

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

221



FORM APPROVED COUNTY COUNSEL 4/5/16
DATE
BY: GREGORY P. PRIAMOS

FROM: Riverside University Health System

SUBMITTAL DATE:
March 31, 2016

SUBJECT: County's Proposed Membership in University Preferred Health Partners, a California Nonprofit Public Benefit Corporation Established by Loma Linda University Health, a California Nonprofit Religious Corporation; District 5; [1,000,000 from Hospital Enterprise Fund].

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve and authorize expenditures not to exceed \$1,000,000 through June 30, 2017, to be paid by reducing by \$1,000,000 the Memorandum of Understanding (MOU) with Inland Empire Health Plan (IEHP) for regional strategic planning (approved as 3-31 of 9/22/15);
2. Approve the attached form of Contribution Agreement by and between Loma Linda University Health (LLUH) as Founder of University Preferred Health Partners (UPHP), and the County on behalf of Riverside University Health System (RUHS), and authorize the Chairman to execute the finalized agreement, subject to approval of County Counsel, on behalf of the County;
3. Authorize the Assistant CEO – Health System to execute a Participation Agreement setting forth the terms of having RUHS-MC become a participating provider in UPHP, subject to no additional expenditure of funds and approval of County Counsel;
4. Authorize the CEO to appoint four (4) County representatives to the UPHP Governing Board, including a representative from the Executive Office as well as representation from the Hospital and Medical Staff. Elected Officials shall not serve on the Governing Board.

Zareh Sarafian
Zareh Sarafian
Asst. CEO – Health System

Departmental Concurrence

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 250,000	\$ 750,000	\$ 1,000,000	\$	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$	\$	\$	\$	

SOURCE OF FUNDS: Hospital Enterprise Fund 40050 from previously approved Epic budget

Budget Adjustment: None
For Fiscal Year: 15/16, 16/17

C.E.O. RECOMMENDATION:

APPROVE

BY: *Christopher M. Hans*
Christopher M. Hans

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Jeffries, seconded by Supervisor Benoit and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Tavaglione, Washington, Benoit and Ashley
Nays: None
Absent: None
Date: April 12, 2016
xc: RUHS

Kecia Harper-Ihem
Clerk of the Board
By: *Kecia Harper-Ihem*
Deputy

- A-30
- Positions Added
- 4/5 Vote
- Change Order

Prev. Agn. Ref.: 3.60/12-08-15 | District: 5 | Agenda Number:

3-15

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

FORM 11: County's Proposed Membership in University Preferred Health Partners, a California Nonprofit Public Benefit Corporation Established by Loma Linda University Health, a California Nonprofit Religious Corporation; District 5; [1,000,000 from Hospital Enterprise Fund].

DATE: March 31, 2016

PAGE: 2 of 2

BACKGROUND:

Summary

All funding included in today's Board action is part of the existing Board-approved \$53.1 million Epic budget. One element of the budget is an MOU with IEHP (Item 3-31 of September 22, 2015) approved at \$6.6 million. Recent estimates are that costs associated with this MOU will be less than \$4 million. Therefore, the MOU can be reduced by \$1 million to cover the CIN cost. There is no overall increase to the Epic budget as a result of today's action.

On December 8, 2015, agenda item 3.60, the Board of Supervisors authorized acceptance of the invitation to become a member of University Preferred Health Partners (UPHP), a California nonprofit public benefit corporation founded for the purpose of developing, implementing and managing a clinically integrated network of health care providers serving residents of the Inland Empire and surrounding counties. By forming the clinically integrated network (CIN), UPHP seeks to promote greater accountability for quality, effectiveness and efficiency of health care in the affected communities; to improve the coordination of health care items and services, encourage investment in infrastructure and service delivery and provide for the delivery of higher value care. This is consistent with the RUHS strategic process for implementation of the Epic electronic health record system in conjunction with LLUH.

In addition to LLUH, it is anticipated that there will be up to two (2) additional initial members. It is anticipated that each of the initial members will have four (4) representatives who will serve as Directors of the Governing Board. There will also be up to seven (7) at-large Directors appointed by the Corporate Members (Directors appointed by the 4 initial members).

The \$500,000 contribution toward CIN administration will consist of two installments of \$250,000. The first installment is payable upon the adoption of Amended and Restated Bylaws of UPHP to provide for the governance of the company and for its members, which will include Riverside County. The second installment will be due in December 2016. The additional \$500,000 funding will be reserved and used for future investments in consultant services and necessary infrastructure, on an as-needed and agreed-upon basis, subject to member approval.

Impact on Citizens and Businesses

The membership in UPHP will allow the county as well as the other members to provide better access to higher quality of health care in the Inland Empire based upon availability, safety, effectiveness, patient centered care, patient education; preventative care, timeliness, efficiency and equity.

SUPPLEMENTAL:

Additional Fiscal Information

All funding included in today's Board action is part of the existing Board-approved \$53.1 million Epic budget. One element of the budget is an MOU with IEHP (Item 3-31 of September 22, 2015) approved at \$6.6 million. Recent estimates are that costs associated with this MOU will be less than \$4 million. Therefore, the MOU can be reduced by \$1 million to cover the CIN cost. There is no overall increase to the Epic budget as a result of today's action.

Contract History and Price Reasonableness

NA

CONTRIBUTION AGREEMENT

This Contribution Agreement ("*Agreement*") is made as of June 28, 2016, by and among University Preferred Health Partners, a California nonprofit public benefit corporation (the "*Company*"), Loma Linda University Health, a California nonprofit religious corporation ("*Founder*"), and County of Riverside, d.b.a. Riverside University Health System, a political subdivision of the State of California ("*Contributor*"). The Company, Founder and Contributor may each be referred to herein as a "*Party*" and collectively as the "*Parties*."

RECITALS

WHEREAS, Founder formed the Company for the purpose of developing, operating and managing a clinically integrated network (the "*Network*") of health care providers serving residents of the Inland Empire and surrounding counties (the "*Service Area*"), substantially consistent with the terms and conditions of the Term Sheet attached hereto as Exhibit A (the "*Term Sheet*").

WHEREAS, the Company will be operated as a nonprofit public benefit corporation, and its mission will include the following: (i) development of a comprehensive health care delivery system to meet the needs of the patient population in the Service Area, including Medi-Cal enrollees; (ii) provision of greater access to health care services for the patient population in the Service Area; and (iii) improvement of the health of the patient population within the Service Area.

WHEREAS, in furtherance of the Company's nonprofit mission, Contributor desires to become a corporate member in the Company and become a participating provider in the Network.

WHEREAS, pursuant to this Agreement, Contributor is making a commitment to become a member of the Company and, together with other initial members, to fund a portion of the start-up and development costs of the Network pursuant to the terms and conditions of this Agreement.

AGREEMENT

ARTICLE 1 MEMBERSHIP INTERESTS

1.1 Articles and Bylaws of the Company. On or before the Initial Funding Date (as defined below), the Company will have adopted Amended and Restated Articles of Incorporation and Amended and Restated Bylaws of the Company that will govern the Company and its members.

1.2 Membership Interests. Subject to the terms and conditions hereof, in connection with the Funding (as defined below), Contributor will contribute to the Company the funds set forth on Exhibit B (the "*Funding Contribution*"), and the Company will reflect in its books and records the percentage membership interest in the Company set forth on Exhibit B attached hereto (the "*Membership Interest*").

ARTICLE 2 FUNDING

2.1 Funding Date. Contributor will make one half of its Funding Contribution on May [], 2016 (the "**Initial Funding**") via wire transfer of immediately available funds to the account specified by the Company and will make one half of its Funding Contribution (the "**Second Funding**" and, together with the Initial Funding, the "**Funding**") at such time and place as shall be determined by the Board of Directors of the Company; provided, however, that the Second Funding shall occur no earlier than September 1, 2016 and no later than December 31, 2016. The date of the Initial Funding is hereinafter referred to as the "**Initial Funding Date**," and the date of the Second Funding is hereinafter referred to as the "**Second Funding Date**."

2.2 Deliveries at Funding. At each Funding, the Company will record on its official books and records the portion of the Funding Contribution then made by Contributor and the resulting Membership Interest, in Contributor's name. In addition, any items required by Article 5 shall be delivered. Documents may be delivered at each Funding by facsimile or other electronic means. All actions to be taken and all documents to be executed or delivered at each Funding shall be deemed to have been taken, executed and delivered simultaneously, and no action shall be deemed taken and no document shall be deemed executed or delivered until all have been taken, delivered and executed.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES BY THE COMPANY AND THE FOUNDER

The Company and the Founder each hereby make the following representations and warranties to Contributor, which shall be true, correct and complete in all material respects on the date hereof and as of the Initial Funding Date:

3.1 Organization and Standing; Governing Documents. The Company is a nonprofit public benefit corporation, duly organized as of November 6, 2015, and existing under, and by virtue of, the laws of the State of California and is in good standing under such laws. The Company has furnished Contributor's counsel with copies of its organizational documents, which are true, correct and complete and contain all amendments through the Initial Funding Date, if any.

3.2 Sole Member. Prior to the Initial Funding Date, the Founder was the sole member of the Company.

3.3 No Material Contracts or Agreements. The Company is not a party to or bound by any material contract, obligation or commitment that involves a potential material commitment; provided, however, that the Company will be entering into additional contribution agreements and Network participation agreements in connection with the initial development of the Company, consistent with the Term Sheet.

3.4 Compliance with Laws. To the best of Company's and Founder's knowledge, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby nor compliance with any of the provisions hereof violates any statute,

ordinance, bylaw, code, rule, regulation, restriction, order, judgment, writ, injunction, decree, determination or award of any governmental authority having jurisdiction over Company and/or Founder or any of Company's or Founder's assets or businesses.

3.5 No Conflict. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby nor compliance with any of the provisions hereof conflicts with, or results in, a breach of Company's corporate or governing documents.

3.6 Authorization. This Agreement and the transactions contemplated hereby have been duly authorized by the Company and the Founder, and when executed and delivered by the Company and the Founder will constitute legal, valid and binding obligations of each of the Company and the Founder, enforceable against each in accordance with its terms.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE CONTRIBUTOR

Contributor hereby makes the following representations and warranties to the Company and to the Founder, which shall be true, correct and complete in all material respects on the date hereof and as of the Initial Funding Date:

4.1 Contributor Expectations.

(a) Contributor acknowledges that the Company is a California nonprofit public benefit corporation that, by law, may not make any distributions to its corporate members.

(b) Contributor has engaged such experts as it deems to be reasonably necessary to advise it in connection with the entry by Contributor into this Agreement, its funding commitment hereunder and the transactions contemplated hereby, such that Contributor is capable of evaluating the merits and risks of making the Funding Contribution and becoming a corporate member in the Company.

(c) Contributor understands that the Membership Interest will not be transferable or subject to sale, pledge, or otherwise disposed of except in accordance with the Bylaws of the Company.

(d) Contributor (i) has received all information that Contributor deems necessary to make an informed funding decision with respect to its acquisition of the Membership Interests in the Company, and (ii) has had the unrestricted opportunity to make such investigation as Contributor desires pertaining to the Company to verify any information furnished to Contributor.

4.2 Financial Ability. Contributor has, and will have on each of the Initial Funding Date and the Second Funding Date, sufficient cash on hand from Contributor's immediately available internal organization funds or available under a currently established committed credit facility or unutilized lines of credit with financial institutions to consummate the transactions contemplated by this Agreement and perform its obligations hereunder.

4.3 Compliance with Laws. To the best of Contributor's knowledge, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby nor compliance with any of the provisions hereof violates any statute, ordinance, bylaw, code, rule, regulation, restriction, order, judgment, writ, injunction, decree, determination or award of any governmental authority having jurisdiction over Contributor or any of Contributor's assets or businesses.

4.4 No Conflict. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby nor compliance with any of the provisions hereof conflicts with, or results in, a breach of Contributor's corporate or governing documents.

4.5 Authorization. Contributor, County of Riverside, is a political subdivision of the State of California. This Agreement, as well as any funding contemplated by this agreement is subject to approval of the Riverside County Board of Supervisors, which approval has been obtained. This Agreement, when executed and delivered by Contributor, will constitute legal, valid and binding obligations of Contributor, enforceable in accordance with its terms.

ARTICLE 5 CONDITIONS TO FUNDING

5.1 Conditions to Contributor's Funding Obligation. The obligation of Contributor to take the actions contemplated hereby is subject to the fulfillment of the following conditions, any of which may be waived in writing by Contributor:

(a) Representations and Warranties Correct. The representations and warranties made by the Company and the Founder set forth in Section 3 hereof shall be true and correct in all material respects on the Initial Funding Date, with the same effect as though made on and as of such date, except for representations and warranties made as of a specific date, which shall be true and correct in all material respects as of such date.

(b) Covenants. All covenants, agreements and conditions contained in this Agreement to be performed by the Company or the Founder on or prior to the Initial Funding Date or Second Funding Date, as applicable, shall have been performed or complied with in all material respects, and all consents and any and all regulatory authorizations, approvals, orders, certifications, licenses, approvals, notices, filings or submissions which are required to be obtained or furnished by the Company to lawfully consummate and perform this Agreement and the transactions contemplated shall have been obtained or furnished.

(c) Amended Charter Documents. The Company's Articles of Incorporation and Bylaws shall have been amended and restated as necessary to consummate the transactions contemplated by this Agreement to the reasonable satisfaction of Contributor.

(d) Additional Contributions. The Company shall have binding funding commitments from each of the Founder, Riverside Medical Clinic and Loma Linda University Faculty Medical Group in an amount and on substantially the same terms as set forth herein.

5.2 Conditions to Company's Obligation. The obligation of Company to take the actions contemplated hereby is subject to the fulfillment of the following conditions, any of which may be waived in writing by the Company:

(a) Representations. The representations made by Contributor hereof shall be true and correct in all material respects on the Funding Date.

(b) Additional Contributions. The Company shall have binding funding commitments from each of the Founder, Riverside Medical Clinic and Loma Linda University Faculty Medical Group in an amount and on substantially the same terms as set forth herein.

ARTICLE 6 MISCELLANEOUS

6.1 Survival. The representations and warranties contained herein or made pursuant to this Agreement shall survive the Initial Funding Date for a period of twelve (12) months and shall in no way be affected by any investigation made by or on behalf of a Contributor or the Company. The covenants, agreements and obligations contained herein or made pursuant to this Agreement that by their terms apply or are to be performed in whole on or prior to the Initial Funding Date or the Second Funding Date, as applicable, shall survive until thirty (30) days following the expiration of the statute of limitations with respect to such covenant, agreement or obligation; and the covenants, agreements and obligations that by their terms apply or are to be performed in whole or in part after the Initial Funding Date or the Second Funding Date, as applicable, shall survive until the later of the date such covenant, agreement or obligation is fully performed or thirty (30) days following the expiration of the statute of limitations with respect to such covenant or agreement.

6.2 Successors and Assigns. Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns and administrators of the Parties hereto.

6.3 Entire Agreement; Amendment. This Agreement and the schedules and exhibits hereto, and the other documents delivered pursuant hereto at each Funding, constitute the full and entire understanding and agreement between the Parties with regard to the subjects hereof and thereof, and no Party shall be liable or bound to any other Party in any manner by any representations, warranties or covenants except as specifically set forth herein or therein. This Agreement may be amended or modified only upon the written consent of the Company and Contributor. Any amendment effected in accordance with this Section will be binding upon the Company, Contributor, and each of their respective successors and assigns.

6.4 Notices. All notices or other communications required under this Agreement or given in connection herewith shall be in writing and shall either be delivered (a) personally, in which event the effective date shall be the date of delivery, (b) by a nationally recognized overnight courier service, in which event the effective date shall be the next business day following the day such communication is delivered to the courier service, or (c) by United States mail addressed as hereinafter set forth, postage pre-paid, registered or certified, return receipt requested, in which event the effective date shall be the earlier of three business days after the

date of mailing or the delivery or refusal date as specified on the return receipt. Unless otherwise directed by notice in writing, all notices and other communications shall be addressed as follows:

if to the Company:

University Preferred Health Partners
11234 Anderson Street
Loma Linda, CA 92354
Attention:

if to Founder:

Loma Linda University Health
11234 Anderson Street
Loma Linda, CA 92354
Attention:

if to Contributor:

Riverside University Health System
26520 Cactus Avenue
Moreno Valley, CA 92555
Attention: CEO

With copy to: Office of County Counsel
3960 Orange Street, Suite 500
Riverside, CA 92501

6.5 Delays or Omissions. Except as expressly provided herein, no delay or omission to exercise any right, power or remedy accruing to any holder of any Membership Interest upon any breach or default of the Company under this Agreement shall impair any such right, power or remedy of such holder, nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Except as provided in this Section, any waiver, permit, consent or approval of any kind or character on the part of any holder of Membership Interest of any breach or default under this Agreement, or any waiver on the part of any holder of Membership Interest of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any such holder, shall be cumulative and not alternative.

6.6 Expenses. Each Party shall bear their own expenses incurred on their behalf with respect to this Agreement and the transactions contemplated hereby.

6.7 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be enforceable against the Parties actually executing such counterparts and all of which together shall constitute one instrument.

6.8 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not considered in construing or interpreting this Agreement.

6.9 Severability. If any provision of this Agreement or the application thereof becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the Parties hereto. The Parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable provision.

6.10 Other Remedies. Except as otherwise provided herein, any and all remedies herein expressly conferred upon a Party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise of any other remedy.

6.11 Rules of Construction. The Parties agree that they have participated equally in the negotiation and drafting of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the Party drafting such agreement or document.

6.12 Publicity. To the extent permitted by law, each Party hereto agrees that it shall not make any public announcement about the existence or performance of this Agreement or any of the transactions contemplated hereunder, whether in the form of a press release or otherwise, without first obtaining the other Party's prior written consent as to the timing and content of such press release or other public announcement. In addition, no Party may use the name, logo, trade name, trademarks or service marks of any other Party in any manner whatsoever without the express prior written consent of the other Party. To the extent permitted by law, the Parties shall mutually agree on the timing and content of any press release or other public announcement.

6.13 Governing Law. This Agreement and any claim under or in connection with it or its subject matter (whether sounding in contract, tort or otherwise) shall be governed by and construed and enforced in accordance with the laws of the State of California, without giving effect to any conflicts of law provisions.


[Signatures Appear on the Following Page]

IN WITNESS WHEREOF, the Parties have caused their duly authorized officers to execute or have personally executed this Contribution Agreement as of the date first above written.

UNIVERSITY PREFERRED HEALTH PARTNERS

By: 
Kerry Heinrich
Secretary

LOMA LINDA UNIVERSITY HEALTH

By: 
Kerry Heinrich
Executive Vice President, Hospital Affairs

RIVERSIDE UNIVERSITY HEALTH SYSTEM

By: _____
John J. Benoit
Chairman, Board of Supervisors

IN WITNESS WHEREOF, the Parties have caused their duly authorized officers to execute or have personally executed this Contribution Agreement as of the date first above written.

UNIVERSITY PREFERRED HEALTH PARTNERS

By: _____
Kerry Heinrich
Secretary

LOMA LINDA UNIVERSITY HEALTH

By: _____
Kerry Heinrich
Executive Vice President, Hospital Affairs

RIVERSIDE UNIVERSITY HEALTH SYSTEM

By: John J. Benoit
John J. Benoit
Chairman, Board of Supervisors

ATTEST:
KECIA HARPER-IHEM, Clerk
By: [Signature]
DEPUTY

FORM APPROVED COUNTY COUNSEL
BY: Anita C. Willis
ANITA C. WILLIS DATE 6-28-16

EXHIBIT A

TERM SHEET ACQUISITION OF CORPORATE MEMBERSHIP INTERESTS IN UNIVERSITY PREFERRED HEALTH PARTNERS

I. Company Name

University Preferred Health Partners (the “Company”).

II. Form of Organization

California Nonprofit Public Benefit Corporation; formed on November 6, 2015.

The Company anticipates filing for tax exemption following consummation of the transactions contemplated by this Term Sheet. The Company will continue to operate in accordance with the purposes described below regardless of whether such tax exemption is granted. So long as LLUH holds membership interests in the Company, the Company shall be operated and managed in a manner that will not prevent LLUH or any of its affiliates from operating or furthering its mission and values or tax-exempt purposes or otherwise jeopardize the federal tax-exempt status of LLUH or any of its affiliates under §501(a) of the Internal Revenue Code.

Initial organizational actions are complete: directors and officers are in place and Bylaws are adopted.

LLUH contemplates that the initial bylaws will be amended and restated in connection with the admission of new Corporate Members.

III. Corporate Members

A. Existing Corporate Member

Loma Linda University Health (“LLUH”)

B. Potential New Corporate Members

County of Riverside, d.b.a. Riverside University Health System (“RUHS”)

Loma Linda University Faculty Medical Group (“FMG”)

Riverside Medical Clinic, Inc. (“RMC”)

C. Future Corporate Members

Additional Corporate Members may be added in the future on such terms as may be approved by the Corporate Members, including board representation.

IV. Corporate Membership Percentages

A. Current

LLUH – 100%

B. Proposed Corporate Members; Pro Forma Budget

LLUH is in discussions with the following organizations and it is contemplated that each organization will be offered the corporate membership interests in the Company set forth below:

- LLUH – twenty five percent (25%) membership interest.
- RUHS – twenty five percent (25%) membership interest.
- RMC – twenty five percent (25%) membership interest.
- FMG – twenty five percent (25%) membership interest.

Exact membership interests TBD, pending valuation and determination of actual capital contributions.

C. Future Corporate Members

If a new Corporate Member is added in the future, each existing Corporate Member's corporate membership interest in the Company will be diluted proportionally.

V. Purposes and Assumptions

A. Purposes

The Company will operate and manage a clinically integrated network of health care providers (the “**Network**”) serving the communities of the Inland Empire and surrounding counties (the “**Company's Service Area**”). Integral to the Company's development of the Network are the following purposes and objectives:

- Development of a comprehensive health care delivery system to meet the needs of the patient population in the Company's Service Area, including Medi-Cal.
- Provision of greater access to health care services for such patient population.
- Improvement of the health of the patient population within the Company's Service Area.
- Enhancement to the existing education of health care professionals as well as providing additional educational opportunities within the Company's Service Area to meet the current and growing needs of the patient community.

- Provision of focus and support for the separate health needs of the children within the Company's Service Area, including children within the Medi-Cal patient population and the California Children's Services ("CCS") patient population.

By clinically integrating and coordinating care furnished by Participating Providers, the Company will seek to:

- provide higher quality care for patients based on safety, effectiveness, patient-centeredness, evidence-based medicine, timeliness, efficiency and equity;
- achieve better health outcomes for patients through education on the causes of ill health and the importance of preventive services; and
- affect lower growth in health care expenditures by eliminating inefficiencies while assuring the delivery of high quality medically necessary care for patients.

The Company and participating providers in the Network will support the teaching and educational goals and activities of the Corporate Members.

The Company, directly or through an affiliated/subsidiary entity, may also operate and manage an Accountable Care Organization ("ACO") participating in the Medicare Shared Savings Program ("MSSP"), as well as other governmental and commercial payment programs, on terms and conditions to be agreed to among the Corporate Members concurrently with the Company undertaking such expansion.

B. Network Participation

All providers participating in the Network (each a "**Participating Provider**") will execute a participation agreement with the Company pursuant to which the participating provider agrees, among other things, to:

- share clinical and claims data with the Company;
- satisfy quality, efficiency, cost and patient satisfaction standards, benchmarks and metrics adopted from time to time by the Company;
- adhere to evidence based clinical protocols adopted from time to time by the Company;
- abide by such remediation standards, practices and procedures from time to time developed by the Company (which standards, practices and procedures may include the termination of a Participating Provider's participation agreement with the Company based on the provider's failure to deliver medical and related health care services consistent with the clinical/performance standards, benchmarks, and metrics established by the Company); and
- authorize the Company to negotiate and, subject to limitations and approval rights described below, enter into payor contracts on behalf of the Network and its

Participating Providers.

Each Corporate Member and its affiliated physician practices, hospitals, and/or other ancillary service providers will execute a participation agreement with the Company and be a Participating Provider in the Network.

Other unaffiliated hospitals and physician groups and physician practices may also be Participating Providers in the Network.

- A provider need not be a Corporate Member to be a Participating Provider.

C. Standards, Metrics and Clinical Protocols

The Company will develop, maintain and update evidence-based initiatives, standards, benchmarks, and metrics to be used and applied by the Company and Participating Providers to:

- measure the utilization, quality, effectiveness and cost efficiency of health care services performed by the Network and its Participating Providers;
- aggregate, analyze and measure data and information received from Participating Providers against such standards, benchmarks, and metrics; and
- report on performance by the Network and its Participating Providers with respect to such standards, benchmarks, and metrics.

D. Payor Contracting

The Company will adopt a payor contracting strategy acceptable to the Corporate Members that will be consistent with applicable laws and regulations, based on the following principles:

Shared Savings and P4P. Initially, the Company may negotiate and enter into “value-based” contracts with Inland Empire Health Plan and commercial payors (*e.g.*, shared savings, pay-for-performance and other “upside only” arrangements based on performance of the Network as a whole).

- The Company will pay certain amounts received under such contracts to Participating Providers as an incentive to coordinate and improve the cost, quality and efficiency care, pursuant to the terms of Participating Provider Agreements between the Company and each Participating Provider and any such value-based contract.

Fee For Service. After assuming a sufficient level of clinical integration, the Company may also negotiate fee for service (“FFS”) contracts (for both facility and professional services) with commercial payors.

- The Company will not be party to such FFS contracts – Participating Providers

will enter into direct contracts with payors on the terms negotiated by the Company.

- Participation by each Participating Provider in such FFS contracts will be subject to prior approval of such Participating Provider in accordance with the terms of the Participation Agreement.

Risk. Eventually, the Company may seek to negotiate and enter into risk-based contracts with commercial payors (capitation, percent of premium, bundled payments and/or other arrangements involving downside financial risk).

- The Company will be required to obtain limited/restricted Knox Keene license in order to contract on a capitated or percent of premium basis.
- Alternatively, Company could access risk based contracts through another limited/restricted Know Keene licensed entity.
- If the Company contracts on a capitated or percent of premium basis, the Company will pay each Participating Provider for care furnished to enrollees to which such contracts apply on a FFS or sub-capitated basis, as and pursuant to terms mutually agreed upon by the Company and such Participating Provider.

Note: All payor contracting activities will be subject to appropriate antitrust analysis and guidance, including execution by the parties of a mutually agreeable Joint Defense Agreement (“JDA”), completion of appropriate market analysis, development of antitrust guidance for payor contracting, and the development and maintenance of necessary firewalls, etc.

E. Administrative and Support Services

The Company will not hire its own employees or develop/maintain administrative functions and capabilities internally.

- All administrative, clinical, payor contracting, and other support services necessary to operate the Company and the Network will be provided to the Company by third parties and/or one or more Corporate Members, pursuant to the terms of an administrative/support services agreement between the Company and such third party or Corporate Member.
- Specific services and service providers TBD.

VI. Initial Capital Contributions

Each Corporate Member shall contribute Five Hundred Thousand Dollars (\$500,000) to the Company pursuant to the terms and conditions of a Contribution Agreement that shall provide for an initial capital contribution of Two Hundred Fifty Thousand Dollars (\$250,000) concurrent with the execution of the Contribution Agreement and a subsequent capital contribution of Two Hundred Fifty Thousand Dollars (\$250,000) on such date between

September 1, 2016 and December 31, 2016, as shall be determined by the Board of Directors.

VII. Subsequent Capital Contributions

Subsequent capital calls will be mandatory and, subject to approval of the Corporate Members and, absent exigent circumstances, shall generally be made in the spring of each year.

Corporate Members will contribute additional capital in proportion to their membership interest in the Company.

VIII. Matters Requiring Corporate Member Approval

The following actions will require the affirmative vote of the Corporate Members holding fifty-one percent (51%) of the total corporate membership interests of the Company:

- Adoption of, or any material change to, the purposes, philosophy or mission of the Company;
- Amendment to the Company's Articles of Incorporation or Bylaws;
- Adoption of, or any material change to, the Company's annual operating or capital budgets;
- Any borrowings, guaranties, loans or incurrence of any debt by the Company (including any mortgage, encumbrance or lien on the Company's assets) in any fiscal year involving an amount in excess of One Million Dollars (\$1,000,000) that is not included within the annual operating budget or the annual capital budget for such fiscal year;
- Any contract or agreement between the Company and a Corporate Member or a Corporate Member's affiliate other than a Network participation agreement;
- Approval of calls for additional capital contributions from the Corporate Members;
- Adoption of, or any material change to, the Company's long range and strategic plans;
- Creation of a new corporation, limited liability company or other entity by the Company;
- Merger of the Company with another entity;
- Acquisitions of any another corporation, partnership, limited liability company or other business organization by the Company;
- Formation of any partnership or other joint venture between or among the Company and any other person(s) or entity(ies);

- Any sale or disposition of the Company’s capital assets;
- The dissolution of the Company;
- Appointment or removal of any At-Large Director (as defined below);
- Appointment or removal of the Company’s President/Chief Executive Officer, Chief Financial Officer, or Chief Medical Officer;
- Admission of any person or entity as a Corporate Member of the Company;
- Any action by the Company to terminate a Corporate Member’s Network participation agreement;
- Approval of any voluntary resignation or withdrawal of a Corporate Member;
- Adoption of, and any modification to, criteria for participation in the Network by physicians, hospitals and other health care providers, including, the process by which providers apply for and are approved for participation in the Network (the “**Credentialing Guidelines**”);
- Adoption of, or any modification to, the Company’s payor contracting strategy, including payor contracting criteria, guidelines and financial terms (the “**Contracting Guidelines**”);
- Adoption of, or any modification to, the policies, procedures, methodologies, and plans for the distribution of bonus or incentive payments derived from contracts or other arrangements with payors to Participating Providers (the “**Funds Flow Guidelines**”); and
- Approval of any of the foregoing acts or events that will be undertaken by a subsidiary or other entity that is controlled or beneficially owned by the Company.

IX. Governing (Fiduciary) Board of Directors

A. Composition

The Governing Board of Directors will initially consist of twenty-three (23) Directors, none of whom shall be publicly-elected officials or other individuals who are members of a “legislative body,” as that term is defined in California Government Code Section 54952. The Governing Board of Directors shall be appointed as follows:

- Four (4) Directors will be appointed by and serve at the pleasure of LLUH (the “**LLUH Directors**”).
- Four (4) Directors will be appointed by and serve at the pleasure of RUHS (the “**RUHS Directors**”).

- Four (4) Directors will be appointed by and serve at the pleasure of RMC (the “**RMC Directors**”).
- Four (4) Directors will be appointed by and serve at the pleasure of FMG (the “**FMG Directors**”).
- Seven (7) directors will be nominated by the Nominating Committee and appointed by the Corporate Members (the “**At-Large Directors**”).
 - The At-Large Directors shall be broadly representative of Network Participating Providers that are not Corporate Members.
 - No single Participating Provider may have more than one (1) representative among the At-Large Directors.
 - At-Large Directors shall serve for terms of two (2) years and may not serve more than three (3) consecutive terms.
 - At-Large Directors may be removed by the Corporate Members at any time with or without cause.

B. Fiduciary Duties

Governing Board Directors will have and must exercise a fiduciary duty to the Company.

C. Matters Requiring Governing Board Approval

The following actions will require the affirmative vote of a majority (fifty-one percent (51%)) of the Directors then in office. (Note: The approval of the Corporate Members is also required for certain items – see Section VIII):

- Execution by the Company of leases and management or operating contracts required for the activities and affairs of the Company, consistent with approved annual budgets;
- Execution of contracts or agreements required for the Company’s activities as a clinically integrated network, including, without limitation, Participating Provider agreements, contracts or agreements with payors, or other contracts or agreements on behalf of the Company, consistent with the Credentialing Guidelines Contracting Guidelines and the Funds Flow Guidelines, as applicable;
- Adoption of, and any modification to, policies, procedures and processes for the Company and its business, activities and affairs, and any modifications thereto;
- Approval of any payment, collection, compromise, arbitration, prosecution or defense of legal actions with respect to claims or demands of or against the Company;

- Adoption of, and any modification to, forms of Participating Provider agreements, consistent with the Funds Flow Guidelines;
- Execution of contracts between the Company and payors, and any modifications thereto, that satisfy and are consistent with the Contracting Guidelines and, as applicable, the Funds Flow Guidelines;
- Approval of the implementation of specific methodologies, terms and conditions for the distribution and payment of incentive compensation, bonuses, payments for performance, risk pools, or other financial or economic benefits or funds received or made available to Company, including shared savings funds received from payors, to Participating Providers, consistent with the Funds Flow Guidelines;
- Adoption of, and any modification to, performance standards and metrics used to measure the utilization, quality, effectiveness and cost efficiency of health care services furnished by the Network and the Participating Providers (the “Metrics”);
- Adoption of, and any modification to, policies and procedures relating to the education, evaluation, remediation and enforcement of performance of the Metrics among the Participating Providers; and
- Any action by the Company to terminate a Participating Provider’s Network participation agreement.

X. Governing Board Committees

The Governing Board of Directors will maintain the following standing committees, all of which will be advisory committees:

A. Quality, Performance and Credentialing Committee

The purpose of the Quality, Performance and Credentialing Committee shall be (A) to develop the Metrics that are clinical evidence based and performance initiatives by medical specialty or type of Participating Provider for medical and health care services across the continuum of care, (B) to monitor and evaluate the ongoing clinical performance of Participating Providers based upon the Metrics and provide support, counsel, direction, remediation and accountability for Participating Providers (including participating physicians) whose clinical outcomes or performance are not meeting the Metrics, and (C) to assure that the qualifications of Participating Providers, including participating physicians participating in the clinical integration program, promote the delivery of high quality, cost-efficient and effective medical, hospital and health care services for patients and facilitate administration of the clinical integration program for Participating Providers. For purposes of the clinical integration program, the Metrics will consist of administrative initiatives common to all Participating Providers who are physicians (regardless of medical specialty), quality or efficiency initiatives specific to

each medical specialty represented by physician providers in the Network, and other quality or cost-based initiatives for other non-physician Participating Providers in the Network. The Quality, Performance and Credentialing Committee shall be comprised of (A) Participating Providers who are physicians and who equitably represent primary care physicians and the other medical, surgical and hospital-based medical specialties, and (B) one or more representatives of the acute care hospitals that are Participating Providers, and/or other non-physician Participating Providers in the Network. The duties of the Quality, Performance and Credentialing Committee shall be to:

- Establish the selection process for Metrics;
- Oversee the implementation and monitoring of the Metrics by medical specialty;
- Develop referral guidelines and clinical practice protocols, including preventive care by medical specialty;
- Develop process for monitoring physician and other Participating Provider performance related to the Metrics and recommend non-compliant physicians or other Participating Providers for education and remediation;
- Identify the ongoing evaluation of needs for new Metrics and adjustments to existing Metrics;
- Identify resource requirements for ongoing monitoring and reporting of the Metrics and other quality performance measures;
- Work with the information technology leaders to ensure that the information technology platform supports Company's quality and care management improvement efforts;
- Meet with Participating Providers, including physicians, who fail to substantially meet the Metrics established for the clinical integration program to develop a remediation and improvement plan, which will include recommended steps to improve or remediate the Participating Provider's performance, available resources to assist the Participating Provider and a timeline for remediation;
- Provide a regular reports to the Board of Directors as to the status and progress of the remediation and improvement plans (including all meetings related thereto) with the Participating Providers subject thereto;
- At the end of the designated timeline for improvement and based on the Participating Provider's performance, make a recommendation to (i) pursue no further action; (ii) extend the timeline for an additional period for remediation of up to thirty (30) to sixty (60) days, if necessary; (iii) place a Participating Provider on probation for a period of six (6) months if the Participating Provider has not satisfied the initial remediation and improvement plan, and develop a second remediation and improvement plan to apply during such time period; and (iv) at

the end of any applicable probation period, either release the Participating Provider from probation or recommend to the Board suspension or termination of the Participating Provider from the Network;

- Develop credentialing policy and procedures to the extent required by the Company for the administration of the Network, including defining eligibility and participation criteria;
- Manage and oversee the Company's credentialing process;
- Review applications received from applicants to be Participating Providers in the Network;
- Recommend approval, as applicable, for participation in the Network as Participating Providers; and
- Perform such other duties as may be designated by the Board of Directors from time to time.

B. Utilization Review and Care Management Committee

The purpose of the Utilization Review Committee shall be to develop a review process to ensure that patients treated by Network and its Participating Provider receive coordinated care and clinical resources in the most cost efficient and highest quality manner possible. The Utilization Review Committee shall be comprised of (A) Participating Providers who are physicians and who equitably represent primary care physicians and the other medical, surgical and hospital-based medical specialties, and (B) one or more representatives of the acute care hospitals that are Participating Providers, and/or other non-physician Participating Providers in the Network. The duties of the Utilization Review Committee shall be to:

- Recommend Metrics and other indicators that measure both under- and over-utilization of clinical resources;
- Evaluate utilization statistics compared to Metrics, goals and other benchmarks, and recommend improvements where needed;
- Recommend Participating Providers who are outliers for education and remediation;
- Review quality data as it relates to its utilization improvement recommendations;
- Review data that reports compliance with referral guidelines, clinical protocols and evidence based medicine; and
- Perform such other duties as may be designated by the Board of Directors from time to time.

C. Finance and Payor Contracting Committee

The purpose of the Finance and Payor Contracting Committee shall be to provide financial stewardship over all of the Company's fiscal matters and assuring value-based pricing and aligned incentives for clinically-integrated contracts with payors. The Finance and Payor Contracting Committee shall be comprised of (A) Participating Providers who are physicians and who equitably represent primary care physicians and the other medical, surgical and hospital-based medical specialties, (B) one (1) or more representatives of acute care hospitals that are Participating Providers, and/or other non-physician Participating Providers in the Network, and (C) one (1) or more representatives of the Corporate Members. The duties of the Finance and Payor Contracting Committee shall be to:

- Develop and recommend for approval the Company's payor contracting strategy, as developed and adjusted from time to time.
- Develop and recommend for approval the Contracting Guidelines and the Funds Flow Guidelines;
- Oversee management of payor contracts;
- Review and recommend proposed changes to the administration of performance-based incentive payments;
- Recommend standards and adjustments for "per member per month" (i.e., PMPM) rates for the Company's contracts with payors, when and if applicable;
- Commission a fee survey (on an annual or other periodic basis as requested by the Board of Directors) of the Participating Providers conducted by an independent third party acceptable to the Board of Directors;
- Review subcontracted agreements for services;
- Review and recommend the Company's capital and operating budgets; and
- Perform such other duties as may be designated by the Board of Directors from time to time.

D. Audit Committee

The purpose of the Audit Committee shall be to oversee the financial reporting and internal and external auditing functions of the Company. The composition of the Audit Committee shall conform to the requirements of Section 12586(e) of the California Government Code as follows: (A) the members shall be appointed by the Board of Directors, (B) the Audit Committee may include persons who are not members of the Board of Directors, (C) members of the Finance and Payor Contracting Committee may serve on the Audit Committee, but these members must constitute less than one-half of

the membership of the Audit Committee, (D) the chairperson of the Audit Committee must not be a member of the Finance and Payor Contracting Committee, and (E) to the extent required by applicable law, the members of the Audit Committee shall not include any employees of the Company or the President/Chief Executive Officer and Chief Financial Officer. The duties of the Audit Committee shall be to:

- Recommend to the Board of Directors the retention and termination of an independent auditor;
- Negotiate the independent auditor's compensation on behalf of the Board of Directors;
- Confer with the auditor to satisfy its members that the financial affairs of the Company are in order;
- Review and determine whether to accept the audit;
- Assure that any non-audit services performed by the auditing firm conform with standards for auditor independence; and
- Approve performance of non-audit services by the auditing firm.

E. Health Information Technology Committee

The purpose of the Health Information Technology Committee shall be to identify and evaluate the Company's clinical and business related information technology needs and to develop, implement, and oversee an information technology strategy that facilitates the ongoing operations of the Company. The Health Information Technology Committee shall also perform such other duties as may be designated by the Board of Directors from time to time. The Health Information Technology Committee shall be comprised of (A) one (1) or more Participating Providers who are physicians, (B) one (1) or more representatives of acute care hospitals that are Participating Providers, (C) one (1) or more representatives of the Members, and (D) one (1) or more representatives of Participating Providers with specific knowledge and expertise in matters related to health information technology.

F. Nominating Committee

The purpose of the Nominating Committee shall be to review the qualifications and make recommendations of prospective candidates for At-Large Directors and Board of Directors committees. The Nominating Committee shall be comprised of one (1) representative from each Participating Provider in the Network.

XI. Company Officers

President/Chief Executive Officer

Chief Financial Officer

Chief Medical Officer

Secretary

Others as approved by the Governing Board of Directors

XII. Distributions

Pursuant to California Nonprofit Public Benefit Corporation Code, no distributions (*e.g.*, profits or net earnings) will be made to any Corporate Member.

XIII. Restrictions on Competitive Activity

None

XIV. Exclusivity/Company Right of First Negotiation

Except as approved by the Corporate Members, in the event that any Corporate Member or any of its Affiliates: (i) is approached by a payor that seeks to enter into or renew a payor contract with such Corporate Member or Affiliate to provide healthcare services exclusively or primarily within the State of California, with such payor contract or renewal thereof to be effective on or after January 1, 2018, or such other time as the Participating Providers are clinically and/or financially integrated, as determined by the Corporate Members upon the advice of counsel (the “**Integration Date**”); (ii) desires to renew or permit the renewal of an existing payor contract with a payor to provide healthcare services exclusively or primarily within the State of California, with such renewal to be effective on or after the Integration Date; or (iii) desires to engage with any payor that seeks to enter into a payor contract with such Corporate Member or Affiliate to provide healthcare services exclusively or primarily within the State of California, with such payor contract to be effective on or after the Integration Date (each, a “**Potential Payor**”), then such Corporate Member or Affiliate shall encourage the Potential Payor to pursue such payor contract with the Company and request authorization from the Potential Payor for such Corporate Member or Affiliate to notify the Company of the Potential Payor. If the Potential Payor authorizes such Corporate Member or Affiliate to so notify the Company, then such Corporate Member shall notify the Company of the Potential Payor, and the Company shall have the right of first negotiation (the “**Right of First Negotiation**”) with respect to such Potential Payor upon the terms and subject to the conditions set forth in this Section XIV. If, after good faith efforts by such Corporate Member or Affiliate to encourage the Potential Payor to pursue such payor contract with the Company, the Potential Payor does not authorize such Corporate Member or Affiliate to so notify the Company, then such Corporate Member or Affiliate may thereafter pursue direct discussions with such Potential Payor independent of the Company regarding such payor contract.

The Company shall, within fifteen (15) business days after notification of the Potential Payor, notify the Corporate Member of whether the Company desires an introduction to the Potential Payor. If the Company, within such fifteen (15) day period, notifies such Corporate Member of its desire for an introduction to the Potential Payor, such Corporate Member or its Affiliate shall promptly introduce the Potential Payor to representatives of the Company. Such Corporate Member and, as applicable, its Affiliate, shall use its commercially reasonable efforts

in good faith to encourage, support and facilitate discussions between the Potential Payor and the Company. If the Company fails to notify such Corporate Member within such fifteen (15) day period that the Company desires an introduction to the Potential Payor, or if the Company notifies such Corporate Member that the Company does not desire an introduction to the Potential Payor, then the Right of First Negotiation shall terminate with respect to such Potential Payor, and such Corporate Member or its Affiliate may thereafter pursue direct discussions with such Potential Payor independent of the Company regarding a payor contract.

The Company shall, within fifteen (15) business days following an introduction to a Potential Payor, notify the Corporate Member of whether the Company desires to pursue discussions with the Potential Payor regarding a payor contract. If the Company fails to notify such Corporate Member within such fifteen (15) day period that the Company desires to pursue such discussions with the Potential Payor, or if the Company notifies such Corporate Member that the Company does not desire to pursue such discussions with the Potential Payor, then the Right of First Negotiation shall terminate with respect to such Potential Payor, and such Corporate Member or its Affiliate may thereafter pursue direct discussions with such Potential Payor independent of the Company regarding a payor contract.

If the Company desires to pursue negotiations with the Potential Payor, then the Potential Payor and representatives of the Company shall meet on a regular and frequent basis following the introduction for the purpose of discussing and negotiating a payor contract on behalf of the Company Network. If the Company notifies the Potential Payor that the Company desires to terminate its negotiations with the Potential Payor, or if the Potential Payor notifies the Company that the Potential Payor desires to terminate its negotiations with the Company, then the Right of First Negotiation of the Company shall terminate with respect to such Potential Payor, and the Corporate Member or its Affiliate may thereafter pursue direct discussions with such Potential Payor independent of the Company regarding a payor contract.

Except as otherwise permitted by this Section XIV, no Corporate Member or any of its Affiliates may pursue direct discussions with any Potential Payor independent of the Company regarding a payor contract with such Potential Payor to provide healthcare and/or medical services and/or supplies primarily or exclusively in the State of California that will become effective or renew on or after the Integration Date. Subject to the foregoing, nothing in this Agreement shall be construed to prohibit a Corporate Member or any of its Affiliates from pursuing, or require a Corporate Member or any of its Affiliates to refuse to pursue, direct discussions with a Potential Payor independent of the Company regarding a payor contract with such Potential Payor if such Potential Payor refuses to pursue or conclude discussions regarding such a payor contract with the Company.

Without limiting the foregoing provisions of this Section XIV, if a Corporate Member or any of its Affiliates enters into a payor contract with a payor to provide healthcare services exclusively or primarily within the State of California, effective any time prior to the Integration Date, then, upon written request of the Company given any time after the Integration Date, such Corporate Member or its Affiliate shall use good faith efforts to encourage such payor to consent to the assignment of such payor contract to the Company. If the payor consents to such assignment, such Corporate Member or Affiliate shall so notify the Company and shall in good faith cooperate with the payor and the Company to effectuate the assignment of the payor

contract to the Company as soon as reasonably practical. If, after good faith efforts by such Corporate Member or Affiliate to encourage the Potential Payor to assign such payor contract with the Company, the payor does not consent to such assignment, then such Corporate Member or Affiliate may continue to hold and perform under the terms of such payor contract, subject to the Right of First Negotiation procedures described in the foregoing paragraphs of Section XIV.

XV. Termination of Corporate Membership Rights; Dissolution

A. Termination of Corporate Membership Rights

Triggered upon:

- Termination of a Corporate Member's Network participation agreement.
- Failure by a Corporate Member to make an mandatory capital contribution.

In the event of termination of a Corporate Member's membership rights, at the discretion of the Corporate Members, such terminated Corporate Member shall continue to participate in the Network in accordance with such terminated Member's Network participation agreement.

B. Dissolution Events

- Bankruptcy or insolvency of the Company.
- The Company is suspended or excluded from participation in state or federally funded health care program (*e.g.*, Medicare or Medi-Cal).
- Approval of dissolution by the Corporate Members, or by approval of the Board of Directors and approval of the Corporate Members.
- The sale of all or substantially all of the Company's assets.

XVI. Dispute, Deadlock and Material Adverse Events

A. Dispute Resolution

Any dispute between or among the Corporate Members (other than disputes related to a deadlock) that cannot be resolved informally shall be submitted to non-binding mediation on the terms and conditions set forth in the Bylaws. All such disputes that cannot be resolved through mediation shall be submitted to binding arbitration on the terms and conditions set forth in the Bylaws.

B. Material Deadlock

If any vote of the Board of Directors results in a material deadlock (as defined in the Bylaws), then such issue shall be submitted to the Corporate Members for resolution. If a vote of the Corporate Members results in material deadlock (including an issue that

came to the Corporate Members as a result of a Board of Directors deadlock and the Corporate Members also deadlock on the issue), then the Corporate Members will move to dissolve the Company. The Dispute Resolution mechanism shall not be available in cases of Corporate Member material deadlock.

C. Material Adverse Events

If a Corporate Member reasonably believes that a Material Adverse Event (as defined below) has occurred or is reasonably likely to occur, then such Corporate Member shall provide written notice to the other Corporate Members of the facts giving rise or reasonably likely to give rise to the Material Adverse Event. The Corporate Members shall promptly meet in good faith in an effort to agree upon a means of resolving the impact to the Company of the Material Adverse Event. If, despite such good faith efforts, the Corporate Members are unable to agree upon a means of resolving the impact to the Company of the Material Adverse Event and a disinterested Corporate Member (to the extent that the facts result in interested and disinterested parties) continues to believe that a Material Adverse Event may not be avoided by reasonable actions of the Company or the Corporate Members, then (i) such Corporate Member may, upon written notice to the other Corporate Members, withdraw as a Corporate Member of the Company, or (ii) upon the affirmative vote of the disinterested Corporate Members, the Corporate Member whose continued Membership Interest in the Company is causing the Material Adverse Event shall withdraw as a Corporate Member of the Company.

As used herein, “**Material Adverse Event**” shall mean any of the following (i) the adoption of a new law or regulation, (ii) the interpretation of an existing law or regulation or the application of an existing law or regulation to the Company or its Corporate Members or (iii) an action or threatened action against the Company or its Corporate Members (or any of them) that, as a consequence of the continued possession of a Corporate Membership by a Corporate Member will result in a material change in the business, operations or governance structure of the Company as then in effect.

XVII. Restrictions on Transfer

No transfer (including any transfer by operation of law) to an unrelated third party (i.e., a person or entity that is not an “Affiliate”) without the written consent of the Corporate Members; purported transfers without such consent are void and shall give rise to an option by the Company to ask such Corporate Member attempting such transfer to withdraw as a Corporate Member.

EXHIBIT B
MEMBERSHIP INTEREST

Funding Contribution

Contributor shall contribute to the Company cash in the amount of Five Hundred Thousand Dollars (\$500,000) (the “*Funding Contribution*”).

Timing of Contribution

- Two Hundred Fifty Thousand Dollars (\$250,000) of the Funding Contribution will be due on the Initial Funding Date.
- The remaining Two Hundred Fifty Thousand Dollars (\$250,000) of the Funding Contribution will be due on the Second Funding Date.

Membership Interest

Party	Initial Capital Contribution	Membership Interest
Founder	\$500,000.00	Twenty-five percent (25%)
Riverside University Health System	\$500,000.00	Twenty-five percent (25%)
Loma Linda University Faculty Medical Group	\$500,000.00	Twenty-five percent (25%)
Riverside Medical Clinic, Inc.	\$500,000.00	Twenty-five percent (25%)