epidemics, or strikes (or similar nonperformance or defective performance or late performance of employees, suppliers or subcontractors).

8.13 Governing Documents. In the event of any inconsistency or conflict between the terms and conditions set forth in this Agreement and the terms and conditions set forth in the exhibits or attachments to this Agreement, this Agreement shall govern.

8.14 Headings. The headings in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

8.15 Compliance with HIPAA. Physician and Group shall comply with the HIPAA Obligations as defined and set forth in **Exhibit 8.15**. The HIPAA Obligations shall survive the expiration or termination for any reason of this Agreement.

8.16 Income Tax Ramifications. The Parties acknowledge that Group and Physician may incur federal and state income tax liabilities from certain of the transactions contemplated by this Agreement, and that Hospital is or may be required to report items of income under relevant income tax laws and regulations. The Parties acknowledge and agree that Hospital has not made any representation to either Group or Physician with respect to the tax implications of the transactions contemplated by this Agreement, and that statements made by Hospital or its agents, employees, representatives or attorneys shall not be relied upon by Group or Physician, and shall not be interpreted or construed as tax advice to either Group or Physician.

8.17 Litigation Consultation. Physician shall not accept consulting assignments or otherwise contract, agree, or enter into any arrangement to provide expert testimony or evaluation on behalf of a plaintiff in connection with any claim against Hospital or any Affiliate named, or expected to be named, as a defendant. Neither Physician nor any Group Physician shall accept similar consulting assignments if (a) the defendant(s) or anticipated defendant(s) include a member of the medical staff of Hospital or any Affiliate, and (b) the matter relates to events that occurred at Hospital or any Affiliate; provided, however, the provisions of this Section shall not apply to situations in which Physician or such Group Physician served as a treating physician.

8.18 Meaning of Certain Words. Wherever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine, or neuter forms, and

the singular form of nouns shall include the plural and vice versa. Unless otherwise specified, “days” shall be considered “calendar days” and “months” shall be considered “calendar months” in this Agreement and its exhibits and attachments.

8.19 No Conflicting Obligations. Physician and Group represent and warrant that the execution and delivery of this Agreement and the performance of their respective obligations under this Agreement do not and will not: (a) present a conflict of interest or materially interfere with the performance of their respective duties under any other agreement or arrangement; or (b) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice and/or lapse of time, would constitute a default) under, terminate, accelerate the performance required by, or result in a right of termination or acceleration under any of the terms, conditions or provisions of any other agreement, indebtedness, note, bond, indenture, security or pledge agreement, license, franchise, permit, or other instrument or obligation. Physician and Group shall immediately inform Hospital of any other agreements that may present a conflict of interest or materially interfere with performance of their respective duties under this Agreement.

8.20 Non-Discrimination. Neither Group nor Physician shall differentiate or discriminate in the provision of medical services on the basis of race, color, national origin, ancestry, religion, sex, marital status, sexual orientation, age, medical condition, medical history, genetics, evidence of insurability, or claims history, in violation of any applicable state, federal or local law or regulation, or Hospital Rules, including, without limitation, the Age Discrimination Act of 1975, the Americans with Disabilities Act and all regulations issued pursuant thereto and as may be amended from time to time. Group, Physician, and Hospital shall be in full compliance with Section 504 of the Rehabilitation Act of 1973, Titles VI and VII of the 1964 Civil Rights Act, and all regulations issued pursuant thereto and as may be amended from time to time.

8.21 No Other Relocation Assistance Being Received. Physician represents and warrants that Physician is not bound by any agreement with any other person or entity pursuant to which Physician receives or will receive financial assistance or compensation during the Assistance Period, except as previously disclosed in writing to Hospital.

8.22 No Third Party Beneficiary Rights. This Agreement shall not confer or be construed to confer any rights or benefits to any person or entity other than the Parties.

8.23 Notices. All notices or communications required or permitted under this Agreement shall be given in writing and shall be delivered to the Party or Parties to whom notice is to be given either: (a) by personal delivery (in which case such notice shall be deemed given on the date of delivery); (b) by next business day courier service (*e.g.*, Federal Express, UPS or other similar service) (in which case such notice shall be deemed given on the business day following date of deposit with the courier service); or (c) by United States mail, first class, postage prepaid, registered or certified, return receipt requested (in which case such notice shall be deemed given on the third (3rd) day following the date of deposit with the United States Postal Service). In each case, notice shall be delivered or sent to the address indicated on the signature page, or such other address as provided by a Party, from time to time, pursuant to this Section.

8.24 Participation in Governmental Programs.

(a) Physician represents that Physician, is not, and has never been, debarred, suspended, excluded or otherwise ineligible to participate in any Federal Health Care Program.

(b) Group represents that neither Group nor any Group Physician is, or ever has been, debarred, suspended, excluded, or otherwise ineligible to participate in any Federal Health Care Program.

8.25 Representations. Each Party represents with respect to itself that: (a) no representation or promise not expressly contained in this Agreement has been made by the other Party or by the other Party's agents, employees, representatives or attorneys; (b) this Agreement is not being entered into on the basis of, or in reliance on, any promise or representation, expressed or implied, other than such as are set forth expressly in this Agreement; and (c) such Party has been represented by legal counsel of such Party's own choice or has elected not to be represented by legal counsel in this matter.

8.26 Severability. Subject to Section 7.4, if any provision of this Agreement, in whole or in part, or the application of any provision, in whole or in part, is determined to be illegal, invalid or unenforceable by a court of competent jurisdiction and such provision can be severed without substantially changing the bargain reached by the Parties, such provision or part of such provision shall be severed from this Agreement, and such severance shall have no effect upon the enforceability, performance or obligations of the remainder of this Agreement, including the remainder of such provision not determined to be illegal, invalid or unenforceable. If Section 7.4 is applicable, this Section shall not be enforced.

8.27 Waiver. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision as to that or any other instance. Any waiver granted by a Party must be in writing, and shall apply solely to the specific instance expressly stated.

8.28 Waiver of Injunctive or Similar Relief. Upon any breach or termination of this Agreement by Hospital that is determined to be improper by a court or by an arbitrator, Physician shall accept monetary damages, if any, as full and complete relief, to the exclusion of any specific performance or injunctive or similar equitable relief.

[signature page follows]

The Parties have executed this Agreement on the Execution Date.

HOSPITAL

Palomar Pomerado Health ,
a California district hospital

By: Michael H. Covert, F.A.C.H.E.
Its: President/CEO

Hospital's address:

15255 Innovation Drive
San Diego, CA 92128

PHYSICIAN

Philip Balikian, M.D., an individual

Philip Balikian, M.D.
[Tax ID/SSN] Number: _____

Physician's principal place of business:

GROUP

Centre for Healthcare (PIMG),
a professional corporation

By:
Its:

Group's address:

10865 Rancho Bernardo Road
Rancho Bernardo, CA 92127

Exhibit 1.1(a)

SERVICE AREA

92025 Escondido
92026 Escondido
92027 Escondido
92029 Escondido
92036 Cuyamaca/Julian
92059 Pala
92060 Palomar Mountain
92061 Pauma Valley
92064 Poway
92065 Ramona
92069 San Marcos
92070 Santa Ysabel
92082 Valley Center
92127 Rancho Bernardo
92128 Rancho Bernardo
92129 Rancho Peñasquitos

Exhibit 3.2(b)

PHYSICIAN FINANCIAL REPORT FORM

Month: _____, 20__

Group and Physician represent and warrant to Hospital that this Physician Financial Report (a) is consistent with the books and records of Group; (b) is true, accurate and complete in all respects; (c) does not contain any untrue information or statement of fact; and (d) does not omit to state any information or fact reasonably necessary to make the information or facts contained herein not misleading.

Signature of Physician

Signature of Group's Authorized Representative

Patient Volume (Visits this month) _____

PRACTICE RECEIPTS

INCREMENTAL PRACTICE EXPENSES

Maximum Allowable Expenses

Actual Expenses Incurred

	<u>Maximum Allowable Expenses</u>	<u>Actual Expenses Incurred</u>
Additional Rent (Office)	_____	_____
Additional Phone	_____	_____
Additional Utilities	_____	_____
Malpractice Insurance	_____	_____
Additional Insurance Costs (Office)	_____	_____
Salaries (Additional Office Staff FTE(s))	_____	_____
Fringe Benefits (Additional Office Staff FTE(s))	_____	_____
Medical Supplies	_____	_____
Additional Office Supplies	_____	_____
Licenses	_____	_____
Professional Supplies and Services	_____	_____
Transcription Expenses	_____	_____
Additional Leased Equipment and Equipment Fees	_____	_____
Other Expenses	_____	_____
Billing Expenses	_____	_____
Maintenance (Additional Equipment)	_____	_____
Doctors' Exchange	_____	_____
Dues and Subscriptions	_____	_____
Marketing/Advertising	_____	_____
Misc. Start-Up Expenses (first 3 months of	_____	_____

Assistance Period only)
**TOTAL INCREMENTAL PRACTICE
EXPENSES**

_____	_____
_____	_____
_____	_____

For purposes of calculating the Incremental Practice Expenses, Physician shall apply only those expenses identified above, and the total amount of each such expense in any given month shall not exceed the maximum allowable Incremental Practice Expense for that month, except as otherwise agreed to in writing by Hospital. Physician may only include as Incremental Practice Expenses those additional incremental operating expenses (including the amount of any additional incremental capital costs and expenses depreciable in accordance with generally accepted accounting principles) that are actually incurred by Physician or Group during the month and only to the extent reasonable and customary to conduct the Practice. Incremental Practice Expenses may include federal and state payroll tax obligations of Group related to Physician; however, payroll tax obligations of Physician shall not be treated as an Incremental Practice Expense.

NET PAYMENT CALCULATION

FOR ACCOUNTING USE ONLY

Guaranteed Monthly Income	_____
<i>Add:</i> Incremental Practice Expenses	_____
<i>Less:</i> Practice Receipts	_____
<i>Equals:</i> Income Guarantee Advance (Excess Receipts)	_____
 Total Income Guarantee Advances To Date	_____

Exhibit 4.1(a)

SECURED PROMISSORY NOTE

Not to Exceed [REDACTED]

_____, 20____

FOR VALUE RECEIVED, the undersigned borrower Philip Balikian, M.D., (“**Physician**”) promises to pay to the order of PALOMAR POMERADO HEALTH, a California district hospital (“**Hospital**”), as noteholder, the principal sum equal to the aggregate amount of advances paid to Physician pursuant to the Physician Recruitment Agreement by and among Physician, Hospital and Centre for Healthcare, a professional corporation (“**Group**”), dated as of even date herewith (the “**Recruitment Agreement**”). Unless otherwise defined in this Secured Promissory Note (the “**Recruitment Note**”), each capitalized term shall have the meaning given in the Recruitment Agreement. The aggregate principal amount of the loans provided to Physician pursuant to the Recruitment Agreement (the “**Principal**”) shall not exceed [REDACTED]

1. Advances of Principal; Interest.

(a) Physician hereby promises to pay to the order of Hospital, at such place as Hospital may from time to time designate in writing, in lawful money of the United States of America, the Principal and accrued interest thereon.

(b) Interest shall accrue on the Principal outstanding at a rate equal to the Prime Rate (as defined below), adjusted annually on each anniversary date of this Recruitment Note, plus two percent (2%), computed on the basis of a 365/366-day year and the number of days elapsed, commencing as of the first date that Principal is advanced to Physician under this Recruitment Note and continuing thereafter until the Principal is either repaid or forgiven in full; provided, however, that interest shall never accrue at an annual rate greater than the maximum rate permitted to be charged under applicable law on commercial loans between unrelated persons. “**Prime Rate**” shall mean the annual interest rate published from time to time by the Wall Street Journal as the prime or base rate of interest on corporate loans. Physician acknowledges that the Prime Rate is ___ percent (___%) as of the date of this Recruitment Note.

2. Repayment and Forgiveness. Notwithstanding any other provisions of this Recruitment Note, Principal, accrued interest, and other applicable fees, costs and charges (“**Costs**”), if any, owing on this Recruitment Note shall be payable or forgiven as follows:

(a) **Repayment.** Principal and accrued interest thereon shall be payable “mortgage-style” in Twenty-four (24) equal monthly installments sufficient to fully amortize the unpaid balance of this Recruitment Note. Principal and accrued interest thereon shall be payable on the first (1st) day of each month during the Repayment Period (as defined below).

(b) **Repayment Period.** “**Repayment Period**” shall mean the period beginning on the first (1st) day of the first (1st) calendar month immediately following the end of

the Assistance Period and continuing until the earlier of (i) the date on which the Principal and all accrued interest thereon, and all Costs, if any, are either paid or forgiven in full, or (ii) the Maturity Date (as defined below). In all events, and subject to the remaining provisions of this Section 2, the entire then-outstanding balance of Principal and all accrued, unpaid interest thereon, and all Costs, if any, shall be due and payable by Physician to Hospital no later than the Maturity Date. The “**Maturity Date**” shall mean the date that is Twenty-four (24) months from the first (1st) day of the first (1st) calendar month immediately following the end of the Assistance Period.

(c) **Forgiveness.** If Physician has continuously complied throughout the term of the Recruitment Agreement with all terms and conditions of the Recruitment Agreement, this Recruitment Note and the Physician Security Agreement, and no Event of Default (as defined in Section 3 below) has occurred (i) Hospital shall forgive, on the last day of each month during the Repayment Period, an amount equal to the monthly amount (including Principal and accrued interest) otherwise due to Hospital for such month pursuant to Section 2(a) of this Recruitment Note; and (ii) Hospital shall forgive, on the last day of the Repayment Period, all Costs, if any, owing by Physician.

(d) **Repayment with Excess Receipts.** If Practice Receipts exceed the sum of Guaranteed Monthly Income and Practice Expenses in any month during the Assistance Period, Physician shall pay to Hospital such excess (the “**Excess Receipts**”) within ten (10) days after the end of such month. All payments of Excess Receipts made pursuant to this Section 2(d) shall be applied as follows: first, to Costs, if any; second, to due and unpaid interest; and third, to the outstanding Principal, in inverse order of maturity.

(e) **Forgiveness upon Death or Permanent Disability.** Notwithstanding any other provision of this Recruitment Note to the contrary, Hospital shall forgive the entire then-outstanding balance of Principal and all accrued, unpaid interest owing on the Recruitment Note, together with all other Costs, if any, in the event of Physician’s death or Permanent Disability.

(f) **Prepayment.** Physician shall have the right to prepay the Principal outstanding in whole or in part without penalty. Any partial prepayment shall be applied against the Principal outstanding and shall not postpone the due date of any subsequent monthly installment.

(g) **Application of Payments.** Unless otherwise agreed in writing in advance by Hospital, each payment or forgiveness with respect to this Recruitment Note shall be credited as follows: first, against Costs, if any; second, against accrued and unpaid interest then due and owing; and third, against the Principal outstanding.

3. Events of Default. The termination for any reason of the Recruitment Agreement, other than any automatic termination upon the death or Permanent Disability of Physician, or the occurrence of any Event of Default under the Recruitment Agreement shall constitute an event of default (“**Event of Default**”) under this Recruitment Note.

4. Acceleration. Upon the expiration or termination of the Recruitment Agreement for any reason, except termination pursuant to Sections 7.3, 7.4 or 7.5 of the Recruitment

Agreement, Hospital may, at its option, declare the entire Principal outstanding, together with interest accrued thereon and all other Costs, if any, immediately due and payable to Hospital and Hospital may proceed to exercise any rights or remedies that it may have under this Recruitment Note, at law, equity or otherwise. In the event of such acceleration, Physician may discharge Physician's obligations to Hospital by paying the entire Principal outstanding, plus accrued interest and any other Costs, if any, as set forth in this Recruitment Note.

5. Termination by Physician or in the Event of Government Action. If the Recruitment Agreement is terminated by Physician pursuant to Section 7.3 of the Recruitment Agreement or as a result of Government Action pursuant to Section 7.4 of the Recruitment Agreement, the entire outstanding balance of Principal and accrued interest together with the Costs owing on this Recruitment Note as of the effective date of such termination shall be payable by Physician to Hospital in thirty-six (36) equal monthly installments of Principal and interest commencing as of the date that is one (1) month following the effective date of the termination of the Recruitment Agreement; provided, however, if such repayment terms violate any federal, state or local law, rule, regulation, or Government Action, Physician shall pay to Hospital, on the effective date of the termination of the Recruitment Agreement, the Principal and accrued interest together with the Costs owing on this Recruitment Note as of the effective date of such termination. Physician shall not have any right to offset the amount owing to Hospital under this Section upon termination by any amounts that then or thereafter may be owing by Hospital to Physician whether as a result of the termination or otherwise.

6. Costs of Collection. If Hospital exercises its acceleration rights pursuant to this Recruitment Note, in addition to the Principal outstanding and accrued interest thereon, Hospital shall be entitled to collect all costs of collection, including reasonable attorneys' fees incurred in connection with the protection or realization of collateral and Hospital's reasonable collection efforts, whether or not suit on this Recruitment Note or any foreclosure proceeding is filed. Any and all such costs and expenses shall be payable on demand and secured by the Physician Security Agreement.

7. Continuing Liability. Following the occurrence of an Event of Default, Physician's liability under this Recruitment Note shall not be affected by Hospital's pursuit or non-pursuit of any one or more of its rights, powers or remedies (including, without limitation, its option to accelerate the payment of this Recruitment Note), regardless of the order in which or the extent to which Hospital may pursue any of such rights, powers or remedies, it being understood that the liability of Physician shall cease only upon satisfaction in full of all of Physician's obligations arising under this Recruitment Note and the Recruitment Agreement.

8. No Waiver. No failure on the part of Hospital to exercise any right or remedy under this Recruitment Note, whether before or after a default, shall constitute a waiver of such right or remedy, and no waiver of any past default shall constitute waiver of any future default. No acceptance of a past due installment or other indulgence granted from time to time shall constitute a waiver of the right to insist upon prompt payment, be deemed to be a novation of this Recruitment Note or as a reinstatement of the debt evidenced by this Recruitment Note, or be construed to preclude the exercise of any right which Hospital may have under law, by agreement or otherwise. Physician and each endorser or guarantor hereby expressly waive the benefit of any statute or rule of law or equity which would produce a result contrary to or in

conflict with the foregoing. Physician expressly waives the four (4) year statutory period for civil actions upon written contracts set forth in California Code of Civil Procedure Section 337, and agrees that the statutory period for any actions upon this Recruitment Note shall run for eight (8) years as permitted by California Code of Civil Procedure Section 360.5.

9. Waiver of Notice. Physician and each endorser or guarantor of this Recruitment Note hereby (i) waives presentment, demand, protest and notice of presentment, notice of protest and notice of dishonor of this debt and any other notice respecting this Recruitment Note, and (ii) agrees that Hospital, at any time without notice to such party or such party's consent, may grant extensions of time, without limit as to the number or the aggregate period of such extensions, for the payment of any Principal of or interest accrued thereon.

10. Amendments. This Recruitment Note may be modified or amended only by mutual written agreement of the Parties. Any such modification or amendment must be in writing, dated, signed by the Parties and attached to this Recruitment Note.

11. Assignment. Physician shall not assign, sell, transfer or delegate any of Physician's rights or duties under this Recruitment Note without the prior written consent of Hospital. Hospital may assign its rights and delegate its duties under this Recruitment Note upon written notice to Physician.

12. Business Purposes. Physician represents and warrants that the loan evidenced by this Recruitment Note is being made for business purposes.

13. Choice of Law. This Recruitment Note shall be construed in accordance with and governed by the laws of the State, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of the laws of any jurisdiction other than the State. Physician and each endorser or guarantor hereby submit to jurisdiction in said State for the enforcement of Physician's obligations under this Recruitment Note and under the Physician Security Agreement (as defined in Section 17 below), and waive any and all rights under the laws of any other state to object to jurisdiction within such State.

14. Interest Limitations. Notwithstanding anything to the contrary contained in this Recruitment Note, the total liability for payments in the nature of interest shall not exceed the limits imposed by applicable interest rate laws. If any payments in the nature of interest are held to be in excess of the limits imposed by applicable interest rate laws, any such amount held to be in excess shall be considered payment of Principal and the Principal outstanding shall be reduced accordingly.

15. Notices. Any notice required or permitted to be given in this Recruitment Note shall be given in accordance with the notices provision of the Recruitment Agreement.

16. Referrals. Hospital and Physician acknowledge that the amounts loaned to Physician and Physician's rights and duties under this Recruitment Note in no way require, and in no way are contingent upon the admission, recommendation, referral or any other arrangement for the provision of any item or service offered by Hospital or any Affiliate, to any patients of Physician or Group, Physician's practice, or any contractors, partners, employees or agents of either Physician or any entity Physician associates with to provide professional medical services.

17. Security. This Recruitment Note is secured by a first priority security interest granted by Physician to Hospital in the collateral described in that certain Physician Security Agreement of even date herewith (the “**Physician Security Agreement**”) by and between Physician and Hospital. This Recruitment Note also is guaranteed by Group pursuant to that certain Group Guarantee and Security Agreement of even date herewith by and between Group and Hospital (the “**Group Guarantee**”). All of the provisions contained in the Physician Security Agreement and the Group Guarantee are hereby made a part of this Recruitment Note to the same extent and with the same effect as if they were fully set forth in this Recruitment Note.

18. Severability. If any provision of this Recruitment Note, in whole or in part, or the application of any provision, in whole or in part, is determined to be illegal, invalid or unenforceable by a court of competent jurisdiction, such provision or part of such provision shall be severed from this Recruitment Note, and such severance shall have no effect upon the enforceability, performance or obligations of the remainder of this Recruitment Note, including the remainder of such provision not determined to be illegal, invalid or unenforceable.

19. Successors and Assigns. The provisions of this Recruitment Note shall inure to the benefit of and shall be binding upon the heirs, assigns, successors and representatives of Physician and Hospital, respectively. The term “**Physician**” shall mean Physician and each heir, successor, assign, and representative of Physician as obligor of this Recruitment Note. The term “**Hospital**” shall mean Hospital and each successor, assign, and representative of Hospital as payee or holder of this Recruitment Note.

20. Time of the Essence. Time is of the essence in the performance of Physician’s obligations under this Recruitment Note.

This Recruitment Note is executed on the date first above written, at _____,
_____.

PHYSICIAN

Philip Balikian, M.D., an individual

Exhibit 4.1(b)

PHYSICIAN SECURITY AGREEMENT

THIS PHYSICIAN SECURITY AGREEMENT (this “**Physician Security Agreement**”) is made and entered into as of _____, 20__ (the “**Execution Date**”), by and between Philip Balikian, M.D., an individual, as the debtor (“**Physician**”), and PALOMAR POMERAOD HEALTH, a California district hospital (“**Hospital**”), as the secured party.

RECITALS

A. Physician is obligated to Hospital under that certain Physician Recruitment Agreement by and among Hospital, Physician and Centre for Healthcare, a professional corporation, dated as of even date herewith (the “**Recruitment Agreement**”), and that certain Secured Promissory Note, dated as of even date herewith, executed and delivered by Physician to Hospital (the “**Recruitment Note**”). Unless otherwise defined in this Physician Security Agreement, each capitalized term shall have the meaning given in the Recruitment Agreement.

B. Hospital and Physician wish to enter into this Physician Security Agreement to secure the payment and performance of all indebtedness, liabilities and obligations of Physician due or to become due to Hospital under the Recruitment Note and set forth under the Recruitment Agreement (collectively, the “**Obligations**”).

AGREEMENT

Physician and Hospital agree as follows:

1. Grant of Security Interest. Physician hereby grants to Hospital a security interest in the collateral, as described and defined in **Attachment A** to this Physician Security Agreement (the “**Collateral**”), to secure the payment and performance of all of the Obligations due or to become due, and all modifications, renewals, extensions, rearrangements, substitutions and replacements of such Obligations.

2. Release of Collateral. The Collateral shall be released and relieved of the security interest granted herein, and Physician shall be entitled to unencumbered title thereto and possession thereof, upon full and complete payment, performance, satisfaction, forgiveness or observance of all Obligations in accordance with the terms of this Physician Security Agreement, the Recruitment Note and the Recruitment Agreement. Upon the release of the Collateral, Hospital shall execute and deliver, at Physician’s sole cost and without recourse against Hospital, any necessary instruments of title, release, reassignment and delivery as Physician may reasonably request.

3. **Events of Default.** The termination for any reason of the Recruitment Agreement, other than any automatic termination upon the death or Permanent Disability of Physician, or the occurrence of any Event of Default under the Recruitment Agreement shall constitute an event of default (“**Event of Default**”) under this Physician Security Agreement and shall provide Hospital with the rights and remedies described below.

4. **Rights and Remedies upon Default.** Upon the occurrence and during the continuation of any of the above Events of Default, Hospital may accelerate all of the Obligations and shall have, in addition to all other rights and remedies provided herein or by applicable law, all of the rights and remedies of a secured party under the California Commercial Code (the “**Code**”).

5. **Indemnity and Expenses.** Physician agrees to indemnify Hospital from and against any and all claims, losses and liabilities arising out of or relating to this Physician Security Agreement (including enforcement of this Physician Security Agreement or any actions taken by Hospital pursuant to this Physician Security Agreement), except claims, losses or liabilities resulting from Hospital’s own gross negligence or willful misconduct. Physician will on demand pay to Hospital the amount of any and all reasonable costs and expenses, including the reasonable fees and disbursements of its legal counsel and of any experts or agents, which Hospital may incur in connection with: (i) the exercise or enforcement by Hospital of any of its rights or remedies under this Physician Security Agreement, or (ii) any failure by Physician to perform any of the Obligations.

6. **Physician Remains Liable.** Notwithstanding any other provision of this Physician Security Agreement, (i) Physician shall remain liable under the contracts and agreements included in the Collateral to perform all of Physician’s duties and obligations thereunder to the same extent as if this Physician Security Agreement had not been executed, (ii) the exercise by Hospital of any of its rights under this Physician Security Agreement shall not release Physician from any of Physician’s duties or obligations under the contracts and agreements included in the Collateral, and (iii) Hospital shall not have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Physician Security Agreement, nor shall Hospital be obligated to perform any of the obligations or duties of Physician or to take any action to collect or enforce any claim for payment.

7. **Waivers; Cumulative Remedies.** Physician waives notice of the acceptance of this Physician Security Agreement and all other notices, demands or protests to which Physician might otherwise be entitled by law in respect to this Physician Security Agreement, the Obligations or the Collateral, and which may be lawfully waived. Hospital shall have no duty as to the collection or protection of the Collateral or any income, or as to the preservation of rights against prior parties, nor as to the preservation of any rights pertaining to the Collateral beyond reasonable care in the custody or preservation thereof. Hospital may exercise its rights and remedies with respect to the Collateral without resorting or regard to other security or sources for payment. All rights and remedies of Hospital shall be cumulative and may be exercised singularly or concurrently.

8. **Authorization to File Financings Statement.** Physician authorizes Hospital to prepare and file all financing statements (Form UCC-1), continuation statements (Form UCC-3),

or other written statements or notices required in order to perfect, secure or maintain as perfected Hospital's security interest in the Collateral, without the signature of Physician where permitted by law. Copies of all financing statements, continuation statements or other written statements or notices shall be promptly delivered to Physician.

9. Further Assurances. Each Party shall perform any further acts and execute any further documents, including, without limitation, financing or continuation statements, or amendments thereto, an account control agreement substantially in the form attached hereto as **Attachment B**, and such other instruments, endorsements or notices as may be reasonably necessary or otherwise reasonably requested to perfect, secure or maintain as perfected Hospital's security interest in the Collateral or to carry out the provisions of this Physician Security Agreement.

10. Amendments. This Physician Security Agreement may be modified or amended, waived, discharged or terminated only by an instrument in writing signed by the Party against which enforcement of the amendment, waiver, discharge or termination is sought.

11. Assignment. If at any time or times by sale, assignment, negotiation, pledge or otherwise, Hospital transfers any of the Obligations, such transfer shall carry with it Hospital's rights and remedies under this Physician Security Agreement with respect to the transferred Obligations, and the transferee shall become vested with such rights and remedies whether or not they are specifically referred to in the transfer. If and to the extent Hospital retains any other Obligations, Hospital shall continue to have those rights and remedies.

12. Costs and Fees. Physician agrees to pay reasonable attorneys' fees and all other costs and expenses which may be incurred by Hospital in the enforcement of this Physician Security Agreement, the Obligations, or in any action or proceeding arising out of, or relating to, this Physician Security Agreement.

13. Counterparts. This Physician Security Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

14. Definitions and Incorporation by Reference. All terms used but not expressly defined in this Physician Security Agreement will have the same meaning as set forth in the Code. All terms, provisions and definitions of any loan agreements, guarantees or other credit arrangements between Physician and Hospital are incorporated in this Physician Security Agreement by reference as though set forth in full.

15. Dispute Resolution. All disputes, controversies, claims, questions, or disagreements arising out of or relating to this Physician Security Agreement, shall be litigated in any state or federal court having appropriate jurisdiction and located within the State, County of San Diego. The Parties, by the execution of this Physician Security Agreement, expressly consent to the jurisdiction of any such court, to venue therein and to the service of process in any such action or proceedings, as required by applicable law.

16. Choice of Law. This Physician Security Agreement shall be construed in accordance with and governed by the laws of the State, without giving effect to any choice of

law or conflict of law rules or provisions that would cause the application of the laws of any jurisdiction other than the State.

17. Notices. Any notice required or permitted to be given in this Physician Security Agreement shall be in writing and shall be given in accordance with the notices provision of the Recruitment Agreement.

18. Severability. If any provision, or the application of any provision, of this Physician Security Agreement is determined to be illegal, invalid or unenforceable, that provision shall be severed from this Physician Security Agreement and such severance shall have no effect upon the enforceability, performance or obligations of the remainder of this Physician Security Agreement.

19. Successors and Assigns. This Physician Security Agreement shall be binding upon Physician's heirs, successors, assigns, and representatives and shall inure to the benefit of and be enforceable by Hospital and its successors, assigns, and representatives.

[signature page follows]

Physician and Hospital have executed this Physician Security Agreement on the Execution Date.

PHYSICIAN

Philip Balikian, M.D., an individual

Philip Balikian, M.D.

Physician's principal place of business:

HOSPITAL

Palomar Pomerado Health _____,
a California district hospital

By: Michael H. Covert, F.A.C.H.E.
Its: President/CEO

Hospital's address:

15255 Innovation Drive _____
San Diego, CA 92128 _____

Attachment A

DESCRIPTION OF COLLATERAL

Except to the extent the granting of a security interest is limited by application of law with respect to payments from governmental entities, all present and future right, title and interest of Philip Balikian, M.D., an individual (“**Debtor**”), in and to the following property, whether now owned or later acquired or created: (a) payments and rights to payment from all sources, for goods sold or leased or for services furnished, including, without limitation, all those which are not evidenced by instruments or chattel paper, and whether or not they have been earned by performance (“**Accounts Receivable**”); (b) furniture, fixtures and equipment; (c) rights under contracts with managed care entities; (d) proceeds of letters of credit of which Debtor is named beneficiary; (e) general intangibles; (f) contract rights; (g) chattel paper; (h) instruments; (i) documents; (j) insurance proceeds; (k) all books and records in respect to the foregoing; (l) proceeds of all the foregoing; and (m) all monies from time to time on deposit in Debtor’s business bank account no. _____ with _____ (collectively, the “**Collateral**”), each to the extent used in Debtor’s medical practice or arising out of or related to the provision of professional medical and other health care services performed by Debtor.

Attachment B

ACCOUNT CONTROL AGREEMENT

This Control Agreement (this “**Agreement**”), is entered into this ___ day of _____, 20___, by and among PALOMAR POMERADO HEALTH, a California district hospital (“**Secured Party**”), Philip Balikian, M.D., an individual (“**Debtor**”), and [Name of Bank] (“**Bank**”). Secured Party, Debtor and Bank are sometimes referred to in this Agreement, individually, as a “**Party**” or, collectively, as the “**Parties.**”

RECITAL

Pursuant to that certain Physician Security Agreement of even date herewith, by and between Secured Party and Debtor, Debtor has granted Secured Party a security interest in a deposit account maintained by Bank for Debtor. The Parties are entering into this Agreement to perfect Secured Party’s security interest in that account.

AGREEMENT

Section 1. The Account. Bank maintains a deposit account for Debtor, currently numbered _____ and titled _____ (as such account may be renumbered or retitled, the “**Account**”). All Parties agree that the Account is a “deposit account” within the meaning of Division 9 of the Uniform Commercial Code of the State of California (the “**UCC**”).

Section 2. Control. Bank will comply with instructions originated by Secured Party directing disposition of the funds in the Account without further consent by Debtor. Bank may also comply with instructions directing the disposition of funds in the Account originated by Debtor or its authorized representatives until such time as Secured Party delivers a written notice to Bank that Secured Party is thereby exercising exclusive control over the Account. Such notice is referred to herein as the “**Notice of Exclusive Control.**” Upon receiving a Notice of Exclusive Control, Bank will cease complying with instructions concerning the Account or funds on deposit therein originated by Debtor or its representatives. Bank has not and will not agree with any third party to comply with instructions or other directions concerning the Account or the disposition of funds in the Account originated by such third party without the prior written consent of Secured Party and Debtor.

Section 3. Subordination of Bank’s Security Interest. Bank hereby subordinates all security interests, encumbrances, claims and rights of setoff it may have, now or in the future, against the Account or any funds in the Account other than in connection with the payment of Bank’s customary fees and charges pursuant to its agreement with Debtor and for the reversal of provisional credits.

Section 4. Statements, Confirmations and Notices of Adverse Claims. Bank will send copies of all statements concerning the Account to each of Debtor and Secured Party at the address set forth on the signature page of this Agreement. Upon receipt of written notice of any lien, encumbrance or adverse claim against the Account or any funds credited thereto, Bank will make reasonable efforts promptly to notify Secured Party and Debtor thereof.

4.1(b)-7

Physician Security Agreement

Section 5. Bank's Responsibility. Except for acting on Debtor's instructions in violation of Section 2 above, Bank shall have no responsibility or liability to Secured Party for complying with instructions concerning the Account from Debtor or Debtor's authorized representatives, which are received by Bank before Bank receives a Notice of Exclusive Control and has had reasonable opportunity to act on it. Bank shall have no responsibility or liability to Debtor for complying with a Notice of Exclusive Control or complying with instructions concerning the Account originated by Secured Party, and shall have no responsibility to investigate the appropriateness of any such instruction or Notice of Exclusive Control, even if Debtor notifies Bank that Secured Party is not legally entitled to originate any such instruction or Notice of Exclusive Control.

Section 6. Indemnity. Debtor and Secured Party hereby agree to indemnify and hold harmless Bank, its directors, officers, agents and employees against any and all claims, causes of action, liabilities, lawsuits, demands and damages, including, without limitation, any and all court costs and reasonable attorneys' fees, in any way related to or arising out of or in connection with this Agreement or any action taken or not taken pursuant hereto, except to the extent caused by Bank's gross negligence or willful misconduct or Bank's breach of any of the provisions hereof.

Section 7. Customer Agreement. In the event of a conflict between this Agreement and any other agreement between Bank and Debtor relating to the Account, the terms of this Agreement will prevail; provided, however, that this Agreement shall not alter or affect any mandatory arbitration provision currently in effect between Bank and Debtor pursuant to a separate agreement.

Section 8. Termination. Unless earlier terminated by Bank pursuant to this Section, this Agreement shall continue in effect until Secured Party has notified Bank in writing that this Agreement, or its security interest in the Account, is terminated. Upon receipt of such notice the obligations of Bank hereunder with respect to the operation and maintenance of the Account after the receipt of such notice shall terminate, Secured Party shall have no further right to originate instructions concerning the Account and any previous Notice of Exclusive Control delivered by Secured Party shall be deemed to be of no further force and effect. Bank reserves the right, unilaterally, to terminate this Agreement, such termination to be effective thirty (30) days after written notice thereof is given to Debtor and Secured Party.

Section 9. Complete Agreement; Amendments. This Agreement and the instructions and notices required or permitted to be executed and delivered hereunder set forth the entire agreement of the Parties with respect to the subject matter hereof, and, subject to Section 7 above supersede any prior agreement and contemporaneous oral agreements of the Parties concerning its subject matter. No amendment, modification or (except as otherwise specified in Section 8 above) termination of this Agreement, nor any assignment of any rights hereunder (except to the extent contemplated under Section 12 below), shall be binding on any Party hereto unless it is in writing and is signed by each of the Parties hereto, and any attempt to so amend, modify, terminate or assign except pursuant to such a writing shall be null and void. No waiver of any rights hereunder shall be binding on any Party hereto unless such waiver is in writing and signed by the Party against whom enforcement is sought.

Section 10. Governing Law. This Agreement shall be governed by and construed in accordance with the law of the State of California. The Parties agree that California is the “bank’s jurisdiction” for purposes of the UCC.

Section 11. Severability. To the extent a provision of this Agreement is unenforceable, this Agreement will be construed as if the unenforceable provision were omitted.

Section 12. Successors and Assigns. The terms of this Agreement shall be binding upon, and shall inure to the benefit of, the Parties hereto and their respective successors or heirs and personal representatives. This Agreement may be assigned by Secured Party to any successor of Secured Party under its Security Agreement with Debtor, provided that written notice thereof is given by Secured Party to Bank.

Section 13. Notices. Except as otherwise expressly provided herein, any notice, order, instruction, request or other communication required or permitted to be given under this Agreement shall be in writing and deemed to have been properly given when delivered in person, or when sent by telecopy or other electronic means and electronic confirmation of error-free receipt is received or upon receipt of notice sent by certified or registered United States mail, return receipt requested, postage prepaid, addressed to the Party at the address set below such Party’s name on the signature page of this Agreement. Any Party may change its address for notices in the manner set forth above.

Section 14. Jury Waiver. DEBTOR WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, ANY RIGHTS, REMEDIES, OBLIGATIONS, OR DUTIES HEREUNDER, OR THE PERFORMANCE OR ENFORCEMENT HEREOF OR THEREOF.

Section 15. Counterparts. This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any Party hereto may execute this Agreement by signing and delivering one or more counterparts.

[signature page follows]

The Parties have executed this Agreement on the date first written above.

SECURED PARTY

PALOMAR POMERADO HEALTH,
a California district hospital

By: Michael H. Covert, F.A.C.H.E.
Its: President/CEO

Secured Party's address:

15255 Innovation Drive
San Diego, CA 92128

DEBTOR

Philip Balikian, M.D.,
an individual

Philip Balikian, M.D.

Debtor's address:

BANK

_____,
a California [*type of entity*]

By: _____
Its: _____

Bank's address:

Exhibit 4.2

GROUP GUARANTEE AND SECURITY AGREEMENT

THIS GROUP GUARANTEE AND SECURITY AGREEMENT (this “**Group Guarantee**”) is made and entered into as of _____, 20__ (“**Execution Date**”), by Centre for Healthcare (PIMG) a professional corporation (“**Group**”), in favor of PALOMAR POMERADO HEALTH, a California district hospital (“**Hospital**”).

RECITALS

A. Philip Balikian, M.D., an individual (“**Physician**”), is obligated to Hospital under that certain Physician Recruitment Agreement by and among Hospital, Physician and Group, of even date herewith (the “**Recruitment Agreement**”), and the Secured Promissory Note by and between Hospital and Physician, of even date herewith (the “**Recruitment Note**”). Unless otherwise defined in this Group Guarantee, each capitalized term shall have the meaning given in the Recruitment Agreement.

B. Group now desires to enter into this Group Guarantee to secure the payment and performance of all indebtedness, liabilities and obligations of Physician to Hospital due or to become due under the Recruitment Note (collectively, the “**Obligations**”).

AGREEMENT

Group hereby consents and agrees as follows:

1. **Guarantee.** Group absolutely, unconditionally, and irrevocably promises to pay and perform all of the Obligations due or to become due, and all modifications and renewals, extensions and rearrangements, substitutions, and replacements of such Obligations; provided, however, that Group’s payments under this Group Guarantee shall not exceed the value of Physician’s Accounts Receivable. For purposes of this Group Guarantee, “**Physician’s Accounts Receivable**” shall mean an amount equal to the sum of notes and accounts receivable attributable to professional services furnished by Physician on or before the Default Date, and adjusted to reflect historical collection experience. “**Default Date,**” as the term is used in this Group Guarantee, shall mean the date Physician fails to pay or perform when due any of the Obligations.

2. **Expiration of Group Guarantee.** Group’s guarantee of the Obligations shall expire when the entire Principal amount of the Obligations outstanding, all accrued and unpaid interest thereon, and all other applicable fees, costs and charges, if any, have been satisfied in full.

3. **Grant of Security Interest.** Group hereby grants to Hospital a security interest in the collateral, as defined and described in **Attachment A** to this Group Guarantee (“**Collateral**”), to secure the Obligations. Notwithstanding any other provision of this Group Guarantee, (i) Group shall remain liable under the contracts and agreements included in the Collateral to perform all of its duties and obligations thereunder to the same extent as if this Group Guarantee had not been executed, (ii) the exercise by Hospital of any of its rights under

this Group Guarantee shall not release Group from any of its duties or obligations under the contracts and agreements included in the Collateral, and (iii) Hospital shall not have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Group Guarantee, nor shall Hospital be obligated to perform any of the obligations or duties of Group or to take any action to collect or enforce any claim for payment.

4. Release of Collateral. The Collateral shall be released and relieved of the security interest granted herein, and Group shall be entitled to unencumbered title thereto and possession thereof, upon full and complete payment, performance, satisfaction, forgiveness or observance of all Obligations in accordance with the terms of this Group Guarantee, the Recruitment Note and the Recruitment Agreement. Upon the release of the Collateral, Hospital shall execute and deliver, at Group's sole cost and without recourse against Hospital, any necessary instruments of title, release, reassignment and delivery as Group may reasonably request.

5. Rights and Remedies upon Default. In the event Group fails to satisfy its obligations under this Group Guarantee within ten (10) business days of written demand from Hospital, Hospital may accelerate all of the Obligations and shall have, in addition to all other rights and remedies provided herein or by applicable law, all of the rights and remedies of a secured party under the California Commercial Code (the "**Code**").

6. Independent Obligations.

(a) This Group Guarantee is a primary obligation of Group and is an absolute, unconditional, continuing and irrevocable guarantee of payment and not of collectibility or performance and is in no way conditioned on or contingent upon any attempt to enforce in whole or in part Physician's liabilities and obligations to Hospital. From and after the Default Date, Group shall pay to Hospital such Obligations in immediately available funds. Each occurrence when Physician fails to pay or perform when due any of the Obligations shall give rise to a separate cause of action, and separate suits may be brought under this Group Guarantee as each cause of action arises.

(b) Hospital may, at any time and from time to time (whether or not after revocation or termination of this Group Guarantee) without the consent of or notice to Group, except such notice as may be required by the Recruitment Agreement or applicable law which cannot be waived, without incurring responsibility to Group, without impairing or releasing the obligations of Group under this Group Guarantee, upon or without any terms or conditions and in whole or in part:

- (i) change the manner, place and terms of payment or performance or change or extend the time of payment or performance of, renew, or alter any Obligation, or any obligations and liabilities (including any of those under this Group Guarantee) incurred directly or indirectly or in any manner modify, amend or supplement the terms of the Recruitment Agreement, or any documents, instruments or agreements executed in connection with the Recruitment Agreement or pertaining to the Obligations and this Group Guarantee shall apply to the Obligations, as changed,

extended, renewed, modified, amended, supplemented or altered in any manner;

- (ii) exercise or refrain from exercising any rights against Physician or others (including Group) or otherwise act or refrain from acting;
- (iii) add, release, or substitute one or more guarantors from its obligations without affecting or impairing the Obligations of Group under this Group Guarantee;
- (iv) settle, compromise, release, collect or otherwise liquidate the Obligations or any part thereof and/or any other obligations and liabilities incurred directly or indirectly, and may subordinate the payment of all or any part thereof to the payment of any obligations and liabilities which may be due to Hospital or others;
- (v) sell, exchange, release, surrender, realize upon or otherwise deal with in any manner or in any order any property securing the Obligations or any other liabilities or obligations incurred directly or indirectly and/or any offset there against;
- (vi) apply any sums to any obligations and liabilities of Physician to Hospital under the Recruitment Agreement in the manner provided in the Recruitment Agreement, regardless of what obligations and liabilities remain unpaid;
- (vii) consent to or waive any breach of, or any act, omission or default under, the Recruitment Agreement;
- (viii) amend, modify or supplement the Recruitment Agreement or any of such other instruments or agreements; and/or
- (ix) act or fail to act in any manner which may deprive Group of its right to subrogation against Physician to recover full indemnity for any payments made pursuant to this Group Guarantee or of its right of contribution against any other party.

(c) From and after the Execution Date of this Group Guarantee, Group shall use its best efforts to ensure that Physician has a patient load sufficient to enable Physician to provide professional medical services on a full-time basis in the Service Area.

(d) From and after the Execution Date of this Group Guarantee, Group shall use its best efforts to establish and maintain an accurate bookkeeping system for all practice expenses, payments, and patient billings and receipts of Physician, and to allow Hospital to inspect or audit, during regular business hours, such books and records for purposes of monitoring compliance with the terms and conditions of the Recruitment Agreement.

(e) From and after the Execution Date of this Group Guarantee, Group shall provide and arrange for the billing and collection for the professional medical and other health

care services provided by Physician in a manner consistent with legal and contractual requirements.

(f) From and after the Execution Date of this Group Guarantee, Group shall, to the extent it is responsible, take all necessary and reasonable steps to ensure that Physician's accounts receivable are promptly collected from Physician's patients and any payors responsible for such patients, and all such collections are immediately recorded in order to calculate the amount of any loan payments due under the Income Guarantee Advances.

7. Waivers. Group hereby waives and relinquishes all rights and remedies accorded by applicable law to sureties or guarantors and agrees not to assert or take advantage of any such rights or remedies, including, without limitation:

(a) any right to require Hospital to proceed against Physician or any other person or to proceed against or exhaust any security held by Physician at any time or to pursue any other remedy in Physician's power before proceeding against Group;

(b) any defense that may arise by reason of the incapacity, lack of power or authority, death, insolvency or bankruptcy, termination or disability of Physician or any other person or the failure of Hospital to file or enforce a claim against the estate (in administration, bankruptcy or any other proceeding) of Physician or any other person;

(c) any demands for performance, presentments, protests, notices of non-performance, notices of acceptance of this Group Guarantee, notices of default, notices of dishonor or nonpayment and all other notices of any kind, including, without limitation, notices of the existence, creation or incurrence of any new or additional indebtedness or obligation or of any action or non-action on the part of Physician, Hospital, any endorser or creditor of Physician or Group or on the part of any other person under this or any other instrument in connection with any obligation or evidence of indebtedness held by Hospital as collateral or in connection with any Obligations;

(d) any defense based upon an election of remedies by Hospital;

(e) any defense based on any offset against any amounts which may be owed by any person to Group for any reason whatsoever;

(f) any defense based on any act, failure to act, delay or omission whatsoever on the part of Physician or Physician's failure to do any act or thing or to observe or perform any covenant, condition or agreement to be observed or performed by Physician under the Recruitment Agreement;

(g) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the Principal provided, that, upon payment in full of the Obligations, this Group Guarantee shall no longer be of any force or effect;

(h) any defense, setoff or counterclaim which may at any time be available to or asserted by Physician against Hospital, or any other person under the Recruitment Agreement;

(i) any duty on the part of Hospital to disclose to Group any facts Hospital may now or hereafter know about Physician, regardless of whether Hospital has reason to

believe that any such facts materially increase the risk beyond that which Group intends to assume, or has reason to believe that such facts are unknown to Group, or has a reasonable opportunity to communicate such facts to Group, since Group acknowledges that Group is fully responsible for being and keeping informed of the financial condition of Physician and of all circumstances bearing on the risk of non-payment of any obligations and liabilities guaranteed by this Group Guarantee;

(j) any defense arising because of Hospital's election, in any proceeding instituted under the Federal Bankruptcy Code, of the application of Section 1111(b)(2) of the Federal Bankruptcy Code; and

(k) any defense based upon any borrowing or grant of a security interest under Section 364 of the Federal Bankruptcy Code.

8. Continuing Guarantee. This Group Guarantee shall remain in full force notwithstanding the appointment of a receiver to take possession of all or substantially all of Physician's assets, or an assignment by Physician for the benefit of creditors, or any action taken or suffered by Physician under any insolvency, bankruptcy, reorganization, moratorium, or other debtor relief act or statute, whether now existing or later amended or enacted, or the disaffirmance of the Recruitment Agreement in any action or otherwise.

9. Indemnity and Expenses. Group agrees to indemnify Hospital from and against any and all claims, losses and liabilities arising out of or relating to the Group Guarantee (including enforcement of this Group Guarantee or any actions taken by Hospital pursuant to this Group Guarantee), except claims, losses or liabilities resulting from Hospital's own gross negligence or willful misconduct. Group will on demand pay to Hospital the amount of any and all reasonable costs and expenses, including the reasonable fees and disbursements of its legal counsel and of any experts or agents, which Hospital may incur in connection with the exercise or enforcement of this Group Guarantee, the Obligations, or in any action or proceeding arising out of, or relating to, this Group Guarantee.

10. Authorization to File Financings Statement. Group authorizes Hospital to prepare and file all financing statements (Form UCC-1), continuation statements (Form UCC-3), or other written statements or notices required in order to perfect, secure or maintain as perfected Hospital's security interest in the Collateral, without the signature of Group where permitted by law. Copies of all financing statements, continuation statements or other written statements or notices shall be promptly delivered to Group. Group tax identification number is

_____.

11. Further Assurances. Each Party shall perform any further acts and execute any further documents, including, without limitation, financing or continuation statements, or amendments thereto, and such other instruments, endorsements or notices as may be reasonably necessary or otherwise reasonably requested to perfect, secure or maintain as perfected Hospital's security interest in the Collateral or to carry out the provisions of this Group Guarantee.

12. Amendments. The terms and provisions of this Group Guarantee may not be waived, altered, modified, or amended except in a writing signed by Hospital and Group.

13. Assignment. If at any time or times by sale, assignment, negotiation, pledge or otherwise, Hospital transfers any of the Obligations, such transfer shall carry with it Hospital's rights and remedies under this Group Guarantee with respect to the transferred Obligations, and the transferee shall become vested with such rights and remedies whether or not they are specifically referred to in the transfer. If and to the extent Hospital retains any other Obligations, Hospital shall continue to have those rights and remedies.

14. Counterparts. This Group Guarantee may be executed in any number of counterparts, each of which shall be a valid and binding original, but all of which together shall constitute one and the same instrument.

15. Definitions and Incorporation by Reference. All terms used but not expressly defined in this Group Guarantee will have the same meaning as set forth in the Code. All terms, provisions and definitions of any loan agreements, guarantees or other credit arrangements between Group and Hospital or Physician and Hospital are incorporated in this Group Guarantee by reference as though set forth in full.

16. Dispute Resolution. All disputes, controversies, claims, questions, or disagreements arising out of or relating to this Group Guarantee, shall be litigated in any state or federal court having appropriate jurisdiction and located within the State, County of San Diego. Group, by the execution of this Group Guarantee, expressly consents to the jurisdiction of any such court, to venue therein and to the service of process in any such action or proceedings, as required by applicable law.

17. Choice of Law. This Group Guarantee shall be construed in accordance with and governed by the laws of California, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of the laws of any jurisdiction other than California.

18. Joint and Several Obligations. If this Group Guarantee is signed, or if the obligations of Physician are otherwise guaranteed, by more than one party, their obligations shall be joint and several, and the release or limitation of liability of any one or more of the guarantors shall not release or limit the liability of any other guarantors.

19. Representations. Group represents and warrants that it is informed of the financial condition of Physician and all other circumstances which a diligent inquiry would reveal and which would bear upon the risk of non-payment or nonperformance of the Obligations. Group further agrees that it shall assume full responsibility for keeping itself informed with respect to Physician's financial condition and any other circumstances which might bear upon the risk of non-payment or non-performance of the Obligations.

20. Review by Group's Legal Counsel. GROUP ACKNOWLEDGES THAT IT HAS BEEN GIVEN THE OPPORTUNITY TO CONSULT AN ATTORNEY. GROUP WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS GROUP GUARANTEE WITH ITS LEGAL COUNSEL OR VOLUNTARILY DECIDED NOT TO CONSULT WITH AN ATTORNEY REGARDING ITS RIGHTS UNDER THIS GROUP GUARANTEE AND

THAT IT KNOWINGLY AND VOLUNTARILY CONSENTS TO THE TERMS, CONDITIONS AND WAIVERS OF THIS GROUP GUARANTEE.

21. Severability. If any provision, or the application of any provision, of this Group Guarantee is determined to be illegal, invalid or unenforceable, that provision shall be severed from this Group Guarantee and such severance shall have no effect upon the enforceability, performance or obligations of the remainder of this Group Guarantee.

22. Subrogation. Until the Obligations have been paid in full: (a) Group shall not have any right of subrogation and waives all rights to enforce any remedy which Hospital may now have or hereafter have against Physician, and waives the benefit of, and all rights to participate in, any security now or hereafter held by Hospital from Physician; and (b) Group waives any claim, right or remedy which Group may now have or hereafter acquire against Physician that arises under this Group Guarantee and/or from Group's performance under this Group Guarantee, including, without limitation, any claim, remedy or right of subrogation, reimbursement, exoneration, contribution, indemnification, or participation in any claim, right or remedy of Hospital against Physician, or any security which Hospital may now have or hereafter acquire, whether or not such claim, right or remedy arises in equity, under contract, by statute, under common law or otherwise.

23. Successors and Assigns. This Group Guarantee shall be binding upon Group and Group's successors, assigns, and representatives and shall inure to the benefit of Hospital and Hospital's successors, assigns, and representatives.

[signature page follows]

Group has executed and delivered this Group Guarantee on the Execution Date.

GROUP

Centre for Healthcare (PIMG),
a professional corporation

By: _____

Its: _____

Attachment A

DESCRIPTION OF COLLATERAL

Except to the extent the granting of a security interest is limited by application of law with respect to payments from governmental entities, all present and future right, title and interest of Centre for Healthcare (PIMG), a professional corporation (“**Debtor**”), in and to the following property, whether now owned or later acquired or created: Physician’s Accounts Receivable comprising the payments and rights to payment from all sources, for services furnished by Physician, including, without limitation, all those which are not evidenced by instruments or chattel paper, and whether or not they have been earned by performance (the “**Collateral**”).

Exhibit 6.3

CODE OF CONDUCT

1. I will perform my duties faithfully and to the best of my ability, and in the interest of PPH as it relates to services provided under this agreement.
2. I will not lie, cheat, steal, or violate any law in connection with my practice at any PPH facility.
3. I will not pay or arrange for PPH to pay any person or entity for the referral of patients to PPH, nor will I accept any payment or arrange for PPH to accept any payment for referrals from PPH.
4. I will not participate in any false billing of patients, government entities or any other party, nor will I participate in the preparation of any false cost reports, or other type of report submitted to the government.
5. I will not engage in any conduct or practice that conflicts with interest of PPH, as it relates to services provided under this agreement.
6. I will not use PPH's confidential or proprietary information gathered during my association with PPH for my own personal benefit.
7. I will not obtain any improper personal benefits by virtue of my practice at PPH facilities.
8. I will notify the compliance officer of PPH immediately upon the receipt (at work or home) of an inquiry, subpoena (other than for routine licensing or tax matters) or other agency or government request for information regarding PPH.
9. I will not destroy or alter information or documents in anticipation of or in response to, a request for documents by any applicable government agency or from a court of competent jurisdiction.
10. I will not engage in any business practice intended to unlawfully obtain favorable treatment or business from any government entity, physician, patient, vendor or any other party in a position to provide such treatment or business.
11. I will not accept any gift of more than nominal value, and hospitality or entertainment that because of its source or value might influence my independent judgment in transactions involving PPH.
12. I will not provide any gifts to any government or public agency representative as it relates to services provided under this agreement.
13. I will disclose any financial interest, ownership interest compensation arrangement or contractual relationship that I or a member of my immediate family has with a PPH vendor or competitor.
14. I will not disclose confidential medical information pertaining to PPH patients without the express written consent of the patient in accordance with HIP AA, other applicable law and PPH applicable policies or procedures.
15. I will promptly report all violations or suspected violations of this code by myself to the compliance officer of PPH.
16. I will not conspire with a competitor of PPH to illegally fix prices, labor cost, allocate markets, or

engage in group boycotts.

Exhibit 8.15

OBLIGATIONS UNDER THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996 (“HIPAA”)

1. **Definitions.**

- a. **“Designated Record Set”** shall have the meaning given to such term under the Privacy Rule (as defined below).
- b. **“HIPAA Obligations”** means the obligations of Group and Physician as set forth in this Exhibit.
- c. **“Privacy Rule”** means the HIPAA Regulation that is codified at 45 CFR Parts 160 and 164, or applicable successor provisions, as may be amended from time to time.
- d. **“Protected Health Information”** means any information, whether oral or recorded in any form or medium that: (i) relates to the past, present or future physical or mental condition of an individual; the provision of health care to an individual; or the past, present or future payment for the provision of health care to an individual, and (ii) identifies the individual or with respect to which there is a reasonable basis to believe the information can be used to identify the individual, or is defined as such under the Privacy Rule.
- e. **“Protected Information”** means Protected Health Information provided by Hospital to Group or Physician or created or received by Group or Physician on Hospital’s behalf.
- f. **“Required by Law”** shall have the meaning given to such term under the Privacy Rule.

2. **Use of Protected Information.** Neither Group nor Physician shall use Protected Information except as permitted by and for the purpose of performing their respective obligations under this Agreement. Neither Group nor Physician shall use Protected Information in any manner that would constitute a violation of the Privacy Rule if so used by Hospital.

3. **Permitted Disclosures.** Neither Group nor Physician shall disclose Protected Information, except as expressly permitted or required by this Agreement or as Required by Law. Further, neither Group nor Physician shall disclose Protected Information in any manner that would constitute a violation of the Privacy Rule if so used by Hospital.

4. **Appropriate Safeguards.** Group shall implement appropriate safeguards as are necessary to prevent the use or disclosure of Protected Information other than as permitted by this Agreement.

5. **Reporting of Improper Use or Disclosure.** Group shall notify Hospital in writing of any use or disclosure of Protected Information other than as provided for by this Agreement and this Exhibit within two (2) days of becoming aware of such use or disclosure.
6. **Employees and Agents of Group and Physician.** Group and Physician shall ensure that any of their respective employees and agents, including subcontractors, to whom either provides Protected Information, agree in writing to the same restrictions and conditions that apply to Group and Physician with respect to such Protected Information.
7. **Access to Protected Information.** Group and Physician shall make Protected Information maintained by Group, Physician or their respective employees, agents or subcontractors available to Hospital for inspection and copying within ten (10) days of a request by Hospital for any purpose.
8. **Amendment of Protected Health Information.** Within ten (10) days of receipt from Hospital of a request for an amendment of Protected Information or a record maintained by Group, Physician or their respective employees, agents or subcontractors, Group or Physician shall make such Protected Information available to Hospital for amendment and incorporate any such amendment in such record.
9. **Accounting Rights.** Within ten (10) days of notice by Hospital of a request for an accounting of disclosures of Protected Information, Group and Physician and their respective employees, agents or subcontractors shall provide to Hospital an accounting of disclosures sufficient to enable Hospital to fulfill its obligations under the Privacy Rule. As set forth and as limited by the Privacy Rule, neither Group nor Physician shall provide an accounting to Hospital of disclosures: (i) to carry out treatment, payment or health care operations; (ii) to individuals of Protected Information about them; (iii) to persons involved in the individual's care; (iv) for national security or intelligence purposes; or (v) to correctional institutions or law enforcement officials. Group and Physician agree to maintain information on disclosures by Group, Physician and their respective employees, agents or subcontractors for at least six (6) years following the disclosure, but not before the compliance date of the Privacy Rule. At a minimum, such information shall include: (A) the date of disclosure; (B) the name of the entity or person who received Protected Information and, if known, the address of the entity or person; (C) a brief description of Protected Information disclosed; and (D) a brief statement of purpose of the disclosure that reasonably informs the individual of the basis for the disclosure, or copy of the individual's authorization, or a copy of the written request for disclosure.
10. **Access to Records.** Group and Physician shall make their respective internal practices, books and records relating to the use and disclosure of Protected Information available to Hospital for purposes of determining Group's or Physician's compliance with this Agreement or, at the request of Hospital, to the Secretary of the U.S. Department of Health and Human Services, for purposes of determining Hospital's compliance with the Privacy Rule.

11. **Retention of Protected Information.** Except as provided in Sections 12 and 13 of this Exhibit, Group, Physician and their respective employees, agents or subcontractors shall retain all Protected Information throughout the term of this Agreement and shall continue to maintain the information required under Section 9 for a period of six (6) years after expiration or termination of this Agreement.
12. **Term of Obligations.** Group's and Physician's HIPAA Obligations shall commence as of the compliance date of the Privacy Rule, and shall terminate when all of the Protected Information is destroyed or returned to Hospital, or, if it is infeasible to return or destroy Protected Information, protections are extended to such information, in accordance with Section 13 of this Exhibit.
13. **Effect of Termination.** Upon expiration or termination of this Agreement for any reason, Group and Physician shall return or destroy all Protected Information that Group, Physician or their respective employees, agents or subcontractors still maintain in any form, and shall retain no copies of such Protected Information. If return or destruction is not feasible, as determined by Hospital, Group and Physician shall continue to extend the protections of this Exhibit to such information, and limit further use of such Protected Health Information to those purposes that make the return or destruction of such Protected Health Information infeasible.
14. **Amendment.** The Parties agree to take such action as is necessary to amend HIPAA Obligations from time to time in order for Hospital to comply with the requirements of the Privacy Rule, HIPAA and other applicable laws relating to the security or confidentiality of Protected Health Information.
15. **Interpretation of Obligations.** The HIPAA Obligations shall be interpreted as broadly as necessary to implement and comply with HIPAA and the Privacy Rule. The Parties acknowledge and agree that any ambiguity in the HIPAA Obligations shall be resolved in favor of a meaning that complies and is consistent with HIPAA and the Privacy Rule.