



AGENDA

KERN COUNTY HOSPITAL AUTHORITY BOARD OF GOVERNORS

**Kern Medical
1700 Mount Vernon Avenue
Conference Room 1058
Bakersfield, California 93306**

Regular Meeting
Wednesday, August 17, 2016

11:30 A.M.

BOARD TO RECONVENE

Board Members: Berjis, Bigler, McGauley, McLaughlin, Nilon, Pelz, Sistrunk
Roll Call:

CONSENT AGENDA/OPPORTUNITY FOR PUBLIC COMMENT: ALL ITEMS LISTED WITH A "CA" ARE CONSIDERED TO BE ROUTINE AND NON-CONTROVERSIAL BY KERN COUNTY HOSPITAL AUTHORITY STAFF. THE "CA" REPRESENTS THE CONSENT AGENDA. CONSENT ITEMS WILL BE CONSIDERED FIRST AND MAY BE APPROVED BY ONE MOTION IF NO MEMBER OF THE BOARD OR AUDIENCE WISHES TO COMMENT OR ASK QUESTIONS. IF COMMENT OR DISCUSSION IS DESIRED BY ANYONE, THE ITEM WILL BE REMOVED FROM THE CONSENT AGENDA AND WILL BE CONSIDERED IN LISTED SEQUENCE WITH AN OPPORTUNITY FOR ANY MEMBER OF THE PUBLIC TO ADDRESS THE BOARD CONCERNING THE ITEM BEFORE ACTION IS TAKEN.

STAFF RECOMMENDATION SHOWN IN CAPS

PUBLIC PRESENTATIONS

- 1) This portion of the meeting is reserved for persons to address the Board on any matter not on this agenda but under the jurisdiction of the Board. Board members may respond briefly to statements made or questions posed. They may ask a question for clarification, make a referral to staff for factual information or request staff to report back to the Board at a later meeting. Also, the Board may take action to direct the staff to place a matter of business on a future agenda. **SPEAKERS ARE LIMITED TO TWO MINUTES. PLEASE STATE AND SPELL YOUR NAME BEFORE MAKING YOUR PRESENTATION. THANK YOU!**

BOARD MEMBER ANNOUNCEMENTS OR REPORTS

- 2) On their own initiative, Board members may make an announcement or a report on their own activities. They may ask a question for clarification, make a referral to staff or take action to have staff place a matter of business on a future agenda (Government Code section 54954.2(a)(2))

RECOGNITION

- 3) Recognition honoring Elsa Martinez, Chief Deputy County Administrative Officer, for her expertise and direction in forming Kern County Hospital Authority –
MAKE PRESENTATION

ITEMS FOR CONSIDERATION

CA

- 4) Minutes for Kern County Hospital Authority Board of Governors regular meeting on July 20, 2016 –
APPROVE

CA

- 5) Proposed retroactive Amendment No. 7 to Agreement 042-2015 with Cantu Management Group, Inc., for Chief Financial Officer and healthcare financial management services, modifying certain terms to clarify the non-solicitation, immediate termination, renewal and termination provisions, and incorporating performance measures for FY 2016-2017, effective July 1, 2016; and adding four positions, deleting one position, increasing the monthly management fee by \$51,189, from \$267,478 to \$318,666, and increasing the maximum payable by \$1,586,843, from \$11,057,071 to \$12,643,914, effective August 1, 2016 –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 6) Proposed Agreement with Tom Chao, M.D., a contract employee, for professional medical services in the Department of Surgery, Division of Orthopedic Surgery from September 3, 2016 through September 2, 2019, in an amount not to exceed \$2,762,500, plus applicable benefits –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 7) Proposed letter from Moss-Adams, LLP, an independent contractor, regarding the audit of Kern Medical financial statements –
RECEIVE AND FILE

CA

- 8) Proposed Amendment No. 2 with Armanino LLP doing business as AMF Media Group, an independent contractor, for communications consulting services, extending the term through August 17, 2017, amending the description of services, and increasing the maximum payable by \$1,461,000, from \$1,560,000 to \$3,021,000, to cover the extended term –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 9) Proposed Amendment No. 6 to Agreement 1324502 with Vantage Technology Consulting Group, an independent contractor, for construction management services related to completion of the 2 Center Nurse Call project, increasing the maximum payable by \$40,810, from \$295,426.19 to \$336,236.19, to cover the additional services –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 10) Proposed Agreement with IBM Credit LLC, an independent contractor, for financing of PeopleSoft core financial system, effective August 17, 2016, in an amount not to exceed \$1,449,237 –
APPROVE; ADOPT RESOLUTION; AUTHORIZE CHAIRMAN TO SIGN; REFER TO KERN COUNTY BOARD OF SUPERVISORS FOR APPROVAL

CA

- 11) Proposed Amendment No. 4 to Agreement 679 with Ishaan S. Kalha, M.D., a contract employee, for professional medical services in the Department of Medicine, extending the term from September 15, 2016 through December 9, 2016, and increasing the maximum payable by \$135,000, from \$2,150,000 to \$2,285,000, to cover the extended term –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

- 12) Proposed Operating Agreement of Kern Medical Surgery Center, LLC, by Kern County Hospital Authority, in its capacity as the sole member, with an initial cash capital contribution of \$1,500,000 –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN SUBJECT TO APPROVAL AS TO FORM BY COUNSEL
 - 13) Proposed Agreement with Regional Anesthesia Associates, Inc., an independent contractor, for professional medical services in the Department of Anesthesiology from November 9, 2016 through November 8, 2019, in an amount not to exceed \$15,835,500 –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN
 - 14) Kern County Hospital Authority Chief Executive Officer report –
RECEIVE AND FILE
 - 15) Kern County Hospital Authority Chief Financial Officer report –
RECEIVE AND FILE
- CA
- 16) Claims and Lawsuits Filed as of July 31, 2016 –
RECEIVE AND FILE

CLOSED SESSION

- 17) Request for Closed Session regarding peer review of health practitioners (Health and Safety Code Section 101855(j)(2)) –
- 18) Request for Closed Session regarding peer review of health facilities (Health and Safety Code Section 101855(j)(2)) –
- 19) CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Stenerson v. Nguyen, et al., Kern County Superior Court Case No. BCV-15-101357 LHB –
- 20) CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION (Government Code Section 54956.9(d)(2), (e)(1).) Number of cases: One (1)
Significant exposure to litigation in the opinion of the Board of Governors on the advice of legal counsel, based on: Facts and circumstances that might result in litigation against the Authority but which the Authority believes are not yet known to a potential plaintiff or plaintiffs, which facts and circumstances need not be disclosed –

RECONVENE FROM CLOSED SESSION

REPORT ON ACTIONS TAKEN IN CLOSED SESSION

ADJOURN TO WEDNESDAY, SEPTEMBER 21, 2016, AT 11:30 A.M.

SUPPORTING DOCUMENTATION FOR AGENDA ITEMS

All agenda item supporting documentation is available for public review at Kern Medical Center in the Administration Department, 1700 Mount Vernon Avenue, Bakersfield, 93306 during regular business hours, 8:00 a.m. – 5:00 p.m., Monday through Friday, following the posting of the agenda. Any supporting documentation that relates to an agenda item for an open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available for review at the same location.

AMERICANS WITH DISABILITIES ACT (Government Code Section 54953.2)

The Kern Medical Center Conference Room is accessible to persons with disabilities. Disabled individuals who need special assistance to attend or participate in a meeting of the Kern County Hospital Authority Board of Governors may request assistance at Kern Medical Center in the Administration Department, 1700 Mount Vernon Avenue, Bakersfield, California, or by calling (661) 326-2102. Every effort will be made to reasonably accommodate individuals with disabilities by making meeting material available in alternative formats. Requests for assistance should be made five (5) working days in advance of a meeting whenever possible.

16) CLAIMS AND LAWSUITS FILED AS OF JULY 31, 2016 –
RECEIVE AND FILE

- A) Complaint in the matter of Estella Anice Manko, et al. v. County of Kern, et al. –
- B) Petition for Relief from Government Code Section 945.4 in the matter of Cheryl Knight, et al. v. Kern Medical Center –
- C) Notice of Hearing on Petition for Relief from Government Code Section 945.4 in the matter of Cheryl Knight, et al. v. Kern Medical Center –
- D) Claim in the matter of Regina D. Kent v. Kern County Hospital Authority –
- E) Claim in the matter of Robbie Gangloft v. County of Kern –



SUMMARY OF PROCEEDINGS

KERN COUNTY HOSPITAL AUTHORITY BOARD OF GOVERNORS

**Kern Medical
1700 Mount Vernon Avenue
Conference Room 1058
Bakersfield, California 93306**

Regular Meeting
Wednesday, July 20, 2016

11:30 A.M.

BOARD RECONVENED

Directors present: Berjis, Bigler, McGauley, McLaughlin, Sistrunk

Directors absent: Nilon, Pelz

NOTE: The vote is displayed in bold below each item. For example, Nilon-McLaughlin denotes Director Nilon made the motion and Vice Chair McLaughlin seconded the motion.

CONSENT AGENDA/OPPORTUNITY FOR PUBLIC COMMENT: ALL ITEMS LISTED WITH A "CA" WERE CONSIDERED TO BE ROUTINE AND APPROVED BY ONE MOTION.

BOARD ACTION SHOWN IN CAPS

PUBLIC PRESENTATIONS

- 1) This portion of the meeting is reserved for persons to address the Board on any matter not on this agenda but under the jurisdiction of the Board. Board members may respond briefly to statements made or questions posed. They may ask a question for clarification, make a referral to staff for factual information or request staff to report back to the Board at a later meeting. Also, the Board may take action to direct the staff to place a matter of business on a future agenda. **SPEAKERS ARE LIMITED TO TWO MINUTES. PLEASE STATE AND SPELL YOUR NAME BEFORE MAKING YOUR PRESENTATION. THANK YOU!**

NO ONE HEARD

BOARD MEMBER ANNOUNCEMENTS OR REPORTS

- 2) On their own initiative, Board members may make an announcement or a report on their own activities. They may ask a question for clarification, make a referral to staff or take action to have staff place a matter of business on a future agenda (Government Code section 54954.2(a)(2))

NO ONE HEARD

ITEMS FOR CONSIDERATION

- 3) Certificates of Recognition honoring George Bratton, RN, Valorie Farquharson, RN, Jesika Henry, RN, and Lucinda Sager, RN, for their volunteer efforts to evacuate and transport patients during the Erskine fire –
MADE PRESENTATION

CA

- 4) Minutes for Kern County Hospital Authority Board of Governors regular meeting on June 22, 2016 –
APPROVED
McGauley-Berjis: 5 Ayes; 2 Absent - Nilon, Pelz

CA

- 5) Proposed Amendment No. 5 to Agreement 194-2012 with Ravi Patel, M.D., doing business as Comprehensive Blood and Cancer Center, an independent contractor, for medical practice management services at Kern Medical-leased clinics, extending the term for one year from August 1, 2016 through July 31, 2017, and increasing the maximum payable by \$573,000, from \$1,573,000 to \$2,146,000, to cover the extended term –
APPROVED; AUTHORIZED CHAIRMAN TO SIGN
McGauley-Berjis: 5 Ayes; 2 Absent - Nilon, Pelz

CA

- 6) Proposed Agreement with Oracle America, Inc., an independent contractor, for purchase of a perpetual software license in conjunction with the PeopleSoft core financial system (Fiscal Impact: None) –
APPROVED; AUTHORIZED CHAIRMAN TO SIGN
McGauley-Berjis: 5 Ayes; 2 Absent - Nilon, Pelz

CA

- 7) Proposed Resolution authorizing Counsel for the Kern County Hospital Authority to settle claims pursuant to Government Code Section 935.4 –
APPROVED; ADOPTED RESOLUTION 2016-014
McGauley-Berjis: 5 Ayes; 2 Absent - Nilon, Pelz

CA

- 8) Proposed Agreement with Mission Linen Supply, an independent contractor, for linen supply items from August 1, 2016 through July 31, 2018, in an amount not to exceed \$1,880,000 –
APPROVED; AUTHORIZED CHAIRMAN TO SIGN
McGauley-Berjis: 5 Ayes; 2 Absent - Nilon, Pelz

CA

- 9) Proposed retroactive Agreement with Best Electric, an independent contractor, for C wing emergency power distribution upgrade, in an amount not to exceed \$669,800, effective July 1, 2016 –
APPROVED; AUTHORIZED CHAIRMAN TO SIGN
McGauley-Berjis: 5 Ayes; 2 Absent - Nilon, Pelz

- 10) Kern County Hospital Authority Chief Executive Officer report -
RECEIVED AND FILED
McLaughlin-Sistrunk: 5 Ayes; 2 Absent - Nilon, Pelz

- 11) Kern County Hospital Authority Chief Financial Officer report -
RECEIVED AND FILED
McGauley-McLaughlin: 5 Ayes; 2 Absent - Nilon, Pelz

- 12) Proposed retroactive Agreement with Kapsis Investments, Inc., doing business as Kapsis Technical Services, an independent contractor, for temporary staffing of information technology personnel from July 1, 2016 through June 30, 2017, in an amount not to exceed \$1,650,000 –
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT; AUTHORIZED CHIEF FINANCIAL OFFICER TO SIGN STATEMENTS OF WORK
Berjis-McGauley: 5 Ayes; 2 Absent - Nilon, Pelz

- 13) Proposed Premium Finance Agreement with IPFS Corporation of California, doing business as IPFS Corporation, an independent contractor, for financing of insurance premiums, effective August 1, 2016, in an amount not to exceed \$778,268 –
APPROVED; AUTHORIZED CHAIRMAN TO SIGN
Berjis-McLaughlin: 5 Ayes; 2 Absent - Nilon, Pelz

ADJOURNED TO CLOSED SESSION
Sistrunk-McGauley

CLOSED SESSION

- 14) Request for Closed Session regarding peer review of health practitioners (Health and Safety Code Section 101855(j)(2)) – SEE RESULTS BELOW

- 15) Request for Closed Session regarding peer review of health facilities (Health and Safety Code Section 101855(j)(2)) – SEE RESULTS BELOW
- 16) CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Bravo v. County of Kern, et al., Kern County Superior Court Case No. S-1500-CV-280293 – SEE RESULTS BELOW
- 17) CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Winston v. County of Kern, et al., Kern County Superior Court Case No. S-1500-CV-280158 LHB – SEE RESULTS BELOW
- 18) CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Jackson v. County of Kern, Kern County Superior Court Case No. BCV-15-101497 SPC – SEE RESULTS BELOW
- 19) Request for Closed Session for the purpose of discussion or taking action on authority trade secrets (Health and Safety Code Section 101855(e)(1)) – SEE RESULTS BELOW
- 20) PUBLIC EMPLOYEE PERFORMANCE EVALUATION - Title: Kern County Hospital Authority Chief Financial Officer (Government Code Section 54957) – SEE RESULTS BELOW
- 21) CONFERENCE WITH LABOR NEGOTIATORS - Agency designated representatives: Chief Executive Officer Russell V. Judd and designated staff - Unrepresented Employee: Kern County Hospital Authority Chief Financial Officer (Government Code Section 54957.6) – SEE RESULTS BELOW

RECONVENED FROM CLOSED SESSION
Berjis-McGauley

REPORT ON ACTIONS TAKEN IN CLOSED SESSION

Item No. 14 concerning a Request for Closed Session regarding peer review of health practitioners (Health and Safety Code Section 101855(j)(2)) – HEARD; BY A UNANIMOUS VOTE OF THOSE DIRECTORS PRESENT (2 ABSENT - NILON, PELZ), THE BOARD APPROVED ALL PRACTITIONERS RECOMMENDED FOR INITIAL APPOINTMENT, REAPPOINTMENT, RELEASE FROM PROCTORING, AND TERMINATION OF PRIVILEGES (AUTOMATIC AND VOLUNTARY); THERE WERE NO ABSTENTIONS

Item No. 15 concerning a Request for Closed Session regarding peer review of health facilities (Health and Safety Code Section 101855(j)(2)) – HEARD; NO REPORTABLE ACTION TAKEN

Item No. 16 concerning CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Bravo v. County of Kern, et al., Kern County Superior Court Case No. S-1500-CV-280293 – HEARD; NO REPORTABLE ACTION TAKEN

Item No. 17 concerning CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Winston v. County of Kern, et al., Kern County Superior Court Case No. S-1500-CV-280158 LHB – HEARD; NO REPORTABLE ACTION TAKEN

Item No. 18 concerning CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Jackson v. County of Kern, et al., Kern County Superior Court Case No. BCV-15-101497 SPC – HEARD; NO REPORTABLE ACTION TAKEN

Item No. 19 concerning a Request for Closed Session regarding discussion or taking action on authority trade secrets (Health and Safety Code Section 101855(e)(1)) – HEARD; NO REPORTABLE ACTION TAKEN

Item No. 20 concerning PUBLIC EMPLOYEE PERFORMANCE EVALUATION - Title: Kern County Hospital Authority Chief Executive Officer (Government Code Section 54957) – HEARD; NO REPORTABLE ACTION TAKEN

Item No. 21 concerning CONFERENCE WITH LABOR NEGOTIATORS – Agency designated representatives: Chief Executive Officer Russell V. Judd and designated staff – Unrepresented Employee: Kern County Hospital Authority Chief Financial Officer (Government Code Section 54957.6) – HEARD; NO REPORTABLE ACTION TAKEN

ADJOURNED TO WEDNESDAY, AUGUST 17, 2016 AT 11:30 A.M.

Berjis

/s/ Raquel D. Fore
Authority Board Coordinator

/s/ Russell Bigler
Chairman, Board of Governors
Kern County Hospital Authority



**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

August 17, 2016

SUBJECT: Proposed retroactive Amendment No. 7 with Cantu Management Group Inc.

Recommended Action: Approve; Authorize Chairman to sign.

Summary:

Kern Medical requests proposed retroactive Amendment No. 7 to Agreement 042-2015 with Cantu Management Group Inc., for Chief Financial Officer and healthcare financial management services, modifying certain terms to clarify the non-solicitation, immediate termination, renewal and termination provisions, and incorporating performance measures for FY 2016-2017, effective July 1, 2016; and adding four positions, deleting one position, increasing the monthly management fee by \$51,189, from \$267,478 to \$318,666, and increasing the maximum payable by \$1,586,843, from \$11,057,071 to \$12,643,914, effective August 1, 2016.

**AMENDMENT NO. 7
TO
AGREEMENT FOR PROFESSIONAL SERVICES
INDEPENDENT CONTRACTOR
(Kern County Hospital Authority – Cantu Management Group, Inc.)**

This Amendment No. 7 to the Agreement for Professional Services is made and entered into this ____ day of _____, 2016, between the Kern County Hospital Authority, a county hospital authority (“Authority”), which owns and operates Kern Medical Center (“KMC”), and Cantu Management Group, Inc., a California corporation (“Contractor”), with its principal place of business located at 11907 Privet Place, Bakersfield, California 93311.

RECITALS

(a) The parties have heretofore entered into an Agreement for Professional Services (Kern County Agt. #042-2015, dated January 27, 2015), Amendment No. 1 (Kern County Agt. #106-2015, date February 24, 2015), Amendment No. 2 (Kern County Agt. #241-2015, dated May 5, 2015), Amendment No. 3 (Kern County Agt. #778-2015, dated October 13, 2015), Amendment No. 4 (Kern County Agt. #855-2015, dated November 17, 2015), Amendment No. 5 (Kern County Agt. #097-2016, dated March 1, 2016), Amendment No. 6 (Kern County Agt. #608-2016, dated May 24, 2016), and Assignment of Agreement (Kern County Agt. #362-2016, dated April 26, 2016, effective July 1, 2016) (collectively, the “Agreement”), for the period February 9, 2015 through February 8, 2019, whereby Contractor provides supervision and management of the day-to-day financial operations of KMC; and

(b) It is the intent of the parties to have the terms of the Agreement provide for the payment of all reasonably projected costs and expenses related to the services provided by Manager; and

(c) The parties agree to amend certain terms and conditions of the Agreement as hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter set forth and incorporating by this reference the foregoing recitals, the parties hereto agree to amend the Agreement as follows:

1. Effective July 1, 2016, section 1, Term, shall be deleted in its entirety and replaced with the following:

“1. Term. The initial term (the “Initial Term”) of this Agreement shall commence February 9, 2015 (the “Commencement Date”), and shall end February 8, 2019, unless earlier terminated pursuant to other provisions of this Agreement as herein stated. Authority reserves the right to extend the term of this Agreement for three (2) additional two (2) year terms, provided that Authority notifies Contractor in writing of its intention to renew at least 18 months prior to the expiration of the then current term. Any renewal shall be in writing and signed by both parties through a formal amendment to this Agreement.”

2. Effective August 1, 2016, Section 3, Obligations of Contractor, paragraph 3.5, Contractor Staff, shall be deleted in its entirety and replaced with the following:

“3.5 Contractor Staff. Contractor shall engage or employ such qualified personnel as are necessary for the proper and efficient financial management of KMC, including without limitation, the following: Cantu; one (1) Director of Finance; one (1) Director of Business Office; one (1) Director of Patient Access; one (1) Manager of Reimbursement; one (1) Front End Revenue Cycle Manager – Inpatient and Emergency Department; one (1) Front End Revenue Cycle Manager – Patient Financial Counseling and Outpatient Clinics; one (1) Front End Revenue Cycle Manager – Pre-registration and Authorization; one (1) Revenue Integrity Manager; one (1) Manager of Decision Support; one (1) Authority Board Coordinator; one (1) Director of Human Resources Operations; one (1) Manager of Compensation and Benefits; one (1) Financial Planning Director, one (1) Hospital Payroll Manager; one (1) Revenue Cycle Systems Support Manager; one (1) Clinic Practice Manager; one (1) Director of Whole Person Care; one (1) Finance Contract Compliance Manager; one (1) Revenue Cycle AR Administration Manager; one (1) Organizational Development Manager; and one (1) IT Infrastructure and Operations Manager. All personnel provided by Contractor shall be compensated by Contractor and shall be employees or independent contractors of Contractor. Contractor shall be responsible for compensating all such engaged or employed persons, including, as applicable, payroll taxes, benefits, and workers’ compensation insurance. Contractor shall be responsible for supervision of activities performed by all employees and independent contractors.”

3. Effective August 1, 2016, section 5, Payment for Services, paragraph 5.1, Management Fee, shall be deleted in its entirety and replaced with the following:

“5.1 Management Fee. Authority shall pay Contractor a monthly management fee in the amount of \$318,666 (the “Management Fee”) as follows: Contractor shall be entitled to receive two (2) payments per month, each payment being equal to \$159,333, payable on or before the 10th day and the 25th day of each month during the term of this Agreement. The fiscal provisions of the Management Fee are set forth in Exhibit “B,” attached hereto and incorporated herein by this reference. Authority shall have no obligation to pay the Management Fee set forth in Exhibit “B” until Contractor has incurred such expenses. The Management Fee shall be calculated on a prorated basis as positions are filled.”

4. Effective August 1, 2016, section 5, Payment for Services, paragraph 5.7, Maximum Payable, shall be deleted in its entirety and replaced with the following:

“5.7 Maximum Payable. The maximum payable under this Agreement shall not exceed \$1,357,106 for year one and \$11,286,808 for years two through four, with total payment not to exceed \$12,643,914 over the four-year Initial Term of this Agreement.”

5. Effective July 1, 2016, section 33, Non-solicitation, shall be deleted in its entirety.

6. Effective July 1, 2016, section 38, Termination, paragraph 38.1, Termination with Mutual Agreement, shall be deleted in its entirety and replaced with the following:

“38.1 Termination with Mutual Agreement. The parties may terminate this Agreement upon mutual written consent with notice of not less than 18 months.”

7. Effective July 1, 2016, section 41, Liability of Authority, shall be made part of the Agreement as follows:

“41. Liability of Authority. The liabilities or obligations of Authority with respect to its activities pursuant to this Agreement shall be the liabilities or obligations solely of Authority and shall not be or become the liabilities or obligations of the County of Kern or any other entity, including the state of California.”

8. Effective August 1, 2016, Amendment No. 5 to Exhibit “B,” Fee Schedule, shall be deleted in its entirety and replaced with Amendment No. 6 to Exhibit “B,” Fee Schedule, attached hereto and incorporated herein by this reference.

9. Effective July 1, 2016, Exhibit “C-2,” Performance Measures Calendar Year 2016, attached hereto and incorporated herein by this reference, shall be made part of the Agreement.

10. Except as otherwise defined herein, all capitalized terms used in this Amendment have the meaning set forth in the Agreement.

11. This Amendment shall be governed by and construed in accordance with the laws of the state of California.

12. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

13. Except as provided herein, all other terms, conditions and covenants of the Agreement and any and all amendments thereto shall remain in full force and effect.

[Signatures follow on next page]

IN WITNESS WHEREOF, the parties have executed this Amendment No. 7 to the Agreement as of the day and year first written above.

CANTU MANAGEMENT GROUP, INC.

By _____
Andrew Cantu
Its President

KERN COUNTY HOSPITAL AUTHORITY

By _____
Chairman
Board of Governors

APPROVED AS TO CONTENT:
KERN MEDICAL CENTER

By _____
Russell V. Judd
Chief Executive Officer

APPROVED AS TO FORM:
OFFICE OF COUNTY COUNSEL

By _____
Chief Deputy

Amend7.Cantu Management.072616

**AMENDMENT NO. 6
TO
EXHIBIT "B"
FEE SCHEDULE
Cantu Management Group, Inc.
(Effective August 1, 2016)**

Category	Amount	Total
Management Fee		
Salaries:		
<ul style="list-style-type: none"> • Chief Financial Officer • Director of Finance • Director of Business Office • Hospital Security Director • Financial Planning Manager • Director of Human Resources Operations • Revenue Integrity Manager • IT Infrastructure and Operations Manager • Manager of Decision Support • Hospital Payroll Manager • Director of Patient Access • Revenue Cycle Systems Support Manager • Organizational Development Manager • Manager of Compensation and Benefits • Manager of Reimbursement • Finance Contract Compliance Manager • Revenue Cycle AR Administration Manager • Clinic Practice Manager • Authority Board Coordinator • Front End Revenue Cycle Manager – Inpatient and Emergency Department • Front End Revenue Cycle Manager – Patient Financial Counseling and Outpatient Clinics • Front End Revenue Cycle Manager – Pre-registration and Authorization 	\$320,000 \$142,500 \$140,000 \$135,000 \$125,000 \$120,000 \$115,000 \$115,000 \$110,000 \$105,000 \$100,000 \$100,000 \$95,000 \$92,000 \$90,000 \$85,000 \$85,000 \$80,000 \$75,000 \$70,000 \$70,000 \$70,000	
Sub-total (salaries)		\$2,439,500

[Continued on next page]

Category	Amount	Total
Management Fee		
Benefits and Expenses:		
Retirement	\$238,700	\$238,700
Benefits (health and dental insurance, etc.)	\$529,000	\$529,000
Insurance and Taxes (payroll, liability, etc.)	\$485,792	\$485,792
Business Expenses, Education and Travel	\$131,000	\$131,000
Sub-total (benefits and expenses)		\$1,384,492
Total (salaries, benefits, and expenses)		\$3,823,992
Performance Fee Potential	\$48,000	\$48,000
Total		\$48,000
Grand Total (annual not to exceed amount)		\$3,871,992

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EXHIBIT “C-2”
PERFORMANCE MEASURES
FISCAL YEAR 2016-2017
(Effective July 1, 2016)

Indicator	Percentage	FY 2017 Q-1	FY 2017 Q-2	FY 2017 Q-3	FY 2017 Q-4
Net Income (A)	30%	Budget	Budget	Budget	Budget
Cash Collections (B)	30%	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Materials Management – People Soft	20%	Adopted PeopleSoft Project Plan			
Information Technology – Cerner Ambulatory	10%	Adopted Cerner Ambulatory Project Plan			
Information Technology – Funded Infrastructure Projects	10%	Adopted Infrastructure Project Plan			
Total	100%				

(A) Net Income – If year-to-date goal is achieved, quarterly measures will be considered 100%

(B) Cash Collections – If year-to-date goal is achieved, quarterly measures will be considered 100%



**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

August 17, 2016

SUBJECT: Proposed Agreement with Tom Chao, M.D.

Recommended Action: Approve; Authorize Chairman to sign.

Summary:

Kern Medical requests Agreement with Tom Chao, M.D., a contract employee, for professional medical services in the Department of Surgery, Division of Orthopedic Surgery. Dr. Chao will join the faculty at Kern Medical on a full-time basis for an initial term of three (3) years, effective September 3, 2016 through September 2, 2019, in an amount not to exceed \$2,762,500, plus applicable benefits.

**AGREEMENT FOR PROFESSIONAL SERVICES
CONTRACT EMPLOYEE
(Kern County Hospital Authority – Tom Chao, M.D.)**

This Agreement is made and entered into this ____ day of _____, 2016, between the Kern County Hospital Authority, a county hospital authority (“Authority”), which owns and operates Kern Medical Center (“KMC”), and Tom Chao, M.D. (“Physician”).

**I.
RECITALS**

(a) Authority is authorized, pursuant to section 101852 of Part 4 of Division 101 of the Health and Safety Code, to contract for special services with individuals specially trained, experienced, expert, and competent to perform those services; and

(b) Authority requires the assistance of Physician to provide professional medical services in the Department of Surgery at KMC (the “Department”), as such services are unavailable from Authority resources, and Physician desires to accept employment on the terms and conditions set forth in this Agreement; and

(c) Physician has special training, knowledge and experience to provide such services;

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter set forth and incorporating by this reference the foregoing recitals, the parties hereto agree as follows:

**II.
TERMS AND CONDITIONS**

1. **Term.** The initial term of this Agreement (“Initial Term”) shall be for a period of three (3) years, commencing as of September 3, 2016 (the “Commencement Date”). At the end of the Initial Term and each Renewal Term (as hereinafter defined), if any, this Agreement may be renewed for additional terms of two (2) years each (“Renewal Term”), but only upon mutual written agreement of the parties. As used herein, the “Term” of this Agreement shall mean the Initial Term and all Renewal Terms. As used herein, an “Employment Year” shall mean the annual period beginning on the Commencement Date and each annual period thereafter.

2. **Employment.** Authority hereby employs Physician for the practice of medicine in the care and treatment of patients at KMC, or at such other clinic sites as KMC may designate (collectively referred to as the “Practice Sites”). It is expressly understood and agreed that KMC shall have reasonable discretion to consolidate and relocate clinics operated by Authority and to re-designate Practice Sites served by Physician from time to time. Physician shall be subject to Authority’s employment policies, directives, rules and regulations as promulgated by Authority from time to time, including, but not limited to, those pertaining to employees.

3. **Representations and Warranties.** Physician represents and warrants to Authority and KMC, upon execution and throughout the Term of this Agreement, as follows: (i) Physician is not bound by any agreement or arrangement which would preclude Physician from entering into, or from fully performing the services required under this Agreement; (ii) Physician's license to practice medicine in the state of California or in any other jurisdiction has never been denied, suspended, revoked, terminated, voluntarily relinquished under threat of disciplinary action, or made subject to the terms of probation or other restriction; (iii) Physician's medical staff privileges at any health care facility have never been denied, suspended, revoked, terminated, voluntarily relinquished under threat of disciplinary action, or made subject to terms of probation or any other restriction; (iv) Physician holds a valid Controlled Substance Registration Certificate issued by the Drug Enforcement Administration that has never been revoked, suspended, terminated, relinquished, placed on terms of probation, or restricted in any way; (v) Physician is not currently and has never been an Ineligible Person¹; (vi) Physician is not currently the subject of a disciplinary or other proceeding or action before any governmental, professional, medical staff or peer review body; and (vii) Physician has, and shall maintain throughout the term of this Agreement, an unrestricted license to practice medicine in the state of California and staff membership and privileges at KMC.

4. **Obligations of Physician.**

4.1 **Services.** Physician shall engage in the practice of medicine on a full-time basis exclusively as an exempt employee of Authority. Physician shall render those services set forth in Exhibit "A," attached hereto and incorporated herein by this reference.

4.2 **Use of Premises.** Physician shall use the Practice Sites as designated by Authority or KMC exclusively for the practice of medicine in the care and treatment of patients and shall comply with all applicable federal, state, and local laws, rules and regulations related thereto.

4.3 **Qualifications.**

4.3.1 **Licensure.** Physician shall maintain a current valid license to practice medicine in the state of California at all times during the Term of this Agreement.

4.3.2 **Board Certification.** Physician shall be board certified by the American Board of Orthopaedic Surgery in orthopedic surgery-general within 36-months of the Commencement Date, and maintain such certification at all times during the Term of this Agreement.

4.3.3 **Medical Staff Status.** Physician shall at all times during the Term of this Agreement be a member in good standing of the KMC medical staff with "active" staff status and hold all clinical privileges on the active medical staff appropriate to the discharge of his obligations under this Agreement.

¹ An "Ineligible Person" is an individual or entity who: (i) is currently excluded, debarred, suspended, or otherwise ineligible to participate in the federal health care programs or in federal procurement or non-procurement programs; or (ii) has been convicted of a criminal offense that falls within the range of activities described in 42 U.S.C. § 1320a-7(a), but has not yet been excluded, debarred, suspended, or otherwise declared ineligible.

4.3.4 TJC and ACGME Compliance. Physician shall observe and comply with all applicable standards and recommendations of The Joint Commission and Accreditation Council for Graduate Medical Education.

4.4 Loss or Limitation. Physician shall notify KMC in writing as soon as possible (but in any event within three (3) business days) after any of the following events occur: (i) Physician's license to practice medicine in the state of California lapses or is denied, suspended, revoked, terminated, relinquished or made subject to terms of probation or other restriction; (ii) Physician's medical staff privileges at KMC or any other health care facility are denied, suspended, revoked, terminated, relinquished under threat of disciplinary action or made subject to terms of probation or other restriction; (iii) Physician's Controlled Substance Registration Certificate issued by the Drug Enforcement Administration is revoked, suspended, terminated, relinquished, placed on terms of probation, or restricted in any way; (iv) Physician becomes debarred, excluded, or suspended, or if any other event occurs that makes Physician an Ineligible Person; (v) Physician becomes the subject of a disciplinary or other proceeding or action before any governmental, professional, medical staff or peer review body; or (vi) an event occurs that substantially interrupts all or a portion of Physician's professional practice or that materially adversely affects Physician's ability to perform Physician's obligations hereunder.

4.5 Standards of Medical Practice. The standards of medical practice and professional duties of Physician at designated Practice Sites shall be in accordance with the KMC medical staff bylaws, rules, regulations, and policies, the standards for physicians established by the state Department of Public Health and all other state and federal laws and regulations relating to the licensure and practice of physicians, and The Joint Commission.

4.6 Managed Care Organizations. For and on behalf of Physician, Authority shall have the sole and exclusive right and authority to enter into contractual relationships with HMOs, IPAs, PPOs, PHOs, employer groups, provider networks and other managed care organizations (collectively "Managed Care Organizations"). Physician shall provide the same quality of care to patients from Managed Care Organizations as is provided to other KMC patients. Upon request from Authority or KMC, Physician shall execute Managed Care Organization documents as "provider" if deemed necessary or advisable by Authority. Physician shall not contract with any Managed Care Organization without Authority's prior written consent in each instance.

4.7 Authorization to Release Information. Physician hereby authorizes Managed Care Organizations, government programs, hospitals and other third parties to release to KMC and its agents any information requested by KMC or its agents from time to time relating to Physician's professional qualifications or competency. Physician agrees to execute the Authorization to Release Information in the form set forth in Exhibit "B," attached hereto and incorporated herein by this reference, and to execute all other documents required by KMC from time to time and to otherwise fully cooperate with KMC to enable KMC and its agents to obtain such information from third parties.

4.8 Medical Records. Physician shall cause a complete medical record to be timely prepared and maintained for each patient seen by Physician. This record shall be prepared in

compliance with all state and federal regulations, standards of The Joint Commission, and the KMC medical staff bylaws, rules, regulations, and policies. Documentation by Physician shall conform to the requirements for evaluation and management (E/M) services billed by teaching physicians set forth in the Medicare Carriers Manual, Part 3, sections 15016–15018, inclusive. All patient medical records of Practice Sites, including without limitation, patient medical records generated during the Term of this Agreement, shall be the property of KMC subject to the rights of the respective patients. Upon the expiration or termination of this Agreement by either party for any reason, KMC shall retain custody and control of such patient medical records.

4.9 Physician Private Practice. Physician understands and agrees that he shall not enter into any other physician employment contract or otherwise engage in the private practice of medicine or provide similar services to other organizations, directly or indirectly, during the Term of this Agreement or any extensions thereof.

4.10 Proprietary Information. Physician acknowledges that during the Term of this Agreement Physician will have contacts with and develop and service KMC patients and referring sources of business of KMC. In all of Physician's activities, Physician, through the nature of his work, will have access to and will acquire confidential information related to the business and operations of KMC, including, without limiting the generality of the foregoing, patient lists and confidential information relating to processes, plans, methods of doing business and special needs of referring doctors and patients. Physician acknowledges that all such information is solely the property of KMC and constitutes proprietary and confidential information of KMC; and the disclosure thereof would cause substantial loss to the goodwill of KMC; and that disclosure to Physician is being made only because of the position of trust and confidence that Physician will occupy. Physician covenants that, except as required by law, Physician will not, at any time during the Term or any time thereafter, disclose to any person, hospital, firm, partnership, entity or organization (except when authorized in writing by KMC) any information whatsoever pertaining to the business or operations of KMC, any affiliate thereof or of any other physician employed by KMC, including without limitation, any of the kinds of information described in this paragraph.

4.11 Physician Covenants. Physician covenants that from the Commencement Date and continuing throughout the Term of this Agreement, Physician, unless otherwise permitted by the written consent of Authority shall not, on Physician's own account or as an employee, landlord, lender, trustee, associate, consultant, partner, agent, principal, contractor, owner, officer, director, investor, member or stockholder of any other person, or in any other capacity, directly or indirectly, in whole or in part: (i) engage in any activities that are in competition with KMC, including the operation of any medical practice or offering of any medical services that are similar to services offered at the Practice Sites; (ii) solicit or encourage the resignation of any employee of Authority or KMC with whom Physician had a working relationship during Physician's employment with Authority; (iii) solicit or divert patients with whom Physician had personal contact during such employment; or (iv) influence or attempt to influence any payer, provider or other person or entity to cease, reduce or alter any business relationship with Authority or KMC relating to the Practice Sites.

5. Compensation Package.

5.1 Annual Compensation – Commencement Date through September 2, 2017. For the period from the Commencement Date through and including September 2, 2017 (the “Guarantee Period”), Physician shall be paid a guarantee salary for teaching and administrative services and payment for care of KMC patients as described below (“Guarantee Salary”).

5.1.1 Compensation Methodology. Authority shall pay Physician a Guarantee Salary in the amount of the greater of (i) \$610,000 (the “Minimum Amount”) per year, or (ii) payment for care of KMC patients using the current Medical Group Management Association Physician Compensation and Production Survey (“MGMA Survey Data”). KMC has chosen to use the full time physician compensation with more than one year in the specialty for all physicians section. This section is divided into four categories: 25th percentile, median, 75th percentile and 90th percentile. A conversion factor will be established by taking each category and dividing the physician compensation in that category by the worked relative value unit (“Worked RVU”) in that category. Physician shall be compensated for each Worked RVU at the rate of \$65.27 (“RVU Effort”).

5.1.2 Reconciliation of Guarantee Salary. Within 30 days after the end of each quarter during the Guarantee Period, KMC will calculate the RVU Effort for such immediately preceding quarter, taking into account the RVU Effort from the Commencement Date through the end of the subject quarter, and the RVU Effort generated from the Guarantee Period shall be determined (the “Actual Amount”). KMC will undertake a reconciliation of the RVU Effort, for services provided by Physician during the Guarantee Period, no later than the end of 120 days from the conclusion of the Guarantee Period. If the prorated Minimum Amount is lower than the Actual Amount, then such difference shall be paid to Physician as Guarantee Salary within 30 days after such calculation has been completed.

5.1.3 Biweekly Payment. Physician shall be paid biweekly on the same schedule as regular Authority employees. The exact date of said biweekly payments shall be at the sole discretion of Authority. All payments made by Authority to Physician according to the compensation methodology set forth in paragraph 5.1 shall be subject to all applicable federal and state taxes and withholding requirements.

5.2 Annual Compensation – September 3, 2017 through September 2, 2019. For the period from September 3, 2017 through and including September 2, 2019, Physician shall be compensated with cash and other value as described below in this paragraph 5.2 (“Annual Salary”).

5.2.1 Compensation Methodology. Authority shall pay Physician an Annual Salary comprised of the following: (i) a base salary for teaching and administrative services based on the actual number of documented hours for assigned teaching and administrative duties multiplied by the current MGMA Survey Data academic compensation rate of pay per hour; and (ii) payment for care of KMC patients using the current MGMA Survey Data. Physician will be compensated for each Worked RVU by

multiplying the Worked RVU by the lowest conversion factor for each KMC patient (“RVU Effort”).

5.2.2 Salary Adjustment. KMC will establish an estimate (“Estimate”) of Physician’s RVU Effort using Physician’s RVU Effort for the immediately preceding 12-month period annualized. The Estimate will be divided by the number of Authority payroll periods in a calendar year in order to calculate the amount of RVU Effort to be paid to Physician each payroll period (the “Paycheck Amount”). Within 30 days after the end of each quarter, KMC will calculate the RVU Effort for such immediately preceding quarter, and adjust the payment for RVU Effort accordingly (the “Actual Amount”). If the Estimate is lower than the Actual Amount, then such difference shall be paid to Physician within 30 days after such calculation has been completed, or as of the effective date of any termination of this Agreement, whichever occurs sooner. If the Estimate exceeds the Actual Amount, then Physician shall pay such difference to KMC: (i) in a lump sum within 30 days after such calculation has been completed; or (ii) through a reduction in the Paycheck Amount during the next quarter; or (iii) in a lump sum as of the effective date of any termination of this Agreement, whichever occurs sooner. The Estimate shall be reestablished as of each Employment Year. **Physician hereby expressly grants to KMC the right to offset any amounts owed to KMC against any payment to be made to Physician by KMC pursuant to this paragraph if Physician fails to pay such excess to KMC.**

5.2.3 Time Logs. Physician shall, on a monthly basis on or before the fifth (5th) day of each calendar month during the Term of this Agreement, submit to KMC a written time log in the form attached hereto and incorporated herein by reference as Exhibit “C,” detailing to KMC’s satisfaction the date, time, actual number of hours, and description of activities related to assigned teaching and administrative duties during the immediately preceding calendar month.

5.2.4 Biweekly Payment. Physician shall be paid biweekly on the same schedule as regular Authority employees. The exact date of said biweekly payments shall be at the sole discretion of Authority. All payments made by Authority to Physician according to the compensation methodology set forth in paragraph 5.2 shall be subject to all applicable federal and state taxes and withholding requirements.

5.3 Call Coverage. Authority shall pay Physician for call coverage as follows: (i) Physician shall be paid the greater of a fixed fee amount of \$2,500 or the Worked RVU per 24-hour day for weekend¹ call coverage that exceeds one weekend per month; and (ii) Physician shall be paid the greater of a fixed fee amount of \$2,500 or the Worked RVU per 24-hour day for weekday² call coverage that exceeds one weekday per week.

¹ For purposes of weekend call coverage, a “weekend” is defined as Friday through Sunday or, in the event of a holiday, Friday through Monday.

² For purposes of weekday call coverage, a “weekday” is defined as Monday through Thursday or, in the event of a holiday, Tuesday through Thursday.

5.4 Limitations on Compensation. Authority shall exclude from payment for care of KMC patients any Worked RVU that is not reimbursed by Medicare or Medi-Cal, unless authorized in advance by KMC.

5.5 Starting Bonus.

5.5.1 Bonus. Physician shall receive a starting bonus in the amount of \$15,000, less all applicable federal and state taxes and withholdings, payable within 10 business days of the Commencement Date. Physician shall forfeit the starting bonus if he fails to report to work on the Commencement Date.

5.5.2 Repayment. In the event that Physician voluntarily terminates his employment with Authority for any reason whatsoever before the first anniversary of this Agreement, Physician will repay to Authority an amount equal to \$15,000 multiplied by the fraction, the numerator of which is 365 less the number of days during which Physician was employed by Authority, and the denominator of which is 365. Such repayment shall be made by Physician in full within 30 days of the effective date of his termination of employment with Authority.

5.5.3 Offset. Physician hereby authorizes Authority to offset against and reduce any amounts otherwise due to him for any amounts in respect of the obligation to repay the starting bonus.

5.6 Professional Fee Billing.

5.6.1 Assignment. KMC shall have the exclusive right and authority to set, bill, collect and retain all fees, including professional fees, for all direct patient care services provided by Physician during the Term of this Agreement. All professional fees generated by Physician during the Term of this Agreement, including without limitation, both cash collections and accounts receivable, capitated risk pool fees, professional retainer fees, honoraria, professional consulting and teaching fees, and fees for expert testimony (but excluding Physician's private investment and nonprofessional income, intellectual property developed or work on similar development projects prior to the Commencement Date, and industry consulting, which includes honoraria, cadaver labs, and professional speaking, expert witness, and teaching fees), will be the sole and exclusive property of KMC, whether received by KMC or by Physician and whether received during the Term of this Agreement or anytime thereafter. Physician hereby assigns all rights to said fees and accounts to KMC and shall execute all documents required from time to time by KMC and otherwise fully cooperate with KMC to enable KMC to collect fees and accounts from patients and third-party payers.

5.6.2 Remittance of Professional Fee Charges. Physician shall remit all professional fee charges to KMC within 45 days of the date direct patient care services are provided by Physician. Any professional fee charges not remitted by Physician to KMC within 45 days of the date of such service, or any charges for which relevant documentation has not been provided, will not be credited to Physician as Worked RVU.

5.7 Maximum Payable. The maximum compensation payable under this Agreement shall not exceed \$2,762,500 over the three-year Initial Term of this Agreement.

6. **Benefits Package.**

6.1 Retirement. Physician shall participate in the Kern County Hospital Authority Pension Plan for Physician Employees (the "Plan"), a qualified defined contribution pension plan, pursuant to the terms of the instrument under which the Plan has been established, as from time to time amended. Physician is not eligible to participate in any other retirement plan established by Authority for its employees, including but not limited to the Kern County Employees' Retirement Association, and this Agreement does not confer upon Physician any right to claim entitlement to benefits under any such retirement plan(s).

6.2 Health Care Coverage. Physician shall receive the same health benefits (medical, dental, prescription and vision coverage) as all eligible Authority employees. The employee share of cost is 20% of the current biweekly premium. Physician is eligible for coverage the first day of the biweekly payroll period coincident with or next following the day he completes one (1) month of continuous service. Physician's initial hire date is the initial opportunity to enroll in the health plan. Physician must work at least 40 hours per biweekly pay period to be eligible for coverage.

6.3 Holidays. Physician shall be entitled to all paid holidays authorized as official holidays for Authority employees. A holiday occurring on a Sunday shall be observed on the following Monday and a holiday occurring on a Saturday shall be observed on the preceding Friday. In the event Physician is scheduled for and works on a holiday, he shall be entitled to an equivalent period of time off at a later date.

6.4 Vacation. Physician shall be credited with vacation leave of 6.15 hours for each pay period of service, for a maximum accrual of 160 hours per year. Vacation leave will accrue from the Commencement Date and may be taken at any time thereafter. Total unused vacation leave accumulated will not exceed a maximum of 320 hours. No further vacation leave will accrue as long as Physician has the maximum number of hours credited. The Department chair must approve all vacation leave in advance. Physician shall be paid for accrued and unused vacation leave, if any, upon termination or expiration of this Agreement calculated at Physician's current hourly rate (i.e., current Annual Salary divided by 2080 hours = hourly rate). All payments made by Authority to Physician under this paragraph will be subject to all applicable federal and state taxes and withholding requirements.

6.5 Sick Leave. Physician shall accrue sick leave in accordance with Authority policy, as amended from time to time. Physician will not be paid for accrued and unused sick leave upon termination of employment.

6.6 Education Leave. Physician shall receive 80 hours paid education leave annually. The first 80 hours will accrue on the Commencement Date. On each successive Employment Year, if any, an additional 80 hours paid education leave will accrue. Education leave must be used within the year that it is accrued. Physician will not be paid for unused education leave

upon termination of employment. The Department chair must approve education leave in advance of use. Physician's participation in educational programs, services or other approved activities set forth herein shall be subordinate to Physician's obligations and duties under this Agreement.

6.7 CME Expense Reimbursement. Authority shall reimburse Physician for all approved reasonable and necessary expenditures related to continuing medical education in an amount not to exceed \$2,500 per Employment Year, payable in arrears, in accordance with Authority policy, as amended from time to time. This amount may not be accumulated or accrued and does not continue to the following Employment Year.

6.8 Kern\$Flex. Physician shall be eligible to participate in flexible spending plans to pay for dependent care, non-reimbursed medical expenses, and certain insurance premiums on a pre-tax basis through payroll deduction. This is a voluntary benefit that is paid by Physician if he elects to participate in the plan.

6.9 Attendance at Meetings. Physician shall be permitted to be absent from KMC during normal working days to attend professional meetings and to attend to such outside professional duties in the healthcare field as may be mutually agreed upon between Physician and the Department chair. Attendance at such approved meetings and accomplishment of approved professional duties shall be fully compensated service time and will not be considered vacation or education leave.

6.10 Unpaid Leave of Absence. Physician may take an unpaid leave of absence in accordance with Authority policies in effect at the time the leave is taken.

6.11 Social Security. Physician is exempt from payment of Social Security taxes as the Kern County Hospital Authority Pension Plan for Physician Employees is a qualified alternative to the insurance system established by the federal Social Security Act.

6.12 Deferred Compensation. Physician shall be eligible to participate in the Kern County Deferred Compensation Plan ("457 Plan") on a pre-tax basis. Physician shall make all contributions if he elects to participate in the 457 Plan.

6.13 Disability Insurance. Physician shall be eligible to purchase Long Term Disability or Short Term Disability insurance coverage through payroll deduction on a post-tax basis. This is a voluntary benefit that is paid by Physician if he elects to participate in the plan.

6.14 Employee Assistance/Wellness Programs. Physician shall be eligible to participate in any Authority-sponsored employee assistance and employee wellness programs.

6.15 Relocation Reimbursement. Authority shall reimburse Physician for actual relocation expenses (defined as the packing, moving and unpacking of household goods and vehicles) and travel expenses (defined as lodging, meals, mileage and incidental expenses) associated in moving to Bakersfield, California, in an amount not to exceed \$7,500, payable in arrears, in accordance with Authority policy. Reimbursement of travel expenses will include per mile reimbursement for one (1) personal vehicle at the current privately owned vehicle (POV)

mileage reimbursement rate established by the U.S. General Services Administration, meals and incidental expenses for Physician only at the current domestic per diem rates established by the U.S. General Services Administration for Kern County, and reasonable hotel accommodations not to exceed the maximum allowable reimbursement rate including taxes established by Authority. Physician shall be deemed vested in reimbursement of relocation expenses in the amount of \$125 per month beginning on the last day of the month in which the relocation expenses are reimbursed to Physician. In the event Physician's employment is terminated by either party, with or without cause, then, on the effective date of such termination, Physician shall repay to Authority all amounts received in which Physician has not yet become vested.¹

6.16 **Limitation on Benefits.** Except as expressly stated herein, Physician shall receive no other benefits from Authority.

7. **Assignment.** Physician shall not assign or transfer this Agreement or his obligations hereunder or any part thereof. Physician shall not assign any money due or which becomes due to Physician under this Agreement without the prior written approval of Authority.

8. **Assistance in Litigation.** Upon request, Physician shall support and assist Authority as a consultant or expert witness in litigation to which Authority is a party.

9. **Authority to Bind Authority.** It is understood that Physician, in his performance of any and all duties under this Agreement, has no authority to bind Authority or KMC to any agreements or undertakings.

10. **Captions and Interpretation.** Paragraph headings in this Agreement are used solely for convenience, and shall be wholly disregarded in the construction of this Agreement. No provision of this Agreement shall be interpreted for or against a party because that party or its legal representative drafted such provision, and this Agreement shall be construed as if jointly prepared by the parties.

11. **Choice of Law/Venue.** This Agreement shall be construed and enforced under and in accordance with the laws of the state of California, with venue of any action relating to this Agreement in the County of Kern, state of California.

12. **Compliance with Law.** Physician shall observe and comply with all applicable Authority, local, state and federal laws, ordinances, rules and regulations now in effect or hereafter enacted, each of which is hereby made a part hereof and incorporated herein by reference.

13. **Confidentiality.** Physician shall maintain confidentiality with respect to information that he receives in the course of his employment and not use or permit the use of or disclose any such information in connection with any activity or business to any person, firm or corporation whatsoever, unless such disclosure is required in response to a validly issued subpoena or other

¹ By way of example only, in the event Physician terminates his employment after 12-months then Physician will be vested to the extent of \$1,500 in the relocation expenses described herein and will be obligated to repay Authority the amount of \$6,000. **In the event Physician fails to pay such amount to Authority, Physician expressly grants to Authority the right to offset any amounts owed to Authority against any payments made to Physician by Authority.**

process of law or as required by Government Code section 6250 et seq. Upon completion of the Agreement, the provisions of this paragraph shall continue to survive.

14. **Conflict of Interest.** Physician covenants that he has no interest and that he will not acquire any interest, direct or indirect, that represents a financial conflict of interest under state law (Gov. Code, § 81000 et seq.) or that would otherwise conflict in any manner or degree with the performance of his services hereunder. It is understood and agreed that if such a financial interest does exist at the inception of this Agreement, Authority may immediately terminate this Agreement by giving written notice thereof.

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

16. **Dispute Resolution.** In the event of any dispute involving the enforcement or interpretation of this Agreement or any of the rights or obligations arising hereunder, the parties shall first attempt to resolve their differences by mediation before a mediator of their mutual selection. If the parties are, after mutual good faith efforts, unable to resolve their differences by mediation, the dispute shall be submitted for trial before a privately compensated temporary judge appointed by the Kern County Superior Court pursuant to Article VI, section 21 of the California Constitution and Rules 3.810 through 3.830 of the California Rules of Court. All costs of any dispute resolution procedure shall be borne equally by the parties.

17. **Enforcement of Remedies.** No right or remedy herein conferred on or reserved to Authority is exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy given hereunder or now or hereafter existing by law or in equity or by statute or otherwise, and may be enforced concurrently or from time to time.

18. **Indemnification.** Authority shall assume liability for and indemnify and hold Physician harmless from any and all claims, losses, expenses, costs, actions, settlements, attorneys' fees and judgments incurred by Physician or for which Physician becomes liable, arising out of or related to services rendered or which a third party alleges should have been rendered by Physician pursuant to this Agreement. Authority's obligation under this paragraph shall extend from Physician's first date of service to Authority and shall survive termination or expiration of this Agreement to include all claims that allegedly arise out of services Physician rendered on behalf of Authority; provided, however, that the provisions of this paragraph shall not apply to any services rendered at any location other than Practice Sites without approval by the Kern County Hospital Authority Board of Governors and, provided further, that Authority shall have no duty or obligation to defend, indemnify, or hold Physician harmless for any conduct or misconduct found to be intentional, willful, grossly negligent, or criminal.

19. **Invalidity of a Portion.** Should a portion, section, paragraph, or term of this Agreement be construed as invalid by a court of competent jurisdiction, or a competent state or federal agency, the balance of the Agreement shall remain in full force and effect. Further, to the extent any term or portion of this Agreement is found invalid, void or inoperative, the parties agree that

a court may construe the Agreement in such a manner as will carry into force and effect the intent appearing herein.

20. **Modifications of Agreement.** This Agreement may be modified in writing only, signed by the parties in interest at the time of the modification.

21. **Non-appropriation.** Authority reserves the right to terminate this Agreement in the event insufficient funds are appropriated or budgeted for this Agreement in any fiscal year. Upon such termination, Authority will be released from any further financial obligation to Physician, except for services performed prior to the date of termination or any liability due to any default existing at the time this clause is exercised. Physician shall be given 30 days' prior written notice in the event that Authority requires such an action.

22. **Nondiscrimination.** No party to this Agreement shall discriminate on the basis of race, color, religion, sex, national origin, age, marital status or sexual orientation, ancestry, physical or mental disability, medical conditions, political affiliation, veteran's status, citizenship or marital or domestic partnership status or on the basis of a perception that an individual is associated with a person who has, or is perceived to have, any of these characteristics.

23. **Non-waiver.** No covenant or condition of this Agreement can be waived except by the written consent of Authority. Forbearance or indulgence by Authority in any regard whatsoever shall not constitute a waiver of the covenant or condition to be performed by Physician. Authority shall be entitled to invoke any remedy available to Authority under this Agreement or by law or in equity despite said forbearance or indulgence.

24. **Notices.** Notices to be given by one party to the other under this Agreement shall be given in writing by personal delivery, by certified mail, return receipt requested, or express delivery service at the addresses specified below. Notices delivered personally shall be deemed received upon receipt; mailed or expressed notices shall be deemed received four (4) days after deposit. A party may change the address to which notice is to be given by giving notice as provided above.

Notice to Physician:

Tom Chao, M.D.
3200 South Water Street
Pittsburgh, Pennsylvania 15203

Notice to Authority

Kern Medical Center
1700 Mount Vernon Avenue
Bakersfield, California 93306
Attn.: Chief Executive Officer

25. **Relationship.** Authority and Physician recognize that Physician is rendering specialized, professional services. The parties recognize that each is possessed of legal knowledge and skill, and that this Agreement is fully understood by the parties, and is the result of bargaining between the parties. Each party acknowledges their opportunity to fully and independently review and consider this Agreement and affirm complete understanding of the effect and operation of its terms prior to entering into the same.

26. **Severability.** Should any part, term, portion or provision of this Agreement be decided finally to be in conflict with any law of the United States or the state of California, or otherwise be unenforceable or ineffectual, the validity of the remaining parts, terms, portions, or provisions shall be deemed severable and shall not be affected thereby, provided such remaining portions or provisions can be construed in substance to constitute the agreement which the parties intended to enter into in the first instance.

27. **Sole Agreement.** This Agreement contains the entire agreement between the parties relating to the services, rights, obligations, and covenants contained herein and assumed by the parties respectively. No inducements, representations, or promises have been made, other than those recited in this Agreement. No oral promise, modification, change, or inducement shall be effective or given any force or effect.

28. **Termination.**

28.1 **Termination without Cause.** Either party shall have the right to terminate this Agreement, without penalty or cause, by giving not less than 120 days' prior written notice to the other party.

28.2 **Immediate Termination.** Notwithstanding the foregoing, Authority may terminate this Agreement immediately by written notice to Physician upon the occurrence of any of the following events: (i) Authority determines that Physician does not have the proper credentials, experience, or skill to perform the required services under this Agreement; (ii) Authority determines the conduct of Physician in the providing of services may result in civil, criminal, or monetary penalties against Authority or KMC; (iii) Physician violates any federal or state law or regulatory rule or regulation or condition of accreditation or certification to which Authority or Practice Sites is subject; (iv) Physician engages in the commission of a material act involving moral turpitude, fraud, dishonesty, embezzlement, misappropriation or financial dishonesty against Authority or KMC; (v) the actions of Physician result in the loss or threatened loss of KMC's ability to participate in any federal or state health care program, including Medicare or Medi-Cal; (vi) Physician's license to practice medicine in the state of California lapses or is denied, suspended, revoked, terminated, relinquished or made subject to terms of probation or other restriction; (vii) Physician's medical staff privileges are denied, suspended, revoked, terminated, relinquished under threat of disciplinary action or made subject to terms of probation or other restriction; (viii) Physician's Controlled Substance Registration Certificate issued by the Drug Enforcement Administration is revoked, suspended, terminated, relinquished, placed on terms of probation, or restricted in any way; (ix) Physician becomes debarred, excluded, or suspended, or if any other event occurs that makes Physician an Ineligible Person; (x) Physician fails to make a timely disclosure pursuant to paragraph 4.4; (xi) Physician engages in conduct that, in the sole discretion of Authority, is detrimental to patient care or to the reputation or operations of Authority and/or KMC; (xii) Physician breaches the confidentiality provisions of this Agreement; (xiii) Physician dies; (xiv) Physician fails to follow Authority's policies and procedures and other rules of conduct applicable to all employees of Authority, including without limitation, policies prohibiting sexual harassment; or (xv) Physician breaches any covenant set forth in paragraph 4.11.

29. **Effect of Termination.**

29.1 **Payment Obligations.** In the event of termination of this Agreement for any reason, Authority shall have no further obligation to pay for any services rendered or expenses incurred by Physician after the effective date of the termination, and Physician shall be entitled to receive compensation for services satisfactorily rendered, calculated on a prorated basis up to the effective date of termination.

29.2 **Vacate Premises.** Upon expiration or earlier termination of this Agreement, Physician shall immediately vacate KMC, removing at such time any and all personal property of Physician. KMC may remove and store, at the expense of Physician, any personal property that Physician has not so removed.

29.3 **No Interference.** Following the expiration or earlier termination of this Agreement, Physician shall not do anything or cause any person to do anything that might interfere with any efforts by Authority or KMC to contract with any other individual or entity for the provision of services or to interfere in any way with any relationship between KMC and any person who may replace Physician.

29.4 **No Hearing Rights.** Termination of this Agreement by Authority or KMC for any reason shall not provide Physician the right to a fair hearing or the other rights more particularly set forth in the KMC medical staff bylaws.

30. **Liability of Authority.** The liabilities or obligations of Authority with respect to its activities pursuant to this Agreement shall be the liabilities or obligations solely of Authority and shall not be or become the liabilities or obligations of the County of Kern or any other entity, including the state of California.

[Signatures follow on next page]

IN WITNESS TO THE FOREGOING, the parties have executed this Agreement as of the day and year first written above.

KERN COUNTY HOSPITAL AUTHORITY

PHYSICIAN

By _____
Chairman
Board of Governors

By _____
Tom Chao, M.D.

APPROVED AS TO CONTENT:
KERN MEDICAL CENTER

By _____
Russell V. Judd
Chief Executive Officer

APPROVED AS TO FORM:
OFFICE OF COUNTY COUNSEL

By _____
Chief Deputy

Agreement.Chao.071816

EXHIBIT “A”
Job Description
Tom Chao, M.D.

Position Description: Reports to Chair, Department of Surgery and Chief, Division of Orthopedic Surgery; serves as full-time faculty member in the Department; provides no fewer than 80 hours per pay period of service; works collaboratively with clinic and surgery staff as well as hospital administration to ensure efficient workflow, adequacy of support equipment, and superior patient experience.

Essential Functions:

1. Clinical Responsibilities and Assignments:
 - Provide service and improve efficiency for orthopedic clinic activities and surgical cases
 - Provide faculty service for acute trauma and fresh fracture call coverage; round and follow-up as appropriate on patients admitted to KMC
 - Provide orthopedic sports medicine services
 - Supervise orthopedic Physician Assistant activity and competence
 - Operating Room – minimum of three (3) full days per week
 - KMC, Stockdale Highway, Truxtun Avenue, or other designated clinic sites – minimum of three (3) half-day clinics per week
 - Call coverage – one (1) day per week and one (1) weekend per month

2. Administrative Responsibilities:
 - Participate in clinical and administrative integration efforts across KMC as appropriate for orthopedic surgery ensuring proper program planning, resource allocation, analysis, communication and assessment
 - Gather data through best practices and collaborate with other members of the Department and Division to recommend services that will increase productivity, minimize duplication of services, increase workflow efficiency, and provide the highest quality of care to KMC patients
 - Support the Department chair and Division chief in developing monitoring tools to measure financial, access, quality, and satisfaction outcomes
 - Attend and actively participate in assigned Medical Staff and hospital committees
 - Participate in the preparation, monitoring, review, and performance of clinical activity in the Division
 - Participate in the quality improvement and risk management activities, including peer review and quality control functions as assigned to services in the Division
 - Provide didactic teaching and resident physician and medical student education as assigned and participate in setting goals and expectations for orthopedic surgery medical student rotations
 - Complete medical records in a timely fashion and work to improve the quality, accuracy, and completeness of documentation

- Work collaboratively with other clinical departments to develop a cohesive and collaborative environment across departments with a focus of enhancing access to patient care for inpatient and outpatient services
- Work collaboratively with Department and Division leadership and KMC administration to develop an orthopedic sports medicine program to complement existing orthopedic services at KMC
- Follow and comply with the Medical Staff bylaws, rules, regulations, and policies and County and KMC policies and procedures

Employment Standards:

One (1) year of post-residency experience in orthopedic surgery

AND

Possession of a current valid Physician's and Surgeon's Certificate issued by the state of California

AND

Certification by the American Board of Orthopaedic Surgery in orthopedic surgery-general

Knowledge of: The principles and practices of modern medicine; current techniques, procedures, and equipment applicable to orthopedic surgery; principles of effective supervision and program development.

[Intentionally left blank]

EXHIBIT "B"
AUTHORIZATION TO RELEASE INFORMATION

[See attached]

AUTHORIZATION TO RELEASE INFORMATION

I, the undersigned physician, hereby authorize Kern Medical Center (“KMC”) and its duly authorized representatives to obtain information from time to time about my professional education, training, licensure, credentials competence, ethics and character from any source having such information. This information may include, without limitation, peer review information, DRG and RVU analyses, ancillary usage information and other utilization and quality related data.

I hereby release the Kern County Hospital Authority and KMC, its authorized representatives and any third parties from any liability for actions, recommendations, statements, reports, records or disclosures, including privileged and confidential information, involving me that are made, requested, taken or received by KMC or its authorized representatives to, from or by any third parties in good faith and relating to or arising from my professional conduct, character and capabilities.

I agree that this authorization to release information shall remain effective until termination of my employment by the Kern County Hospital Authority and KMC. A duplicate of this authorization may be relied upon to the same degree as the original by any third party providing information pursuant to this request.

Physician

Date

EXHIBIT "C"
TIME LOG FORM

[See attached]

TIME LOG FORM

Physician Name

Signature / Date

Department

Month / Year of Service

Total Hours / Month

Services Provided (please list specific activity performed)

Date

Hours

1. Medical Staff CME Activities

2. Hospital Staff Education and Training

3. Clinical Supervision

4. Quality Improvement Activities (committees, case review, etc.)

5. Administration Activities

6. Community Education

7. Medical Management Activities

8. Compliance Activities

9. Other Services



**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

August 17, 2016

SUBJECT: Proposed letter from Moss-Adams, LLP

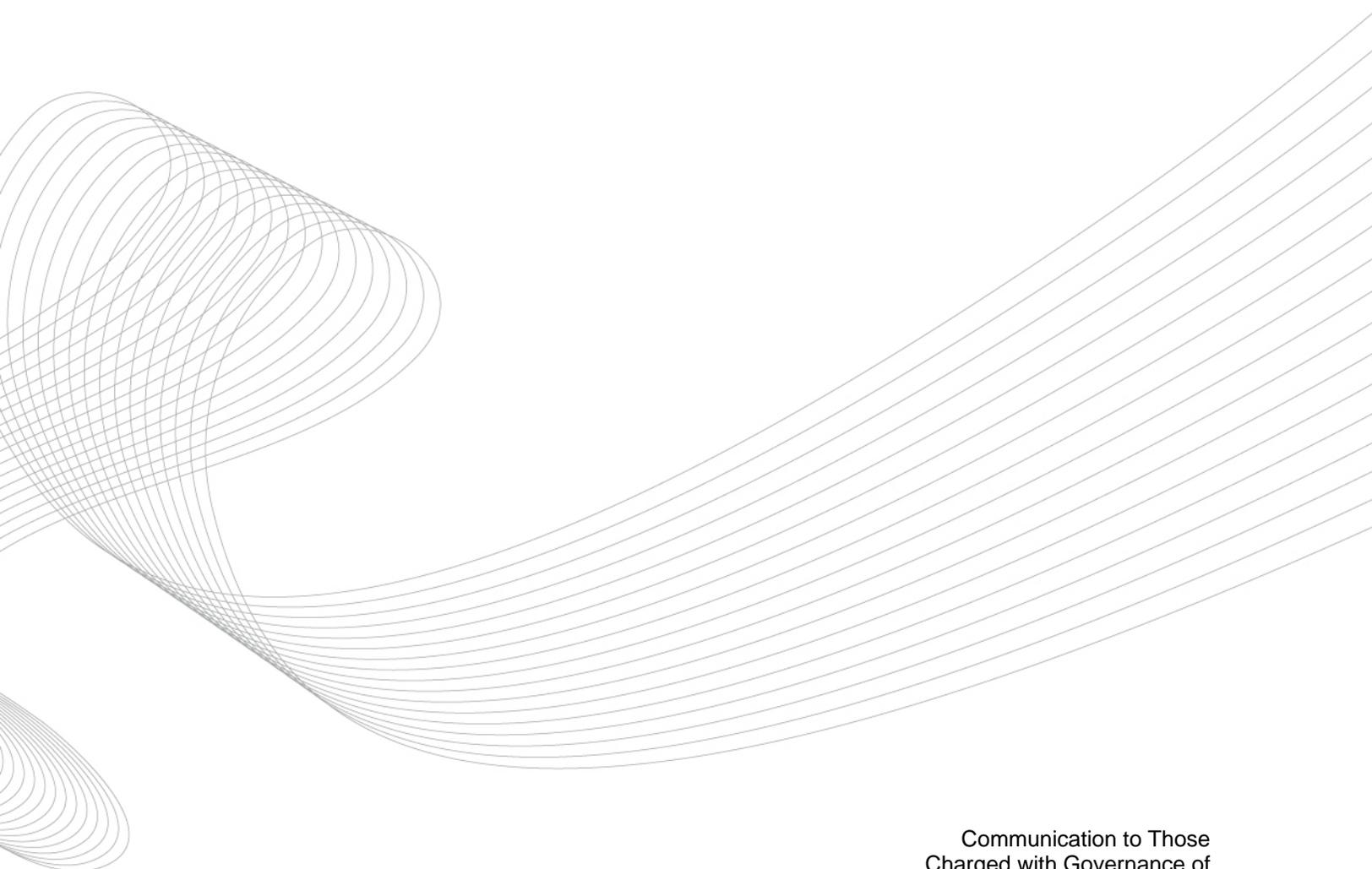
Recommended Action: Receive and File

Summary:

Kern Medical requests your Board receive and file the letter from Moss-Adams, LLP, for the audit of Kern Medical's financial statements pursuant to Kern County Agreement No. 584-2015. The scope of the audit will include the audit of Kern Medical financial statements, which comprise the statement of net position as of June 30, 2016, and the related statements of revenue, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements. The timing of the engagement includes the independent's report being available no later than October 31, 2016.

Fiscal Impact: None

Attachment: Audit letter approved by the Kern County Board of Supervisors on 6/14/2016.



Communication to Those
Charged with Governance of

Kern Medical Center

June 30, 2016

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Certified Public Accountants | Business Consultants

To the Board of Governors
Kern County Hospital Authority

In connection with our engagement to audit the financial statements of Kern Medical Center (the "Medical Center"), an enterprise fund of the County of Kern, California, as of and for the year ended June 30, 2016, professional standards require that we communicate with you certain items including our responsibilities with regard to the financial statement audit and the planned scope and timing of our audit. It is our understanding that the Board of Governors of the Kern County Hospital Authority is the appropriate committee within the Medical Center's governance structure with whom to communicate. We would also appreciate the opportunity to meet with you to discuss this information further since two-way communication can provide valuable information in the audit process.

As stated in our engagement letter date June 14, 2016, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* for the purpose of forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other post-employment benefit schedules, including schedules of funding progress, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We will apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtain during our audit of the basic financial statements. Our responsibility for the supplementary information accompanying the basic financial statements is to evaluate the presentation of the supplementary information in relation to the



basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We will also provide the Medical Center with the following non-attest services:

- Assist you in drafting the financial statements and related footnotes as of and for the year ended June 30, 2016. Although we will assist in the drafting of the financial statements and related footnotes, Management will provide a substantially complete working draft of the financial statements and required footnotes. Should you request additional assistance, we will discuss the additional fees that may be required prior to commencing additional work. Management also has the responsibility to draft the required supplementary information relating to management's discussion and analysis.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including its internal controls, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or regulations that are attributable to the Medical Center or to acts by management or employees acting on behalf of the Medical Center. We will communicate to you at the conclusion of our audit, significant matters that we believe are relevant to your responsibilities in overseeing the financial reporting process, including any internal control related matters that are required to be communicated under professional standards.

We conducted one week of onsite planning and internal control testing the week of June 13, 2016. We expect to begin our final audit field work on August 15, 2016 and issue our report on approximately October 31, 2016.

During the planning of the audit we have identified the following areas of audit emphasis:

- **Revenue Recognition** – We will test the controls related to the revenue cycle selecting a representative sample of transactions and evaluating the controls design, implementation and effectiveness. We will develop expectations and define relationships to other financial statement elements and contractual arrangements regarding revenues and test these expectations using analytical review procedures. We will also assess the appropriate revenue recognition for supplemental funding received from government programs, including intergovernmental transfers, hospital fee program funding, and other sources of revenue.

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- **Valuation of Patient Receivables** – We will test the realization of patient receivables by developing our own independent estimate of net patient receivables utilizing collection history, examining subsequent cash receipts, performing a look-back analysis to the June 30, 2015 patient accounts receivable balance, as well as looking at write-offs and the valuation allowances (contractual and bad debt).
- **Valuation of Third Party Settlements** – We will obtain a roll-forward of third party balances from June 30, 2015 to June 30, 2016 and trace current year activity to supporting documents, including third party correspondence and check copies. We will test the validity of the data used by management to estimate third party balances. We will evaluate the assumptions made and positions taken by management to estimate third party balances.
- **Professional Liability Estimates** – We will evaluate the qualifications of the external actuary used by management to estimate the self-insured professional liability. We will test the propriety of the data used by the external actuary and verify that the methods and assumptions used are reasonable.
- **Other Post-Employment Benefits** – We will obtain the most recent actuarial valuation report. We will evaluate the qualifications of the external actuary used. We will test the propriety of the data used by the external actuary and verify that the methods and assumptions used are reasonable. We will review to see that adequate disclosures are included in the financial statements footnotes.
- **Pension Obligation** – We will obtain the audited schedule of changes in fiduciary net position and the actuarial valuation report, including the allocation by the County to the Medical Center. We will evaluate the qualifications of the external actuary used. We will test the propriety of the data used by the external actuary as it relates to the Medical Center specifically, and verify that the methods and assumptions used are reasonable. We will also review to see that the net pension liability is properly recorded and disclosed in the financial statements footnotes in accordance with GASB 68.
- **Related Party Transactions** – We will obtain from management a listing of all related party transactions and test them, on a sample basis, to ensure that they have been accurately recorded and reported. We will review to see that the significant related party transactions are adequately disclosed in the financial statements footnotes.
- **Subsequent Events** – We will obtain all relevant documents relating to the creation of the new Hospital Authority effective July 1, 2016 and ensure proper disclosure in the June 30, 2016 financial statements.

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Your client service team includes:

- Stacy Stelzriede, Partner, Stacy.Stelzriede@mossadams.com (310) 295-3772
- Ben Mack, Concurring Partner, Ben.Mack@mossadams.com (415) 677-8261
- Stelian Damu, Audit Senior Manager, Stelian.Damu@mossadams.com (818) 577-1914
- Corinne Lever, Audit Manager, Corinne.Lever@mossadams.com (310) 481-1357
- Jae Hyun, Audit Senior, Jae.Hyun@mossadams.com (818) 477-7802

This information is intended solely for the information and use of the Board of Governors of the Kern County Hospital Authority and management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Los Angeles, California

August 2, 2016

May 23, 2016

Mick Gleason, Chairman of the Board of Supervisors
County of Kern
1115 Truxtun Avenue, 5th floor
Bakersfield, CA 93301

Andy Cantu, CFO
Kern Medical Center
1700 Mount Vernon Ave
Bakersfield CA 93306-4018

Re: Audit and Non-Attest Services

Dear Chairman Gleason:

Thank you for the opportunity to provide services to County of Kern, California ("you," "your," and "County") related to the financial statements of Kern Medical Center, an enterprise fund of the County. This engagement letter ("Engagement Letter") incorporates by reference the July 31, 2015 Agreement for Professional Services between Moss Adams LLP ("Moss Adams," "we," "us," and "our") and the County ("PSA"). This Engagement Letter confirms our acceptance and understanding of the terms and objectives of our engagement, and limitations of the services that Moss Adams will provide to the County with regard to the financial statements of Kern Medical Center as set forth below.

Scope of Services – Audit

You have requested that we audit Kern Medical Center's financial statements, which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements. Accounting standards generally accepted in the United States of America provide for certain required supplementary information ("RSI"), such as management's discussion and analysis, to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Kern Medical Center's RSI in accordance with auditing standards generally accepted in the United States of America. We will not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance. The following RSI will be subjected to certain limited procedures, but will not be audited:

- Management's discussion and analysis
- Schedule of Funding Progress for the County of Kern

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- Actuarial Assumptions and Methodology for the County of Kern
- Schedule of Contributions for the County of Kern
- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Contributions

Scope of Services and Limitations – Non-Attest

We will provide the County with the following non-attest services:

- Assist you in drafting the Kern Medical Center financial statements and related footnotes as of and for the year ended June 30, 2016. Although we will assist in the drafting the financial statements and related footnotes, our fee estimate included in this engagement letter is based on management providing a substantially complete working draft of the financial statements and required footnotes. Should you request additional assistance, we can discuss the additional fees that may be required prior to commencing additional work.

Our professional standards require that we remain independent with respect to our attest clients, including those situations where we also provide non-attest services such as those identified in the preceding paragraphs. As a result, Kern Medical Center management has the responsibility to draft the management's discussion and analysis, included as required supplementary information, and must accept the responsibilities set forth below related to this engagement:

- Assume all management responsibilities.
- Oversee the service by designating an individual, preferably within senior management, who possesses skill, knowledge, and/or experience to oversee our non-attest services. The individual is not required to possess the expertise to perform or reperform the services.
- Evaluate the adequacy and results of the non-attest services performed.
- Accept responsibility for the results of the non-attest services performed.

It is our understanding that Andy Cantu, Chief Financial Officer of Kern Medical Center, has been designated by the County to oversee the non-attest services and that in the opinion of the County is qualified to oversee our non-attest services as outlined above. If any issues or concerns in this area arise during the course of our engagement, we will discuss them with you prior to continuing with the engagement.

Timing

Stacy J. Stelzriede is responsible for supervising the engagement and authorizing the signing of the report. We expect to be onsite the week of June 13, 2016 for planning and interim test work, and again

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starting the week of August 15, 2016 to begin our final field work. We expect to issue our report no later than October 31, 2016. As we reach the conclusion of the audit, we will coordinate with you the date the audited financial statements will be available for issuance.

Our scheduling depends on your completion of the year-end closing and adjusting process prior to our arrival to begin the fieldwork. We may experience delays in completing our services due to your staff's unavailability or delays in your closing and adjusting process. You understand our fees are subject to adjustment if we experience these delays in completing our services.

Fees

We have agreed to the following payment schedule for the services based on a total fee estimate of \$120,000. In addition to the above fees, you will be billed for direct expenses at our cost as incurred for travel, meals, mileage, and other direct expenses. You will also be billed a flat fee of \$1,000 for indirect expenses for processing and copying as well as estimated clerical and equipment costs. The mentioned fees will be paid in accordance to the agreement.

Month Due	Amount
July 2016	\$30,000
September 2016	30,000
October 2016	30,000
November 2016	30,000
	<u>\$ 120,000</u>

Our ability to provide services in accordance with our estimated fees depends on the quality, timeliness, and accuracy of Kern Medical Center's records, and, for example, the number of general ledger adjustments required as a result of our work. To assist you in this process, we will provide you with a Client Audit Preparation Schedule that identifies the key work you will need to perform in preparation for the audit. We will also need your accounting staff to be readily available during the engagement to respond in a timely manner to our requests. Lack of preparation, poor records, general ledger adjustments and/or untimely assistance will result in an increase of our fees.

Reporting

We will issue a written report upon completion of our audit of the Kern Medical Center financial statements. Our report will be addressed to the Board of Supervisors of the County. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it

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is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. Our services under this Engagement Letter will be concluded upon delivery to you of our report on the financial statements for the year ended June 30, 2016.

Additional Services

You may request that we perform additional services not contemplated by this Engagement Letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. It is our practice to issue a separate agreement covering additional services. However, absent such a separate agreement, all services we provide you shall be subject to the terms and conditions in the Professional Services Agreement.

Objective of the Audit

The objective of our audit is the expression of an opinion on the financial statements and supplementary information. We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). It will include tests of County and Kern Medical Center accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Procedures and Limitations

Our procedures may include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain receivables and certain other assets, liabilities and transaction details by correspondence with selected customers, creditors, and financial institutions. We may also request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. The supplementary information will be subject to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. At the conclusion of our audit, we will require certain written representations from Kern Medical Center management about the financial statements and supplementary information and related matters. Management's failure to provide representations to our satisfaction will preclude us from issuing our report.

An audit includes examining evidence, on a test basis, supporting the amounts and disclosures in the financial statements. Therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, we will plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. Such material misstatements may include errors, fraudulent financial reporting,

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misappropriation of assets, or noncompliance with the provisions of laws or regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity that may have a direct financial statement impact. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements and noncompliance may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS. An audit is not designed to detect immaterial misstatements or noncompliance with the provisions of laws or regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors, fraudulent financial reporting, misappropriation of assets, and noncompliance with the provisions of laws or regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any time period for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the Kern Medical Center and its environment, including its internal control sufficient to assess the risks of material misstatements of the financial statements whether due to error or fraud and to design the nature, timing, and extent of further audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify deficiencies in the design or operation of internal control. However, if, during the audit, we become aware of any matters involving internal control or its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, we will communicate them in writing to management and those charged with governance. We will also identify if we consider any significant deficiency, or combination of significant deficiencies, to be a material weakness.

We may assist management in the preparation of Kern Medical Center's financial statements and supplementary information. Regardless of any assistance we may render, all information included in the financial statements and supplementary information remains the representation of management. We may issue a preliminary draft of the financial statements and supplementary information to you for your review. Any preliminary draft financial statements and supplementary information should not be relied upon, reproduced, or otherwise distributed without the written permission of Moss Adams.

Management's Responsibility for Financial Statements

As a condition of our engagement, Kern Medical Center management acknowledges and understands that management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. We may advise management about appropriate accounting principles and their application and may assist in the preparation of Kern Medical Center's financial statements, but management remains responsible for the financial statements. Management also acknowledges and understands that management is responsible for the design, implementation, and maintenance of internal control relevant to the

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preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud. This responsibility includes the maintenance of adequate records, the selection and application of accounting principles, and the safeguarding of assets. Kern Medical Center management is responsible for informing us about all known or suspected fraud affecting Kern Medical Center involving: (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. Management is responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting Kern Medical Center received in communications from employees, former employees, regulators or others. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole. Management is also responsible for identifying and ensuring that Kern Medical Center complies with applicable laws and regulations.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management agrees that as a condition of our engagement management will provide us with:

- access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
- additional information that we may request from management for the purpose of the audit; and
- unrestricted access to persons within the County and Kern Medical Center from whom we determine it necessary to obtain audit evidence.

Management's Responsibility for Supplementary Information

Management is responsible for the preparation of the supplementary information in accordance with the applicable criteria. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information. Management is responsible to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon. For purposes of this Engagement Letter, audited financial statements are deemed to be readily available if a third party user can obtain the audited financial statements without any further action by management. For example, financial statements on your Web site may be considered readily available, but being available upon request is not considered readily available.

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Dissemination of Financial Statements

Our report on the financial statements must be associated only with the financial statements that were the subject of our engagement. You may make copies of our report, but only if the entire financial statements (including related footnotes and supplementary information, as appropriate) are reproduced and distributed with our report. You agree not to reproduce or associate our report with any other financial statements, or portions thereof, that are not the subject of this engagement.

Offering of Securities

This Engagement Letter does not contemplate Moss Adams providing any services in connection with the offering of securities, whether registered or exempt from registration, and Moss Adams will charge additional fees to provide any such services. You agree not to incorporate or reference our report in a private placement or other offering of equity or debt securities without our express written permission. You further agree we are under no obligation to reissue our report or provide written permission for the use of our report at a later date in connection with an offering of securities, the issuance of debt instruments, or for any other circumstance. We will determine, at our sole discretion, whether we will reissue our report or provide written permission for the use of our report only after we have conducted any procedures we deem necessary in the circumstances. You agree to provide us with adequate time to review documents where (a) our report is requested to be reissued, (b) our report is included in the offering document or referred to therein, or (c) reference to our firm is expected to be made. If we decide to reissue our report or provide written permission to the use of our report, you agree that Moss Adams will be included on each distribution of draft offering materials and we will receive a complete set of final documents. If we decide not to reissue our report or withhold our written permission to use our report, you may be required to engage another firm to audit periods covered by our audit reports, and that firm will likely bill you for its services. While the successor auditor may request access to our engagement documentation for those periods, we are under no obligation to permit such access.

Representations of Management

During the course of our engagement, we may request information and explanations from management regarding, among other matters, Kern Medical Center's operations, internal control, future plans, specific transactions, and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide us with a written representation letter confirming some or all of the representations made during the engagement. The procedures that we will perform in our engagement will be heavily influenced by the representations that we receive from management. Accordingly, false representations could cause us to expend unnecessary efforts or could cause a material error or fraud to go undetected by our procedures. In view of the foregoing, we will not be responsible for any misstatements in Kern Medical Center's financial statements and supplementary information that we fail to detect as a result of false or misleading representations, whether oral or written, that are made

MOSS ADAMS_{LLP}

Mick Gleason, County of Kern
Andy Cantu, Kern Medical Center
May 23, 2016
Page 8 of 9

to us by management. While we may assist management in the preparation of the representation letter, it is management's responsibility to carefully review and understand the representations made therein.

Use of Moss Adams' Name

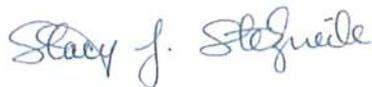
The County may not use any of Moss Adams' name, trademarks, service marks or logo in connection with the services contemplated by this Engagement Letter or otherwise without the prior written permission of Moss Adams, which permission may be withheld for any or no reason and may be subject to certain conditions.

Use of Nonlicensed Personnel

Certain engagement personnel who are not licensed as certified public accountants may provide services during this engagement.

We appreciate the opportunity to be of service to you. If you agree with the terms of our engagement as set forth in the Agreement, please sign the enclosed copy of this letter and return it to us with the Professional Services Agreement.

Very truly yours,



Stacy J. Stelzriede, Partner
for Moss Adams LLP

Enclosures

MOSS ADAMS LLP

Mick Gleason, County of Kern
Andy Cantu, Kern Medical Center
May 23, 2016
Page 9 of 9

ACCEPTED AND AGREED:

This Engagement Letter and the attached Professional Services Agreement set forth the entire understanding of County of Kern with respect to this engagement and the services to be provided by Moss Adams LLP:

Signature:  _____
Print Name: MICK GLEASON
Title: Chairman, Board of Supervisors,
County of Kern
Date: JUN 14 2016



**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

August 17, 2016

SUBJECT: Proposed Amendment No. 2 with Armanino LLP (dba AMF Media Group)

Recommended Action: Approve; Authorize Chairman

Summary:

Kern Medical requests Amendment No.2 with Armanino LLP (dba AMF Medical Group; "Contractor") for communications, marketing, and public relations services. Kern Medical first contracted with the Contractor through the County of Kern request for proposal and bidding process effective June 16, 2015 to provide the planning, assessment, development, and implementation of the medical center's new brand as well as internal communications, intranet portal, production concepts for certain electronic media, and public relations.

The County Board of Supervisors subsequently approved Amendment No. 1 effective October 21, 2015 with an ending date of August 31, 2016 to provide continuing public relations and communication support as well as commence serving as Kern Medical's marketing agency of record and implement the marketing campaign.

The proposed Amendment No. 2 with the Contractor extends the agreement through August 17, 2017, amending the description of services, and increasing the maximum payable by \$1,461,000, from \$1,560,000 to \$3,021,000, to cover the extended term.

**AMENDMENT NO. 2
TO
AGREEMENT FOR PROFESSIONAL SERVICES
INDEPENDENT CONTRACTOR
(Kern County Hospital Authority – Armanino LLP)**

This Amendment No. 2 to the Agreement for Professional Services is made and entered into this ____ day of _____, 2016, between the Kern County Hospital Authority, a county hospital authority (“Authority”), which owns and operates Kern Medical Center (“KMC”), and Armanino LLP, a California limited liability partnership, doing business as AMF Media Group (“Contractor”), with its principal place of business located at 12657 Alcosta Boulevard, Suite 500, San Ramon, California 94583.

RECITALS

(a) The parties have heretofore entered into an Agreement for Professional Services (Kern County Agt. #392-2015, dated June 16, 2015), Amendment No. 1 (Kern County Agt. #787-2015, dated October 20, 2015), and Assignment of Agreement (Kern County Agt. #349-2016, dated April 26, 2016, effective July 1, 2016) (collectively, the “Agreement”), for the period June 16, 2015 through August 31, 2016, whereby Contractor provides communications consulting services to Authority and KMC; and

(b) The Agreement expires August 31, 2016; and

(c) Authority continues to require the services of Contractor; and

(d) It is the intent of the Parties to have the terms of the Agreement provide for the payment of all reasonably projected costs and expenses related to the services provided by Manager; and

(e) The parties agree to amend certain terms and conditions of the Agreement as hereinafter set forth; and

(f) The Agreement is amended effective August 18, 2016;

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter set forth and incorporating by this reference the foregoing recitals, the parties hereto agree to amend the Agreement as follows:

1. Section 1, Term, shall be deleted in its entirety and replaced with the following:

“1. Term. The term of this Agreement shall commence June 16, 2015 (“Effective Date”), and shall end August 17, 2017, unless earlier terminated pursuant to other provisions of this Agreement as herein stated.”

2. Section 4, Payment for Services, paragraph 4.2, Travel Reimbursement, shall be deleted in its entirety and replaced with the following:

“4.2 Travel Reimbursement. Contractor shall be reimbursed for all approved travel expenses, which approval will not be unreasonably withheld, incurred by Contractor on behalf of Authority in an amount not to exceed \$12,500 for the period June 16, 2015 through August 17, 2016, and \$25,000 for the period August 18, 2016 through August 17, 2017, with total travel reimbursement not to exceed \$37,500 over the term of this Agreement. Reimbursement of travel expenses will include actual cost for lowest refundable coach round-trip airfare, local transportation (rental cars are reimbursable at actual cost for compact or midsize vehicles only; per mile reimbursement for personal vehicle use at the current privately owned vehicle [POV] mileage reimbursement rate established by the U.S. General Services Administration), meals and incidental expenses at the current domestic per diem rates established by the U.S. General Services Administration for Kern County, and reasonable hotel accommodations not to exceed the maximum allowable reimbursement rate including taxes established by Authority. Travel-related expenses will be billed monthly, as incurred, and are payable in arrears within 30 days of receipt and approval of each invoice by KMC.”

3. Section 4, Payment for Services, paragraph 4.4, Maximum Payable, shall be deleted in its entirety and replaced with the following:

“4.4 Maximum Payable. The maximum payable under this Agreement shall not exceed \$1,461,000 for the period June 16, 2015 through August 17, 2016, and \$1,560,000 for the period August 18, 2016 through August 17, 2017, with total fees and charges, including travel reimbursement not to exceed \$3,021,000 over the term of this Agreement.”

4. Amendment No. 1 to Exhibit “A,” Description of Services, shall be deleted in its entirety and replaced with Amendment No. 2 to Exhibit “A,” Description of Services, attached hereto and incorporated herein by this reference.

5. Amendment No. 1 to Exhibit “B,” Fee Schedule, shall be deleted in its entirety and replaced with Amendment No. 2 to Exhibit “B,” Fee Schedule, attached hereto and incorporated herein by this reference.

6. Except as otherwise defined herein, all capitalized terms used in this Amendment have the meaning set forth in the Agreement.

7. This Amendment shall be governed by and construed in accordance with the laws of the state of California.

8. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

9. Except as provided herein, all other terms, conditions and covenants of the Agreement and any and all amendments thereto shall remain in full force and effect.

[Signatures follow on next page]

IN WITNESS WHEREOF, the parties have executed this Amendment No. 2 to the Agreement as of the day and year first written above.

ARMANINO LLP

By _____
Vintage Foster
Partner

KERN COUNTY HOSPITAL AUTHORITY

By _____
Chairman
Board of Governors

APPROVED AS TO CONTENT:
KERN MEDICAL CENTER

By _____
Russell V. Judd
Chief Executive Officer

APPROVED AS TO FORM:
OFFICE OF COUNTY COUNSEL

By _____
Chief Deputy

Amend2.Armanino.072816

**AMENDMENT NO. 2
TO
EXHIBIT "A"
Description of Services
(Effective August 18, 2016)**

Contractor shall provide the following services:

A. Public Relations:

- i. Public relations initiatives
- ii. Media strategy
- iii. Outreach efforts to target audiences that support KMC contributions to the community
- iv. Integrated communications and public relations campaign with Strategic Marketing Campaign as part of rebranding
- v. Ongoing public relations and communication planning, services and engagement

B. Advertising Campaign:

- i. Production services, including television, outdoor, print, digital, radio, and other campaign media channels if deemed appropriate
- ii. Contractor shall be the agency of record for KMC and shall coordinate and produce all advertising campaign production. Contractor shall identify and directly engage appropriate production vendors. Production vendors shall submit bills to Contractor for payment by Contractor in accordance with the fee schedule set forth in Exhibit "B"

C. Placement:

- i. Placement services, including television, outdoor, print, digital, radio, and other campaign media channels if deemed appropriate
- ii. Contractor shall be the agency of record for KMC and shall plan and place all advertising campaign pieces. Contractor shall identify and directly engage appropriate media outlets. Placement shall include the collection of appropriate affidavits or invoices from media outlets and payments thereto. Contractor shall submit all placement-related documentation to KMC to substantiate payment. Media outlets shall submit bills to Contractor for payment by Contractor in accordance with the fee schedule set forth in Exhibit "B"

D. Internal Communications:

- i. Intranet site: Intranet site services, including technical assistance and maintenance
- ii. Collateral plan and designs: Design services, including digital signage, e-mail, and internal banners/signage

E. Employee Promotional Support Collateral: Employee promotional support collateral services, including ongoing preparation, implementation, and maintenance of employee promotional support, including, but not limited to banners, posters, digital signage, web graphics, general design of materials including trailer or building wraps, maps, brochures, forms, etc.

F. Retained Communications Support Services:

- i. Retained communications support services, including onsite internal communications and external marketing staff support
- ii. The on-site support services includes ongoing messaging creation and coordination across all communications channels and a monthly work plan detailing the following: video; monthly feature stories for intranet; internet website maintenance, including social media and development of Brand Ambassador Program; and Editorial Board management

[Intentionally left blank]

**AMENDMENT NO. 2
TO
EXHIBIT "B"
Fee Schedule
(Effective August 18, 2016)**

Retained Public Relations:

\$114,000, billed in 12 equal monthly installments of \$9,500 per month beginning August 18, 2016

Production Fees:

Total production fees shall not exceed \$190,000; Authority shall pay Contractor only for those services authorized in advance by Authority

Creative Campaign Development:

Total creative campaign development fees shall not exceed \$45,000; Authority shall pay Contractor only for those services authorized in advance by Authority

Campaign Placement and Elements:

Total campaign placement and elements fees shall not exceed \$860,000; Authority shall pay Contractor only for those services authorized in advance by Authority

Service Line Support as Part of Extended Campaign:

Service line support fees shall not exceed \$160,000; Authority shall pay Contractor only for those services authorized in advance by Authority

Retained Communications Support Services Fees:

\$166,000, billed in 12 equal monthly installments of \$13,833.33 per month beginning August 18, 2016

[Intentionally left blank]



**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

August 17, 2016

SUBJECT: Proposed Amendment No. 6 to Engineering Service Agreement with Vantage Technology Consulting Group

Recommended Action: Approve; Authorize Chairman to sign.

Summary:

Kern Medical requests approval of Amendment No. Six (6) to the Engineering Service Agreement with Vantage Technology Consulting Group to provide construction Administration for Nurse Call 2C and Information Services rewire construction projects, effective August 17, 2016. Amendment No. 6 increases the total contract amount from \$295,426.19 to \$321,336.19, or 8% of the total contact amount.

**AMENDMENT NO. 6
TO
AGREEMENT FOR ENGINEERING SERVICES
(Kern County Hospital Authority – Vantage Technology Consulting Group)**

This Amendment No. 6 to the Agreement for Engineering Services is entered into this 17th day of August, 2016 (“Effective Date”), by and between, the KERN COUNTY HOSPITAL AUTHORITY, a local unit of government, which owns and operates Kern Medical Center, ("KCHA") with its principal location at 1700 Mount Vernon Avenue, Bakersfield, CA 93306, and Vantage Technology Consulting Group ("Consultant"), with its principal place of business located at 201 Continental Blvd., Suite 120, El Segundo, CA 90245.

RECITALS

- A. KCHA and Consultant have entered into an Agreement for Engineering Services (Kern County Agt.# 1324502, dated December 19, 2012), subsequent amendments, and the Assignment of Agreement (Kern County Agt.#757-2016, dated June 21, 2016) (“Agreement”), to provide engineering services; and
- B. The Agreement is set to expire upon project completion; and
- C. KCHA requires additional services from the Consultant and Consultant has agreed to provide such additional services; and
- D. The Parties agree to amend certain terms and conditions of the Agreement; and
- F. The Agreement is amended effective August 17, 2016.

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter set forth and incorporating by this reference the foregoing recitals, the Parties hereto agree to amend the Agreement as follows: (check those applicable):

- Term.** The Agreement shall be extended from _____ until _____, unless sooner terminated as provided for in the Agreement.
- Fees** payable by KCHA under the Agreement shall increase from \$295,426.19 to \$336,236.19.
- Travel Expenses** payable by KCHA under the Agreement shall increase from \$ _____ to \$ _____.
- Services.** See Exhibit A-6, which is attached hereto and incorporated herein, for additional Services.
- Other.** _____.

Except as otherwise defined herein, all capitalized terms used in this Amendment No. 6 have the meaning set forth in the Agreement.

Except as expressly amended herein, all provisions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, this Amendment No. 6 to the Agreement has been executed as of the Effective Date indicated above.

KERN COUNTY HOSPITAL AUTHORITY

VANTAGE TECHNOLOGY CONSULTING GROUP

By _____
Chairman, Board of Governors
"KCHA"
Date: _____

By _____
Name: _____
Title/Position: _____
Date: _____

APPROVED AS TO CONTENT:
Kern Medical Center

By _____
Jared Leavitt
Chief Operating Officer
Date: _____

APPROVED AS TO FORM:
Office of County Counsel

By _____
Deputy
Date: _____

**EXHIBIT A - 6 TO AMENDMENT NO. 6
SERVICES**

Consultant shall provide services to complete construction administration and project management for the Nurse Call 2C project. Services shall include, but may not be limited to, review and comment on all submittal, samples and associated documents, review and respond to all RFI's, attend site meetings and provide site review/inspection of nurse call infrastructure and system, complete punch list job walk and provide final punch list, review all asbuilt drawings and close out documents for conformance with the plans and specifications, complete all OSHPD Verified and Final Verified Reporting.

Consultant shall invoice Kern County Hospital Authority monthly for services rendered in an amount not to exceed \$25,910, on a time and materials basis for construction administration and project management for the Nurse Call 2C project. Fee Schedule is attached hereto and incorporated herein as Exhibit "B".

Consultant shall provide services to complete construction administration and project management for the Emergency Power at C and B Wing project. Services shall include, but may not be limited to, review and comment on all submittal, samples and associated documents, review and respond to all RFI's, attend site meetings and provide site review/inspection of nurse call infrastructure and system, complete punch list job walk and provide final punch list, review all asbuilt drawings and close out documents for conformance with the plans and specifications, complete all OSHPD Verified and Final Verified Reporting.

Consultant shall invoice Kern County Hospital Authority monthly for services rendered in an amount not to exceed \$14,900 for construction administration and project management for the Emergency Power at C and B Wing project. .



**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

August 17, 2016

SUBJECT: Proposed Lease/Purchase Agreement and Supplements with IBM Credit, LLC

Required Action: Approve; Adopt Resolution; Authorize Chairman to sign; Refer to Kern County Board of Supervisors for Approval

Summary:

The proposed Lease/Purchase Agreement and Supplements with IBM Credit, LLC, an independent contractor, for financing of equipment in conjunction with the PeopleSoft core financial system.

Counsel is unable to approve as to form due to Counsel's opinion that the Kern County Hospital Authority does not qualify under Section 103 of the Internal Revenue Code that allows the interest collected by IBM Credit, LLC from the Kern County Hospital Authority to be tax-exempt.

The proposed Lease/Purchase Agreement and Supplements are effective August 17, 2016 through August 16, 2021, in an amount not to exceed \$1,449,236.

**BEFORE THE BOARD OF GOVERNORS
OF THE KERN COUNTY HOSPITAL AUTHORITY**

In the matter of:

Resolution No. _____

**FINANCING THE PURCHASE OF EQUIPMENT
FOR IMPLEMENTATION OF THE PEOPLESOFT
CORE FINANCIAL SYSTEM**

I, RAQUEL D. FORE, Authority Board Coordinator for the Kern County Hospital Authority, hereby certify that the following Resolution, on motion of Director _____, seconded by Director _____, was duly and regularly adopted by the Board of Governors the Kern County Hospital Authority at an official meeting thereof on the 17th day of August, 2016, by the following vote, and that a copy of the Resolution has been delivered to the Chairman of the Board of Governors.

AYES:

NOES:

ABSENT:

RAQUEL D. FORE
Authority Board Coordinator
Kern County Hospital Authority

Raquel D. Fore

RESOLUTION

Section 1. WHEREAS:

(a) The Kern County Hospital Authority (“Hospital Authority”) has the power to incur indebtedness and to borrow money and issue bonds, subject to the approval of the Kern County Board of Supervisors; and

(b) The Hospital Authority has preliminary approval from the Administrative Office for the County of Kern regarding the Lease/Purchase Agreement and Supplements with IBM Credit LLC for financing of the subject equipment and will pursue approval from the Board of Supervisors, after approval of the Board of Governors; and

(c) The Hospital Authority has the power to purchase supplies, equipment, materials, property, and services, and the power to enter into contracts, pursuant to Chapter 5.5 (commencing with Section 101852) of Part 4 of Division 101 of the Health and Safety Code; and

(d) The Hospital Authority has entered into an agreement with Cerner Corporation to orchestrate the implementation of the PeopleSoft core financial system, which requires the purchase of equipment; and

(e) IBM Credit LLC has agreed to finance the lease/purchase of this equipment;

Section 2. NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Governors of the Kern County Hospital Authority, as follows:

1. This Board finds the facts recited herein are true, and further finds that this Board has jurisdiction to consider, approve, and adopt the subject of this Resolution.

2. This Board finds the best interests of the Hospital Authority shall be served by entering into the lease/purchase agreements with IBM Credit LLC for the financing of equipment.

3. The provisions of this Resolution shall be effective, in force and operative as of the 17th day of August, 2016.

4. The Authority Board Coordinator shall provide copies of this Resolution to the following:

Kern County Board of Supervisors
County Administrative Office
Office of County Counsel
Kern Medical Center
IBM Credit LLC

IBM Credit LLC
Lease/Purchase Supplement

Supplement No: 022792

Page 1 of 2

Lease/Purchase Master Agreement No.: 063811350G

Lessee Name and Address:
Kern County Hospital Authority
1700 MOUNT VERNON AVE
BAKERSFIELD CA 93306-4018

Lessor Name and Address:
IBM Credit LLC
7100 Highlands Parkway
Smyrna, GA 30082
igfnadoc@us.ibm.com

This Supplement to the above referenced Lease/Purchase Master Agreement ("Agreement") is executed between Kern County Hospital Authority ("Lessee") and IBM Credit LLC ("Lessor").

Payment Period means the period for which a Payment is due and payable (e.g., Month, Quarter). Payment Period is: Monthly

Quote Validity Date is the date by which the executed Supplement must be returned to Lessor. Quote Validity Date is: September 1, 2016

Supplier:

TAX-EXEMPT FINANCING TRANSACTION(S)						
Ref No.	Qty.	Property Description	Original Term (months)	Amount Financed (\$)	Interest Rate (%)	Planned Commencement Month
1	1	XOT9 OEM OEM OTHER	60	451,437.50	4.52	September 2016
TOTALS				451,437.50		

SPECIAL TERMS AND CONDITIONS: None

ADDITIONAL TERMS AND CONDITIONS:

"Planned Commencement Month" means for the Financing Transaction to commence, the acceptance date on the Certificate of Acceptance must be prior to the end of the month of "Planned Commencement Month" indicated above unless otherwise approved by Lessor.

The Lease Payment Schedule for this Supplement sets forth the scheduled Lease Payments under this Supplement. The Commencement Date for this Supplement is set forth in the Lease Payment Schedule.

With respect to Financed Items consisting of prepaid maintenance, Lessee accepts the terms of the prepaid maintenance and agrees to look solely to the maintenance provider for provision of such maintenance in accordance with the terms of the contracts with the maintenance provider for said maintenance. Acceptance for purposes of a Supplement shall be the date of acceptance by Lessee in the Certificate of Acceptance.

Lessee agrees that it will timely complete, execute and file the Internal Revenue Service Form 8038-G or Form 8038-GC with the appropriate office of the Internal Revenue Service. Property contained in a Transaction is either Tax-Exempt, whereas the Property qualifies for tax-exempt interest treatment under the Code, or Taxable, whereas the Property does not qualify for tax exempt interest treatment under the Code. The interest rates applicable to this Supplement that provide for Tax-Exempt Lease/Purchase are based on many factors including Lessee's underlying obligation qualifying to pay interest that is treated as exempt by the Internal Revenue Service (IRS) from federal income tax under Section 103(a) of the Internal Revenue Code (Code), as well as many proprietary factors including pricing assumptions made by Lessor as to whether Lessor anticipates being able to recognize any benefits of this tax exemption. Lessee shall pay Lessor, on demand, a sum to be determined by Lessor, that will return to Lessor the economic results Lessor would otherwise have received if: (i) Lessee does not file the above IRS form on a timely basis; or (ii) IRS rules Lessee does not qualify under Section 103(a) of the Code.

The interest rates applicable to a Supplement may reflect fees or other consideration Lessor receives from Lessee's Suppliers that is passed on to Lessee in the form of lower rates.

For a Taxable Financing Transactions, the following provisions of the Lease/Purchase Master Agreement shall not be applicable: (i) Part 3, paragraph (f), (ii) Section entitled Arbitrage Certifications.

Lessor reserves the right to reject any invoice that is: (i) not for information technology Equipment or related software or services, or (ii) dated more than 90 days prior to the date Lessor receives authorization from Lessee to finance.

Capitalized terms set forth in this Supplement or in the attachments, but not defined herein or therein, shall have the meaning set forth in the Lease/Purchase Master Agreement. The complete terms and conditions of the Lease/Purchase Master Agreement are incorporated by reference.

Section entitled "Waiver of Jury Trials" under this Agreement is deleted in its entirety.

IBM Credit LLC
Lease/Purchase Supplement

Supplement No: 022792

Page 2 of 2

In addition to a Supplement, and as a requirement to entering into of Lease/Purchase Supplement, Lessee shall provide in completed and executed form, acceptable to Lessor, the additional documents attached to this Supplement that may include:

(a) Payment Schedule for a Supplement, (b) Opinion of Counsel to the Lessee, (c) Lessee's Certificate, (d) Certificate of Acceptance, (e) State Addendum, if applicable and attached, (f) for Tax-Exempt Financed Items (i) Form 8038-G or 8038-GC (to be filed with Internal Revenue Service by Lessee), (ii) Prepaid Maintenance Certification of Maintenance Provider and (iii) Prepaid Maintenance Certification of Maintenance Vendor.

The Agreement referenced above shall be incorporated herein by reference. Lessee hereunder shall be bound to the terms and conditions of the Agreement as Lessee. The Agreement, this Supplement and any applicable attachments or addenda are the complete, exclusive statement of the parties with respect to the subject matter herein. These documents supersede any prior oral or written communications between the parties. By signing below, Lessee represents and warrants that Lessee's name as set forth in the signature block below is Lessee's exact legal name and the information identifying Lessee's state of organization is true, accurate and complete in all respects. By signing below, both parties agree to the terms represented by this Agreement as it may be amended or modified. Delivery of an executed copy of any of these documents by facsimile or other reliable means shall be deemed to be as effective for all purposes as delivery of a manually executed copy. Lessee acknowledges that we may maintain a copy of these documents in electronic form and agrees that copy reproduced from such electronic form or by any other reliable means (for example, photocopy, image or facsimile) shall in all respects be considered equivalent to an original.

Agreed to:
Kern County Hospital Authority

Agreed to:
IBM Credit LLC

By: _____
Authorized signature

By: _____
Authorized signature

Name (type or print): _____

Name (type or print): _____

Title (type or print): _____

Title (type or print): _____

Date: _____

Date: _____

IBM Credit LLC
Certificate of Acceptance

Lessee/Borrower Name ("Client") and Address:

Kern County Hospital Authority
1700 MOUNT VERNON AVE
BAKERSFIELD CA 93306-4018

Lessor Name and Address:

IBM Credit LLC
7100 Highlands Parkway
Smyrna, GA 30082
igfnadoc@us.ibm.com

The Client certifies and agrees that the information contained in the following table(s) is correct and relates to item(s) leased or financed under the terms and conditions of the above referenced Schedule/Agreement with IBM Credit LLC.

Client Reference:

Payment Period: Monthly

Payment Type: Arrears

TAX-EXEMPT FINANCING TRANSACTION(S)		
Qty.	Property Description	Original Term (months)
1	XOT9 OEM OEM OTHER	60

Client represents and certifies that the item(s) listed in the above table(s) are in compliance with Client's specifications ("Accepted Item(s)"). Client hereby accepts the Accepted Item(s) listed in the above table(s) on the Acceptance Date and authorizes IBM Credit LLC to make payments to the Supplier(s) for the Supplier's invoice(s) for the Accepted Item(s) and to commence the leasing or financing of these Accepted Item(s) under the Schedule/Agreement.

Since this Certificate of Acceptance ("COA") is being issued prior to Lessor's receipt of an invoice, Lessor, upon its receipt of this COA duly executed by Lessee and the Supplier's invoice, will either issue i) a confirmation document in order to confirm Lessor's acceptance of the COA or ii) an updated COA which requires Lessee's signature in order to confirm any changes. In order for IBM Credit LLC to make payment to your listed Suppliers, all Equipment must include serial number information. Accordingly, Client hereby authorizes IBM Credit LLC to complete or update any manufacturer serial number information for any Accepted Item(s) accepted, without Client's further action or consent.

Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Agreement referenced in the Schedule listed above.

This COA may be sent to Client by IBM Credit LLC in soft copy format, such as a PDF file. Client represents and warrants that no changes have been made to the text of this COA, except for IBM Credit LLC authorized alterations to the Product Description (including without limitation, changes to any other information listed on the product information tables herein). If there are any conflicts between the version delivered by IBM Credit LLC to Client and the version delivered by Client to IBM Credit LLC, or if the Supplier's invoice does not match the information listed on the COA, IBM Credit LLC reserves the right not to incept the transaction and to send a replacement COA to Client. Any copy of this COA made by reliable means (for example photocopy, image or facsimile) shall in all respects be considered equivalent to an original.

IBM Credit LLC
Certificate of Acceptance

For the purposes of the transaction commencement provisions specified in the Agreement referenced in the Schedule listed above, Client hereby represents, warrants and certifies that as of the following date, Client has accepted the Accepted Item(s) listed in the product information tables herein:

_____ (MM/DD/YYYY) ("Acceptance Date" for Accepted Item(s))

Agreed to:
Kern County Hospital Authority

By: _____
Authorized signature

Name (type or print):

Title (type or print):

Client shall return this executed COA to IBM Credit LLC by mail, in an email, or by facsimile within ten (10) days of Acceptance Date.

LESSEE'S CERTIFICATE

Re: Lease/Purchase Supplement No. 022792 to Lease/Purchase Master Agreement No. 063811350G between IBM Credit LLC and Kern County Hospital Authority ("Lessee").

The undersigned, being the duly elected, qualified and acting _____ of the Lessee do hereby certify, as of _____, as follows:

1. Lessee did, at a meeting of the governing body of the Lessee held _____ by resolution or ordinance duly enacted, in accordance with all requirements of law, approve and authorize the execution and delivery of the above-referenced Lease/Purchase Supplement and any related documents entered into pursuant to the Lease/Purchase Master Agreement (the "Lease/Purchase Supplement") by the following named representative of Lessee, to wit:

Table with 3 columns: NAME OF EXECUTING OFFICIAL, TITLE OF EXECUTING OFFICIAL, SIGNATURE OF EXECUTING OFFICIAL. Rows contain 'And/Or' text.

2. The above-named representative of the Lessee held at the time of such authorization and holds at the present time the office set forth above.

3. The meeting(s) of the governing body of the Lessee at which the Lease/Purchase Supplement was approved and authorized to be executed was duly called, regularly convened and attended throughout by the requisite quorum of the members thereof, and the enactment approving the Lease/Purchase Supplement and authorizing the execution thereof has not been altered or rescinded. All meetings of the governing body of Lessee relating to the authorization and delivery of the Lease/Purchase Supplement have been: (a) held within the geographic boundaries of the Lessee; (b) open to the public, allowing all people to attend; (c) conducted in accordance with internal procedures of the governing body; and (d) conducted in accordance with the charter of the Lessee, if any, and the laws of the State.

4. No event or condition that constitutes, or with the giving of notice or the lapse of time or both would constitute, an Event of Default or a Non-appropriation Event (as such terms are defined in the Lease/Purchase Master Agreement (the "Master Agreement")) exists at the date hereof with respect to this Lease/Purchase Supplement or any other Lease/Purchase Supplements under the Master Agreement.

5. The acquisition of all of the Property under the Lease/Purchase Supplement has been duly authorized by the governing body of Lessee.

6. Lessee has, in accordance with the requirements of law, fully budgeted and appropriated sufficient funds for the current budget year to make the Lease Payments scheduled to come due during the current budget year under the Lease/Purchase Supplement and to meet its other obligations for the current budget year and such funds have not been expended for other purposes.

7. Lessee represents and warrants that the Property is essential to the proper, efficient and economic functioning of Lessee or to the services that Lessee provides; and Lessee has immediate need for and expects to make immediate use of substantially all of the Property, which need is not temporary or expected to diminish in the foreseeable future.

8. Bank Qualified Tax-Exempt Obligation under Section 265 (Consult tax counsel for applicable provisions.).

____ Lessee hereby designates this Lease/Purchase Supplement as a "qualified tax-exempt obligation" as defined in Section 265(b)(3)(B) of the Code. Lessee reasonably anticipates issuing tax-exempt obligations (excluding private activity bonds other than qualified 501(c)(3) bonds and including all tax-exempt obligations of subordinate entities of the Lessee) during the calendar year in which the Commencement Date of this Lease/Purchase Supplement falls, in an amount not exceeding \$10,000,000.

or

____ Not applicable

9. Has Lessee ever terminated a lease or financing contract prior to the expiration of its term (including all permitted renewal terms) due to nonappropriation or other provision permitting Lessee to terminate in Lessee's discretion?

Yes ____ No ____ If yes, then please describe the circumstances of such termination:

LESSEE'S CERTIFICATE

10. As of the date hereof, no litigation is pending, (or, to my knowledge, threatened) against Lessee in any court (a) seeking to restrain or enjoin the delivery of the Master Agreement or the Lease/Purchase Supplement or of other agreements similar to the Master Agreement; (b) questioning the authority of Lessee to execute the Master Agreement or the Lease/Purchase Supplement, or the validity of the Master Agreement or the Lease/Purchase Supplement, or the payment of principal of or interest on, the Lease/Purchase Supplement; (c) questioning the constitutionality of any statute, or the validity of any proceedings, authorizing the execution of the Master Agreement and the Lease/Purchase Supplement; or (d) affecting the provisions made for the payment of or security for the Master Agreement and the Lease/Purchase Supplement.

Lessee: Kern County Hospital Authority

By: _____

Title: _____

SIGNER MUST NOT BE THE SAME AS THE EXECUTING OFFICIAL(S) SHOWN ABOVE

IBM Credit LLC Lease Payment Schedule

Lessee Name: Kern County Hospital Authority

Lease/Purchase Supplement No: 022792

Commencement Date

The Commencement Date shall be the date of acceptance of the Property as set forth in the Acceptance Certificate executed by the Lessee and filed with the Lessor. The Lease Payment Due Dates listed below are based on the date of acceptance being a date on or before the end of the Planned Commencement Month.

Lease Payment Schedule

Total Principal Amount: \$451,437.50

Interest Rate for Schedule: 4.52%

Payment No.	Lease Payment Due Dates	Lease Payments (\$)	Principal Component (\$)	Interest Component (\$)	Prepayment Price (After Making Payment for Said Due Date) (\$)
1	10/31/2016	8,419.40	6,720.57	1,698.83	444,716.93
2	11/30/2016	8,419.40	6,745.86	1,673.54	437,971.07
3	12/31/2016	8,419.40	6,771.25	1,648.15	431,199.82
4	1/31/2017	8,419.40	6,796.73	1,622.67	424,403.09
5	2/28/2017	8,419.40	6,822.30	1,597.10	417,580.79
6	3/31/2017	8,419.40	6,847.98	1,571.42	410,732.81
7	4/30/2017	8,419.40	6,873.75	1,545.65	403,859.06
8	5/31/2017	8,419.40	6,899.61	1,519.79	396,959.45
9	6/30/2017	8,419.40	6,925.58	1,493.82	390,033.87
10	7/31/2017	8,419.40	6,951.64	1,467.76	383,082.23
11	8/31/2017	8,419.40	6,977.80	1,441.60	376,104.43
12	9/30/2017	8,419.40	7,004.06	1,415.34	369,100.37
13	10/31/2017	8,419.40	7,030.42	1,388.98	362,069.95
14	11/30/2017	8,419.40	7,056.87	1,362.53	355,013.08
15	12/31/2017	8,419.40	7,083.43	1,335.97	347,929.65
16	1/31/2018	8,419.40	7,110.09	1,309.31	340,819.56
17	2/28/2018	8,419.40	7,136.84	1,282.56	333,682.72
18	3/31/2018	8,419.40	7,163.70	1,255.70	326,519.02
19	4/30/2018	8,419.40	7,190.66	1,228.74	319,328.36
20	5/31/2018	8,419.40	7,217.72	1,201.68	312,110.64
21	6/30/2018	8,419.40	7,244.88	1,174.52	304,865.76
22	7/31/2018	8,419.40	7,272.14	1,147.26	297,593.62
23	8/31/2018	8,419.40	7,299.51	1,119.89	290,294.11
24	9/30/2018	8,419.40	7,326.98	1,092.42	282,967.13
25	10/31/2018	8,419.40	7,354.55	1,064.85	275,612.58
26	11/30/2018	8,419.40	7,382.23	1,037.17	268,230.35
27	12/31/2018	8,419.40	7,410.01	1,009.39	260,820.34
28	1/31/2019	8,419.40	7,437.89	981.51	253,382.45
29	2/28/2019	8,419.40	7,465.88	953.52	245,916.57
30	3/31/2019	8,419.40	7,493.98	925.42	238,422.59
31	4/30/2019	8,419.40	7,522.18	897.22	230,900.41
32	5/31/2019	8,419.40	7,550.49	868.91	223,349.92
33	6/30/2019	8,419.40	7,578.90	840.50	215,771.02
34	7/31/2019	8,419.40	7,607.42	811.98	208,163.60
35	8/31/2019	8,419.40	7,636.05	783.35	200,527.55
36	9/30/2019	8,419.40	7,664.78	754.62	192,862.77

IBM Credit LLC Lease Payment Schedule

Lessee Name: Kern County Hospital Authority

Lease/Purchase Supplement No: 022792

Payment No.	Lease Payment Due Dates	Lease Payments (\$)	Principal Component (\$)	Interest Component (\$)	Prepayment Price (After Making Payment for Said Due Date) (\$)
37	10/31/2019	8,419.40	7,693.63	725.77	185,169.14
38	11/30/2019	8,419.40	7,722.58	696.82	177,446.56
39	12/31/2019	8,419.40	7,751.64	667.76	169,694.92
40	1/31/2020	8,419.40	7,780.81	638.59	161,914.11
41	2/29/2020	8,419.40	7,810.09	609.31	154,104.02
42	3/31/2020	8,419.40	7,839.48	579.92	146,264.54
43	4/30/2020	8,419.40	7,868.98	550.42	138,395.56
44	5/31/2020	8,419.40	7,898.60	520.80	130,496.96
45	6/30/2020	8,419.40	7,928.32	491.08	122,568.64
46	7/31/2020	8,419.40	7,958.15	461.25	114,610.49
47	8/31/2020	8,419.40	7,988.10	431.30	106,622.39
48	9/30/2020	8,419.40	8,018.16	401.24	98,604.23
49	10/31/2020	8,419.40	8,048.34	371.06	90,555.89
50	11/30/2020	8,419.40	8,078.62	340.78	82,477.27
51	12/31/2020	8,419.40	8,109.02	310.38	74,368.25
52	1/31/2021	8,419.40	8,139.54	279.86	66,228.71
53	2/28/2021	8,419.40	8,170.17	249.23	58,058.54
54	3/31/2021	8,419.40	8,200.92	218.48	49,857.62
55	4/30/2021	8,419.40	8,231.78	187.62	41,625.84
56	5/31/2021	8,419.40	8,262.76	156.64	33,363.08
57	6/30/2021	8,419.40	8,293.85	125.55	25,069.23
58	7/31/2021	8,419.40	8,325.06	94.34	16,744.17
59	8/31/2021	8,419.40	8,356.39	63.01	8,387.78
60	9/30/2021	8,419.40	8,387.78	31.62	0.00
Totals:		505,164.00	451,437.50	53,726.50	

**IBM Credit LLC
Lease Payment Schedule**

Lessee Name: Kern County Hospital Authority

Lease/Purchase Supplement No: 022792

QTY	Product Description	Serial No. / Alteration Reference No.	Principal Amt (\$)
1	XOT9 OEM OEM OTHER		451,437.50
Totals:			451,437.50

Lessee: Kern County Hospital Authority

By: _____
Authorized signature

Name (type or print):

Title (type or print):

Date:

IBM Credit LLC
Lease/Purchase Supplement

Supplement No: 022793

Page 1 of 2

Lease/Purchase Master Agreement No.: 063811350G

Lessee Name and Address:
Kern County Hospital Authority
1700 MOUNT VERNON AVE
BAKERSFIELD CA 93306-4018

Lessor Name and Address:
IBM Credit LLC
7100 Highlands Parkway
Smyrna, GA 30082
igfnadoc@us.ibm.com

This Supplement to the above referenced Lease/Purchase Master Agreement ("Agreement") is executed between Kern County Hospital Authority ("Lessee") and IBM Credit LLC ("Lessor").

Payment Period means the period for which a Payment is due and payable (e.g., Month, Quarter). Payment Period is: Monthly

Quote Validity Date is the date by which the executed Supplement must be returned to Lessor. Quote Validity Date is: August 26, 2016

Supplier:

TAX-EXEMPT FINANCING TRANSACTION(S)						
Ref No.	Qty.	Property Description	Original Term (months)	Amount Financed (\$)	Interest Rate (%)	Planned Commencement Month
1	1	XOT9 OEM OEM OTHER	60	529,437.50	4.52	August 2016
TOTALS				529,437.50		

SPECIAL TERMS AND CONDITIONS: None

ADDITIONAL TERMS AND CONDITIONS:

"Planned Commencement Month" means for the Financing Transaction to commence, the acceptance date on the Certificate of Acceptance must be prior to the end of the month of "Planned Commencement Month" indicated above unless otherwise approved by Lessor.

The Lease Payment Schedule for this Supplement sets forth the scheduled Lease Payments under this Supplement. The Commencement Date for this Supplement is set forth in the Lease Payment Schedule.

With respect to Financed Items consisting of prepaid maintenance, Lessee accepts the terms of the prepaid maintenance and agrees to look solely to the maintenance provider for provision of such maintenance in accordance with the terms of the contracts with the maintenance provided for said maintenance. Acceptance for purposes of a Supplement shall be the date of acceptance by Lessee in the Certificate of Acceptance.

Lessee agrees that it will timely complete, execute and file the Internal Revenue Service Form 8038-G or Form 8038-GC with the appropriate office of the Internal Revenue Service. Property contained in a Transaction is either Tax-Exempt, whereas the Property qualifies for tax-exempt interest treatment under the Code, or Taxable, whereas the Property does not qualify for tax exempt interest treatment under the Code. The interest rates applicable to this Supplement that provide for Tax-Exempt Lease/Purchase are based on many factors including Lessee's underlying obligation qualifying to pay interest that is treated as exempt by the Internal Revenue Service (IRS) from federal income tax under Section 103(a) of the Internal Revenue Code (Code), as well as many proprietary factors including pricing assumptions made by Lessor as to whether Lessor anticipates being able to recognize any benefits of this tax exemption. Lessee shall pay Lessor, on demand, a sum to be determined by Lessor, that will return to Lessor the economic results Lessor would otherwise have received if: (i) Lessee does not file the above IRS form on a timely basis; or (ii) IRS rules Lessee does not qualify under Section 103(a) of the Code.

The interest rates applicable to a Supplement may reflect fees or other consideration Lessor receives from Lessee's Suppliers that is passed on to Lessee in the form of lower rates.

For a Taxable Financing Transactions, the following provisions of the Lease/Purchase Master Agreement shall not be applicable: (i) Part 3, paragraph (f), (ii) Section entitled Arbitrage Certifications.

Lessor reserves the right to reject any invoice that is: (i) not for information technology Equipment or related software or services, or (ii) dated more than 90 days prior to the date Lessor receives authorization from Lessee to finance.

Capitalized terms set forth in this Supplement or in the attachments, but not defined herein or therein, shall have the meaning set forth in the Lease/Purchase Master Agreement. The complete terms and conditions of the Lease/Purchase Master Agreement are incorporated by reference.

Section entitled "Waiver of Jury Trials" under this Agreement is deleted in its entirety.

IBM Credit LLC
Lease/Purchase Supplement

Supplement No: 022793

Page 2 of 2

In addition to a Supplement, and as a requirement to entering into of Lease/Purchase Supplement, Lessee shall provide in completed and executed form, acceptable to Lessor, the additional documents attached to this Supplement that may include:

(a) Payment Schedule for a Supplement, (b) Opinion of Counsel to the Lessee, (c) Lessee's Certificate, (d) Certificate of Acceptance, (e) State Addendum, if applicable and attached, (f) for Tax-Exempt Financed Items (i) Form 8038-G or 8038-GC (to be filed with Internal Revenue Service by Lessee), (ii) Prepaid Maintenance Certification of Maintenance Provider and (iii) Prepaid Maintenance Certification of Maintenance Vendor.

The Agreement referenced above shall be incorporated herein by reference. Lessee hereunder shall be bound to the terms and conditions of the Agreement as Lessee. The Agreement, this Supplement and any applicable attachments or addenda are the complete, exclusive statement of the parties with respect to the subject matter herein. These documents supersede any prior oral or written communications between the parties. By signing below, Lessee represents and warrants that Lessee's name as set forth in the signature block below is Lessee's exact legal name and the information identifying Lessee's state of organization is true, accurate and complete in all respects. By signing below, both parties agree to the terms represented by this Agreement as it may be amended or modified. Delivery of an executed copy of any of these documents by facsimile or other reliable means shall be deemed to be as effective for all purposes as delivery of a manually executed copy. Lessee acknowledges that we may maintain a copy of these documents in electronic form and agrees that copy reproduced from such electronic form or by any other reliable means (for example, photocopy, image or facsimile) shall in all respects be considered equivalent to an original.

Agreed to:
Kern County Hospital Authority

Agreed to:
IBM Credit LLC

By: _____
Authorized signature

By: _____
Authorized signature

Name (type or print): _____

Name (type or print): _____

Title (type or print): _____

Title (type or print): _____

Date: _____

Date: _____

**IBM Credit LLC
Certificate of Acceptance**

Lessee/Borrower Name ("Client") and Address:

Kern County Hospital Authority
1700 MOUNT VERNON AVE
BAKERSFIELD CA 93306-4018

Lessor Name and Address:

IBM Credit LLC
7100 Highlands Parkway
Smyrna, GA 30082
igfnadoc@us.ibm.com

The Client certifies and agrees that the information contained in the following table(s) is correct and relates to item(s) leased or financed under the terms and conditions of the above referenced Schedule/Agreement with IBM Credit LLC.

Client Reference:
Payment Period: Monthly
Payment Type: Arrears

TAX-EXEMPT FINANCING TRANSACTION(S)		
Qty.	Property Description	Original Term (months)
1	XOT9 OEM OEM OTHER	60

Client represents and certifies that the item(s) listed in the above table(s) are in compliance with Client's specifications ("Accepted Item(s)"). Client hereby accepts the Accepted Item(s) listed in the above table(s) on the Acceptance Date and authorizes IBM Credit LLC to make payments to the Supplier(s) for the Supplier's invoice(s) for the Accepted Item(s) and to commence the leasing or financing of these Accepted Item(s) under the Schedule/Agreement.

Since this Certificate of Acceptance ("COA") is being issued prior to Lessor's receipt of an invoice, Lessor, upon its receipt of this COA duly executed by Lessee and the Supplier's invoice, will either issue i) a confirmation document in order to confirm Lessor's acceptance of the COA or ii) an updated COA which requires Lessee's signature in order to confirm any changes. In order for IBM Credit LLC to make payment to your listed Suppliers, all Equipment must include serial number information. Accordingly, Client hereby authorizes IBM Credit LLC to complete or update any manufacturer serial number information for any Accepted Item(s) accepted, without Client's further action or consent.

Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Agreement referenced in the Schedule listed above.

This COA may be sent to Client by IBM Credit LLC in soft copy format, such as a PDF file. Client represents and warrants that no changes have been made to the text of this COA, except for IBM Credit LLC authorized alterations to the Product Description (including without limitation, changes to any other information listed on the product information tables herein). If there are any conflicts between the version delivered by IBM Credit LLC to Client and the version delivered by Client to IBM Credit LLC, or if the Supplier's invoice does not match the information listed on the COA, IBM Credit LLC reserves the right not to incept the transaction and to send a replacement COA to Client. Any copy of this COA made by reliable means (for example photocopy, image or facsimile) shall in all respects be considered equivalent to an original.

For the purposes of the transaction commencement provisions specified in the Agreement referenced in the Schedule listed above, Client hereby represents, warrants and certifies that as of the following date, Client has accepted the Accepted Item(s) listed in the product information tables herein:

_____ (MM/DD/YYYY) ("Acceptance Date" for Accepted Item(s))

Agreed to:
Kern County Hospital Authority

By: _____
Authorized signature

Name (type or print):

Title (type or print):

Client shall return this executed COA to IBM Credit LLC by mail, in an email, or by facsimile within ten (10) days of Acceptance Date.

LESSEE'S CERTIFICATE

Re: Lease/Purchase Supplement No. 022793 to Lease/Purchase Master Agreement No. 063811350G between IBM Credit LLC and Kern County Hospital Authority ("Lessee").

The undersigned, being the duly elected, qualified and acting _____ of the Lessee do hereby certify, as of _____, as follows:

1. Lessee did, at a meeting of the governing body of the Lessee held _____ by resolution or ordinance duly enacted, in accordance with all requirements of law, approve and authorize the execution and delivery of the above-referenced Lease/Purchase Supplement and any related documents entered into pursuant to the Lease/Purchase Master Agreement (the "Lease/Purchase Supplement") by the following named representative of Lessee, to wit:

Table with 3 columns: NAME OF EXECUTING OFFICIAL, TITLE OF EXECUTING OFFICIAL, SIGNATURE OF EXECUTING OFFICIAL. Rows include And/Or entries.

2. The above-named representative of the Lessee held at the time of such authorization and holds at the present time the office set forth above.

3. The meeting(s) of the governing body of the Lessee at which the Lease/Purchase Supplement was approved and authorized to be executed was duly called, regularly convened and attended throughout by the requisite quorum of the members thereof, and the enactment approving the Lease/Purchase Supplement and authorizing the execution thereof has not been altered or rescinded. All meetings of the governing body of Lessee relating to the authorization and delivery of the Lease/Purchase Supplement have been: (a) held within the geographic boundaries of the Lessee; (b) open to the public, allowing all people to attend; (c) conducted in accordance with internal procedures of the governing body; and (d) conducted in accordance with the charter of the Lessee, if any, and the laws of the State.

4. No event or condition that constitutes, or with the giving of notice or the lapse of time or both would constitute, an Event of Default or a Non-appropriation Event (as such terms are defined in the Lease/Purchase Master Agreement (the "Master Agreement")) exists at the date hereof with respect to this Lease/Purchase Supplement or any other Lease/Purchase Supplements under the Master Agreement.

5. The acquisition of all of the Property under the Lease/Purchase Supplement has been duly authorized by the governing body of Lessee.

6. Lessee has, in accordance with the requirements of law, fully budgeted and appropriated sufficient funds for the current budget year to make the Lease Payments scheduled to come due during the current budget year under the Lease/Purchase Supplement and to meet its other obligations for the current budget year and such funds have not been expended for other purposes.

7. Lessee represents and warrants that the Property is essential to the proper, efficient and economic functioning of Lessee or to the services that Lessee provides; and Lessee has immediate need for and expects to make immediate use of substantially all of the Property, which need is not temporary or expected to diminish in the foreseeable future.

8. Bank Qualified Tax-Exempt Obligation under Section 265 (Consult tax counsel for applicable provisions).

____ Lessee hereby designates this Lease/Purchase Supplement as a "qualified tax-exempt obligation" as defined in Section 265(b)(3)(B) of the Code. Lessee reasonably anticipates issuing tax-exempt obligations (excluding private activity bonds other than qualified 501(c)(3) bonds and including all tax-exempt obligations of subordinate entities of the Lessee) during the calendar year in which the Commencement Date of this Lease/Purchase Supplement falls, in an amount not exceeding \$10,000,000.

or

____ Not applicable

9. Has Lessee ever terminated a lease or financing contract prior to the expiration of its term (including all permitted renewal terms) due to nonappropriation or other provision permitting Lessee to terminate in Lessee's discretion?

Yes ____ No ____ . If yes, then please describe the circumstances of such termination:

LESSEE'S CERTIFICATE

10. As of the date hereof, no litigation is pending, (or, to my knowledge, threatened) against Lessee in any court (a) seeking to restrain or enjoin the delivery of the Master Agreement or the Lease/Purchase Supplement or of other agreements similar to the Master Agreement; (b) questioning the authority of Lessee to execute the Master Agreement or the Lease/Purchase Supplement, or the validity of the Master Agreement or the Lease/Purchase Supplement, or the payment of principal of or interest on, the Lease/Purchase Supplement; (c) questioning the constitutionality of any statute, or the validity of any proceedings, authorizing the execution of the Master Agreement and the Lease/Purchase Supplement; or (d) affecting the provisions made for the payment of or security for the Master Agreement and the Lease/Purchase Supplement.

Lessee: Kern County Hospital Authority

By: _____

Title: _____

SIGNER MUST NOT BE THE SAME AS THE EXECUTING OFFICIAL(S) SHOWN ABOVE

IBM Credit LLC Lease Payment Schedule

Lessee Name: Kern County Hospital Authority

Lease/Purchase Supplement No: 022793

Commencement Date

The Commencement Date shall be the date of acceptance of the Property as set forth in the Acceptance Certificate executed by the Lessee and filed with the Lessor. The Lease Payment Due Dates listed below are based on the date of acceptance being a date on or before the end of the Planned Commencement Month.

Lease Payment Schedule

Total Principal Amount: \$529,437.50

Interest Rate for Schedule: 4.52%

Payment No.	Lease Payment Due Dates	Lease Payments (\$)	Principal Component (\$)	Interest Component (\$)	Prepayment Price (After Making Payment for Said Due Date) (\$)
1	9/30/2016	9,875.12	7,880.92	1,994.20	521,556.58
2	10/31/2016	9,875.12	7,910.60	1,964.52	513,645.98
3	11/30/2016	9,875.12	7,940.40	1,934.72	505,705.58
4	12/31/2016	9,875.12	7,970.31	1,904.81	497,735.27
5	1/31/2017	9,875.12	8,000.33	1,874.79	489,734.94
6	2/28/2017	9,875.12	8,030.47	1,844.65	481,704.47
7	3/31/2017	9,875.12	8,060.71	1,814.41	473,643.76
8	4/30/2017	9,875.12	8,091.07	1,784.05	465,552.69
9	5/31/2017	9,875.12	8,121.55	1,753.57	457,431.14
10	6/30/2017	9,875.12	8,152.14	1,722.98	449,279.00
11	7/31/2017	9,875.12	8,182.85	1,692.27	441,096.15
12	8/31/2017	9,875.12	8,213.67	1,661.45	432,882.48
13	9/30/2017	9,875.12	8,244.61	1,630.51	424,637.87
14	10/31/2017	9,875.12	8,275.66	1,599.46	416,362.21
15	11/30/2017	9,875.12	8,306.83	1,568.29	408,055.38
16	12/31/2017	9,875.12	8,338.12	1,537.00	399,717.26
17	1/31/2018	9,875.12	8,369.53	1,505.59	391,347.73
18	2/28/2018	9,875.12	8,401.05	1,474.07	382,946.68
19	3/31/2018	9,875.12	8,432.70	1,442.42	374,513.98
20	4/30/2018	9,875.12	8,464.46	1,410.66	366,049.52
21	5/31/2018	9,875.12	8,496.34	1,378.78	357,553.18
22	6/30/2018	9,875.12	8,528.35	1,346.77	349,024.83
23	7/31/2018	9,875.12	8,560.47	1,314.65	340,464.36
24	8/31/2018	9,875.12	8,592.71	1,282.41	331,871.65
25	9/30/2018	9,875.12	8,625.08	1,250.04	323,246.57
26	10/31/2018	9,875.12	8,657.57	1,217.55	314,589.00
27	11/30/2018	9,875.12	8,690.18	1,184.94	305,898.82
28	12/31/2018	9,875.12	8,722.91	1,152.21	297,175.91
29	1/31/2019	9,875.12	8,755.77	1,119.35	288,420.14
30	2/28/2019	9,875.12	8,788.75	1,086.37	279,631.39
31	3/31/2019	9,875.12	8,821.85	1,053.27	270,809.54
32	4/30/2019	9,875.12	8,855.08	1,020.04	261,954.46
33	5/31/2019	9,875.12	8,888.43	986.69	253,066.03
34	6/30/2019	9,875.12	8,921.91	953.21	244,144.12
35	7/31/2019	9,875.12	8,955.52	919.60	235,188.60
36	8/31/2019	9,875.12	8,989.25	885.87	226,199.35

IBM Credit LLC Lease Payment Schedule

Lessee Name: Kern County Hospital Authority

Lease/Purchase Supplement No: 022793

Payment No.	Lease Payment Due Dates	Lease Payments (\$)	Principal Component (\$)	Interest Component (\$)	Prepayment Price (After Making Payment for Said Due Date) (\$)
37	9/30/2019	9,875.12	9,023.11	852.01	217,176.24
38	10/31/2019	9,875.12	9,057.10	818.02	208,119.14
39	11/30/2019	9,875.12	9,091.21	783.91	199,027.93
40	12/31/2019	9,875.12	9,125.45	749.67	189,902.48
41	1/31/2020	9,875.12	9,159.83	715.29	180,742.65
42	2/29/2020	9,875.12	9,194.33	680.79	171,548.32
43	3/31/2020	9,875.12	9,228.96	646.16	162,319.36
44	4/30/2020	9,875.12	9,263.72	611.40	153,055.64
45	5/31/2020	9,875.12	9,298.61	576.51	143,757.03
46	6/30/2020	9,875.12	9,333.64	541.48	134,423.39
47	7/31/2020	9,875.12	9,368.80	506.32	125,054.59
48	8/31/2020	9,875.12	9,404.08	471.04	115,650.51
49	9/30/2020	9,875.12	9,439.51	435.61	106,211.00
50	10/31/2020	9,875.12	9,475.06	400.06	96,735.94
51	11/30/2020	9,875.12	9,510.75	364.37	87,225.19
52	12/31/2020	9,875.12	9,546.57	328.55	77,678.62
53	1/31/2021	9,875.12	9,582.53	292.59	68,096.09
54	2/28/2021	9,875.12	9,618.63	256.49	58,477.46
55	3/31/2021	9,875.12	9,654.86	220.26	48,822.60
56	4/30/2021	9,875.12	9,691.22	183.90	39,131.38
57	5/31/2021	9,875.12	9,727.73	147.39	29,403.65
58	6/30/2021	9,875.12	9,764.37	110.75	19,639.28
59	7/31/2021	9,875.12	9,801.15	73.97	9,838.13
60	8/31/2021	9,875.12	9,838.13	36.99	0.00
Totals:		592,507.20	529,437.50	63,069.70	

**IBM Credit LLC
Lease Payment Schedule**

Lessee Name: Kern County Hospital Authority

Lease/Purchase Supplement No: 022793

QTY	Product Description	Serial No. / Alteration Reference No.	Principal Amt (\$)
1	XOT9 OEM OEM OTHER		529,437.50
Totals:			529,437.50

Lessee: Kern County Hospital Authority

By: _____
Authorized signature

Name (type or print):

Title (type or print):

Date:

IBM Credit LLC
Lease/Purchase Supplement

Supplement No: 022794

Page 1 of 2

Lease/Purchase Master Agreement No.: 063811350G

Lessee Name and Address:
Kern County Hospital Authority
1700 MOUNT VERNON AVE
BAKERSFIELD CA 93306-4018

Lessor Name and Address:
IBM Credit LLC
7100 Highlands Parkway
Smyrna, GA 30082
igfnadoc@us.ibm.com

This Supplement to the above referenced Lease/Purchase Master Agreement ("Agreement") is executed between Kern County Hospital Authority ("Lessee") and IBM Credit LLC ("Lessor").

Payment Period means the period for which a Payment is due and payable (e.g., Month, Quarter). Payment Period is: Monthly

Quote Validity Date is the date by which the executed Supplement must be returned to Lessor. Quote Validity Date is: August 26, 2016

Supplier:

TAX-EXEMPT FINANCING TRANSACTION(S)						
Ref No.	Qty.	Property Description	Original Term (months)	Amount Financed (\$)	Interest Rate (%)	Planned Commencement Month
1	1	XOT9 OEM OEM OTHER	60	314,142.50	4.52	August 2016
TOTALS				314,142.50		

SPECIAL TERMS AND CONDITIONS: None

ADDITIONAL TERMS AND CONDITIONS:

"Planned Commencement Month" means for the Financing Transaction to commence, the acceptance date on the Certificate of Acceptance must be prior to the end of the month of "Planned Commencement Month" indicated above unless otherwise approved by Lessor.

The Lease Payment Schedule for this Supplement sets forth the scheduled Lease Payments under this Supplement. The Commencement Date for this Supplement is set forth in the Lease Payment Schedule.

With respect to Financed Items consisting of prepaid maintenance, Lessee accepts the terms of the prepaid maintenance and agrees to look solely to the maintenance provider for provision of such maintenance in accordance with the terms of the contracts with the maintenance provided for said maintenance. Acceptance for purposes of a Supplement shall be the date of acceptance by Lessee in the Certificate of Acceptance.

Lessee agrees that it will timely complete, execute and file the Internal Revenue Service Form 8038-G or Form 8038-GC with the appropriate office of the Internal Revenue Service. Property contained in a Transaction is either Tax-Exempt, whereas the Property qualifies for tax-exempt interest treatment under the Code, or Taxable, whereas the Property does not qualify for tax exempt interest treatment under the Code. The interest rates applicable to this Supplement that provide for Tax-Exempt Lease/Purchase are based on many factors including Lessee's underlying obligation qualifying to pay interest that is treated as exempt by the Internal Revenue Service (IRS) from federal income tax under Section 103(a) of the Internal Revenue Code (Code), as well as many proprietary factors including pricing assumptions made by Lessor as to whether Lessor anticipates being able to recognize any benefits of this tax exemption. Lessee shall pay Lessor, on demand, a sum to be determined by Lessor, that will return to Lessor the economic results Lessor would otherwise have received if: (i) Lessee does not file the above IRS form on a timely basis; or (ii) IRS rules Lessee does not qualify under Section 103(a) of the Code.

The interest rates applicable to a Supplement may reflect fees or other consideration Lessor receives from Lessee's Suppliers that is passed on to Lessee in the form of lower rates.

For a Taxable Financing Transactions, the following provisions of the Lease/Purchase Master Agreement shall not be applicable: (i) Part 3, paragraph (f), (ii) Section entitled Arbitrage Certifications.

Lessor reserves the right to reject any invoice that is: (i) not for information technology Equipment or related software or services, or (ii) dated more than 90 days prior to the date Lessor receives authorization from Lessee to finance.

Capitalized terms set forth in this Supplement or in the attachments, but not defined herein or therein, shall have the meaning set forth in the Lease/Purchase Master Agreement. The complete terms and conditions of the Lease/Purchase Master Agreement are incorporated by reference.

Section entitled "Waiver of Jury Trials" under this Agreement is deleted in its entirety.

IBM Credit LLC
Lease/Purchase Supplement

Supplement No: 022794

Page 2 of 2

In addition to a Supplement, and as a requirement to entering into of Lease/Purchase Supplement, Lessee shall provide in completed and executed form, acceptable to Lessor, the additional documents attached to this Supplement that may include:

(a) Payment Schedule for a Supplement, (b) Opinion of Counsel to the Lessee, (c) Lessee's Certificate, (d) Certificate of Acceptance, (e) State Addendum, if applicable and attached, (f) for Tax-Exempt Financed Items (i) Form 8038-G or 8038-GC (to be filed with Internal Revenue Service by Lessee), (ii) Prepaid Maintenance Certification of Maintenance Provider and (iii) Prepaid Maintenance Certification of Maintenance Vendor.

The Agreement referenced above shall be incorporated herein by reference. Lessee hereunder shall be bound to the terms and conditions of the Agreement as Lessee. The Agreement, this Supplement and any applicable attachments or addenda are the complete, exclusive statement of the parties with respect to the subject matter herein. These documents supersede any prior oral or written communications between the parties. By signing below, Lessee represents and warrants that Lessee's name as set forth in the signature block below is Lessee's exact legal name and the information identifying Lessee's state of organization is true, accurate and complete in all respects. By signing below, both parties agree to the terms represented by this Agreement as it may be amended or modified. Delivery of an executed copy of any of these documents by facsimile or other reliable means shall be deemed to be as effective for all purposes as delivery of a manually executed copy. Lessee acknowledges that we may maintain a copy of these documents in electronic form and agrees that copy reproduced from such electronic form or by any other reliable means (for example, photocopy, image or facsimile) shall in all respects be considered equivalent to an original.

Agreed to:
Kern County Hospital Authority

Agreed to:
IBM Credit LLC

By: _____
Authorized signature

By: _____
Authorized signature

Name (type or print): _____

Name (type or print): _____

Title (type or print): _____

Title (type or print): _____

Date: _____

Date: _____

IBM Credit LLC
Certificate of Acceptance

Lessee/Borrower Name ("Client") and Address:

Kern County Hospital Authority
1700 MOUNT VERNON AVE
BAKERSFIELD CA 93306-4018

Lessor Name and Address:

IBM Credit LLC
7100 Highlands Parkway
Smyrna, GA 30082
igfnadoc@us.ibm.com

The Client certifies and agrees that the information contained in the following table(s) is correct and relates to item(s) leased or financed under the terms and conditions of the above referenced Schedule/Agreement with IBM Credit LLC.

Client Reference:

Payment Period: Monthly

Payment Type: Arrears

TAX-EXEMPT FINANCING TRANSACTION(S)		
Qty.	Property Description	Original Term (months)
1	XOT9 OEM OEM OTHER	60

Client represents and certifies that the item(s) listed in the above table(s) are in compliance with Client's specifications ("Accepted Item(s)"). Client hereby accepts the Accepted Item(s) listed in the above table(s) on the Acceptance Date and authorizes IBM Credit LLC to make payments to the Supplier(s) for the Supplier's invoice(s) for the Accepted Item(s) and to commence the leasing or financing of these Accepted Item(s) under the Schedule/Agreement.

Since this Certificate of Acceptance ("COA") is being issued prior to Lessor's receipt of an invoice, Lessor, upon its receipt of this COA duly executed by Lessee and the Supplier's invoice, will either issue i) a confirmation document in order to confirm Lessor's acceptance of the COA or ii) an updated COA which requires Lessee's signature in order to confirm any changes. In order for IBM Credit LLC to make payment to your listed Suppliers, all Equipment must include serial number information. Accordingly, Client hereby authorizes IBM Credit LLC to complete or update any manufacturer serial number information for any Accepted Item(s) accepted, without Client's further action or consent.

Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Agreement referenced in the Schedule listed above.

This COA may be sent to Client by IBM Credit LLC in soft copy format, such as a PDF file. Client represents and warrants that no changes have been made to the text of this COA, except for IBM Credit LLC authorized alterations to the Product Description (including without limitation, changes to any other information listed on the product information tables herein). If there are any conflicts between the version delivered by IBM Credit LLC to Client and the version delivered by Client to IBM Credit LLC, or if the Supplier's invoice does not match the information listed on the COA, IBM Credit LLC reserves the right not to incept the transaction and to send a replacement COA to Client. Any copy of this COA made by reliable means (for example photocopy, image or facsimile) shall in all respects be considered equivalent to an original.

For the purposes of the transaction commencement provisions specified in the Agreement referenced in the Schedule listed above, Client hereby represents, warrants and certifies that as of the following date, Client has accepted the Accepted Item(s) listed in the product information tables herein:

_____ (MM/DD/YYYY) ("Acceptance Date" for Accepted Item(s))

Agreed to:
Kern County Hospital Authority

By: _____
Authorized signature

Name (type or print):

Title (type or print):

Client shall return this executed COA to IBM Credit LLC by mail, in an email, or by facsimile within ten (10) days of Acceptance Date.

LESSEE'S CERTIFICATE

Re: Lease/Purchase Supplement No. 022794 to Lease/Purchase Master Agreement No. 063811350G between IBM Credit LLC and Kern County Hospital Authority ("Lessee").

The undersigned, being the duly elected, qualified and acting _____ of the Lessee do hereby certify, as of _____, as follows:

1. Lessee did, at a meeting of the governing body of the Lessee held _____ by resolution or ordinance duly enacted, in accordance with all requirements of law, approve and authorize the execution and delivery of the above-referenced Lease/Purchase Supplement and any related documents entered into pursuant to the Lease/Purchase Master Agreement (the "Lease/Purchase Supplement") by the following named representative of Lessee, to wit:

NAME OF EXECUTING OFFICIAL	TITLE OF EXECUTING OFFICIAL	SIGNATURE OF EXECUTING OFFICIAL
And/Or		

2. The above-named representative of the Lessee held at the time of such authorization and holds at the present time the office set forth above.

3. The meeting(s) of the governing body of the Lessee at which the Lease/Purchase Supplement was approved and authorized to be executed was duly called, regularly convened and attended throughout by the requisite quorum of the members thereof, and the enactment approving the Lease/Purchase Supplement and authorizing the execution thereof has not been altered or rescinded. All meetings of the governing body of Lessee relating to the authorization and delivery of the Lease/Purchase Supplement have been: (a) held within the geographic boundaries of the Lessee; (b) open to the public, allowing all people to attend; (c) conducted in accordance with internal procedures of the governing body; and (d) conducted in accordance with the charter of the Lessee, if any, and the laws of the State.

4. No event or condition that constitutes, or with the giving of notice or the lapse of time or both would constitute, an Event of Default or a Non-appropriation Event (as such terms are defined in the Lease/Purchase Master Agreement (the "Master Agreement")) exists at the date hereof with respect to this Lease/Purchase Supplement or any other Lease/Purchase Supplements under the Master Agreement.

5. The acquisition of all of the Property under the Lease/Purchase Supplement has been duly authorized by the governing body of Lessee.

6. Lessee has, in accordance with the requirements of law, fully budgeted and appropriated sufficient funds for the current budget year to make the Lease Payments scheduled to come due during the current budget year under the Lease/Purchase Supplement and to meet its other obligations for the current budget year and such funds have not been expended for other purposes.

7. Lessee represents and warrants that the Property is essential to the proper, efficient and economic functioning of Lessee or to the services that Lessee provides; and Lessee has immediate need for and expects to make immediate use of substantially all of the Property, which need is not temporary or expected to diminish in the foreseeable future.

8. Bank Qualified Tax-Exempt Obligation under Section 265 (Consult tax counsel for applicable provisions.).

____ Lessee hereby designates this Lease/Purchase Supplement as a "qualified tax-exempt obligation" as defined in Section 265(b)(3)(B) of the Code. Lessee reasonably anticipates issuing tax-exempt obligations (excluding private activity bonds other than qualified 501(c)(3) bonds and including all tax-exempt obligations of subordinate entities of the Lessee) during the calendar year in which the Commencement Date of this Lease/Purchase Supplement falls, in an amount not exceeding \$10,000,000.

or

____ Not applicable

9. Has Lessee ever terminated a lease or financing contract prior to the expiration of its term (including all permitted renewal terms) due to nonappropriation or other provision permitting Lessee to terminate in Lessee's discretion?

Yes ____ No ____ If yes, then please describe the circumstances of such termination:

LESSEE'S CERTIFICATE

10. As of the date hereof, no litigation is pending, (or, to my knowledge, threatened) against Lessee in any court (a) seeking to restrain or enjoin the delivery of the Master Agreement or the Lease/Purchase Supplement or of other agreements similar to the Master Agreement; (b) questioning the authority of Lessee to execute the Master Agreement or the Lease/Purchase Supplement, or the validity of the Master Agreement or the Lease/Purchase Supplement, or the payment of principal of or interest on, the Lease/Purchase Supplement; (c) questioning the constitutionality of any statute, or the validity of any proceedings, authorizing the execution of the Master Agreement and the Lease/Purchase Supplement; or (d) affecting the provisions made for the payment of or security for the Master Agreement and the Lease/Purchase Supplement.

Lessee: Kern County Hospital Authority

By: _____

Title: _____

SIGNER MUST NOT BE THE SAME AS THE EXECUTING OFFICIAL(S) SHOWN ABOVE

IBM Credit LLC Lease Payment Schedule

Lessee Name: Kern County Hospital Authority

Lease/Purchase Supplement No: 022794

Commencement Date

The Commencement Date shall be the date of acceptance of the Property as set forth in the Acceptance Certificate executed by the Lessee and filed with the Lessor. The Lease Payment Due Dates listed below are based on the date of acceptance being a date on or before the end of the Planned Commencement Month.

Lease Payment Schedule

Total Principal Amount: \$314,142.50
Interest Rate for Schedule: 4.52%

Payment No.	Lease Payment Due Dates	Lease Payments (\$)	Principal Component (\$)	Interest Component (\$)	Prepayment Price (After Making Payment for Said Due Date) (\$)
1	9/30/2016	5,859.42	4,676.16	1,183.26	309,466.34
2	10/31/2016	5,859.42	4,693.77	1,165.65	304,772.57
3	11/30/2016	5,859.42	4,711.45	1,147.97	300,061.12
4	12/31/2016	5,859.42	4,729.20	1,130.22	295,331.92
5	1/31/2017	5,859.42	4,747.01	1,112.41	290,584.91
6	2/28/2017	5,859.42	4,764.89	1,094.53	285,820.02
7	3/31/2017	5,859.42	4,782.84	1,076.58	281,037.18
8	4/30/2017	5,859.42	4,800.85	1,058.57	276,236.33
9	5/31/2017	5,859.42	4,818.94	1,040.48	271,417.39
10	6/30/2017	5,859.42	4,837.09	1,022.33	266,580.30
11	7/31/2017	5,859.42	4,855.31	1,004.11	261,724.99
12	8/31/2017	5,859.42	4,873.60	985.82	256,851.39
13	9/30/2017	5,859.42	4,891.95	967.47	251,959.44
14	10/31/2017	5,859.42	4,910.38	949.04	247,049.06
15	11/30/2017	5,859.42	4,928.88	930.54	242,120.18
16	12/31/2017	5,859.42	4,947.44	911.98	237,172.74
17	1/31/2018	5,859.42	4,966.08	893.34	232,206.66
18	2/28/2018	5,859.42	4,984.78	874.64	227,221.88
19	3/31/2018	5,859.42	5,003.56	855.86	222,218.32
20	4/30/2018	5,859.42	5,022.40	837.02	217,195.92
21	5/31/2018	5,859.42	5,041.32	818.10	212,154.60
22	6/30/2018	5,859.42	5,060.31	799.11	207,094.29
23	7/31/2018	5,859.42	5,079.37	780.05	202,014.92
24	8/31/2018	5,859.42	5,098.50	760.92	196,916.42
25	9/30/2018	5,859.42	5,117.71	741.71	191,798.71
26	10/31/2018	5,859.42	5,136.98	722.44	186,661.73
27	11/30/2018	5,859.42	5,156.33	703.09	181,505.40
28	12/31/2018	5,859.42	5,175.75	683.67	176,329.65
29	1/31/2019	5,859.42	5,195.25	664.17	171,134.40
30	2/28/2019	5,859.42	5,214.82	644.60	165,919.58
31	3/31/2019	5,859.42	5,234.46	624.96	160,685.12
32	4/30/2019	5,859.42	5,254.18	605.24	155,430.94
33	5/31/2019	5,859.42	5,273.97	585.45	150,156.97
34	6/30/2019	5,859.42	5,293.83	565.59	144,863.14
35	7/31/2019	5,859.42	5,313.77	545.65	139,549.37
36	8/31/2019	5,859.42	5,333.79	525.63	134,215.58

IBM Credit LLC Lease Payment Schedule

Lessee Name: Kern County Hospital Authority

Lease/Purchase Supplement No: 022794

Payment No.	Lease Payment Due Dates	Lease Payments (\$)	Principal Component (\$)	Interest Component (\$)	Prepayment Price (After Making Payment for Said Due Date) (\$)
37	9/30/2019	5,859.42	5,353.88	505.54	128,861.70
38	10/31/2019	5,859.42	5,374.04	485.38	123,487.66
39	11/30/2019	5,859.42	5,394.29	465.13	118,093.37
40	12/31/2019	5,859.42	5,414.60	444.82	112,678.77
41	1/31/2020	5,859.42	5,435.00	424.42	107,243.77
42	2/29/2020	5,859.42	5,455.47	403.95	101,788.30
43	3/31/2020	5,859.42	5,476.02	383.40	96,312.28
44	4/30/2020	5,859.42	5,496.65	362.77	90,815.63
45	5/31/2020	5,859.42	5,517.35	342.07	85,298.28
46	6/30/2020	5,859.42	5,538.13	321.29	79,760.15
47	7/31/2020	5,859.42	5,558.99	300.43	74,201.16
48	8/31/2020	5,859.42	5,579.93	279.49	68,621.23
49	9/30/2020	5,859.42	5,600.95	258.47	63,020.28
50	10/31/2020	5,859.42	5,622.05	237.37	57,398.23
51	11/30/2020	5,859.42	5,643.22	216.20	51,755.01
52	12/31/2020	5,859.42	5,664.48	194.94	46,090.53
53	1/31/2021	5,859.42	5,685.81	173.61	40,404.72
54	2/28/2021	5,859.42	5,707.23	152.19	34,697.49
55	3/31/2021	5,859.42	5,728.73	130.69	28,968.76
56	4/30/2021	5,859.42	5,750.31	109.11	23,218.45
57	5/31/2021	5,859.42	5,771.96	87.46	17,446.49
58	6/30/2021	5,859.42	5,793.71	65.71	11,652.78
59	7/31/2021	5,859.42	5,815.53	43.89	5,837.25
60	8/31/2021	5,859.42	5,837.25	22.17	0.00
Totals:		351,565.20	314,142.50	37,422.70	

**IBM Credit LLC
Lease Payment Schedule**

Lessee Name: Kern County Hospital Authority

Lease/Purchase Supplement No: 022794

QTY	Product Description	Serial No. / Alteration Reference No.	Principal Amt (\$)
1	XOT9 OEM OEM OTHER		314,142.50
Totals:			314,142.50

Lessee: Kern County Hospital Authority

By: _____
Authorized signature

Name (type or print):

Title (type or print):

Date:

Lease/Purchase Master Agreement For State and Local Government

Lease/Purchase Master Agreement No: 063811350G

This Lease/Purchase Master Agreement For State and Local Government ("Agreement") covers the terms and conditions under which IBM Credit LLC will finance various charges. In addition, attached is the form of Lease/Purchase Supplement and Exhibits thereto.

This Agreement and its applicable Supplements and Addenda are the complete agreement regarding the Financing Transactions and replace any prior oral or written communications between both parties. If there is a conflict of terms among the documents, the order of precedence will be as follows: (a) attachments or addenda to the Supplement, (b) Supplement, (c) attachments or addenda to the Agreement, (d) this Agreement.

By signing below, both parties agree to the terms of this Agreement. Once signed, any reproduction of this Agreement or a Supplement made by reliable means (for example, photocopy or facsimile) is considered an original.

Part 1 - Definitions

The following terms will have the meanings indicated below unless the context clearly requires otherwise:

"Agreement" means this Lease/Purchase Master Agreement.

"Commencement Date" is the date when the term of a Financing Transaction and Lessee's obligation to pay Lease Payments for such Financing Transaction commence, which date shall be set forth in each Lease/Purchase Supplement.

"Equipment" means, collectively, the equipment lease/purchased pursuant to this Agreement, and with respect to each Lease/Purchase Supplement, the equipment described in each Lease/Purchase Supplement, and all repairs, restorations, modifications and improvements thereof or thereto made pursuant to Section 8.1 or Part 9.

"Event of Default" is defined in Section 13.1.

"Financed Items" means any software program licenses, maintenance, services, and other one-time charges to be lease/purchased pursuant to this Agreement, and with respect to each Lease/Purchase Supplement, such items described therein.

"Financing Transaction" means the lease/purchase transaction for Property set forth in any Lease/Purchase Supplement entered into pursuant this Agreement.

"Lease/Purchase Supplement" or **"Supplement"** means a Lease/Purchase Supplement in the form attached hereto.

"Lease Payments" means the Lease Payments payable by Lessee under Part 6 of this Agreement and with respect to each Lease/Purchase Supplement, the Payment Amounts set forth in each Lease/Purchase Supplement in Exhibit 1 thereto.

"Lease Payment Dates" means the dates for the Lease Payments as set forth in the Payment Schedules for each Lease/Purchase Supplement.

"Lease Term" means, with respect to a Financing Transaction, the Original Term and all Renewal Terms. The Lease Term for each Financing Transaction entered into hereunder shall be set forth in a Lease/Purchase Supplement, as provided in Section 4.2.

"Lessee" or "Customer" means the entity identified as such on the signature line below, and its permitted successors and assigns.

"Lessor" means the entity identified as such on the signature line below, and its successors and assigns.

"Nonappropriation Event" is defined in Section 6.6.

"Original Term" means, with respect to a Financing Transaction, the period from the Commencement Date until the end of the budget year of Lessee in effect at the Commencement Date.

"Payment Schedule" means, with respect to a Financing Transaction, one or more schedules of lease payments for the Original Term and all Renewal Terms that indicates the Payment Due Date, the Lease Payment, the Interest Component and the Prepayment Price as set forth in each Payment Schedule.

"Property" means, collectively, the Equipment and Financed Items lease/purchased pursuant to this Agreement, and with respect to each Lease/Purchase Supplement, the Equipment and Financed Items described in such Lease/Purchase Supplement.

"Purchase Price" means the amount that Lessee may, in its discretion, pay to Lessor to purchase the Property under a Lease/Purchase Supplement, as provided in Section 11.1 and as set forth in the Lease/Purchase Supplement.

"Renewal Terms" means the renewal terms of a Financing Transaction, each having a duration of one year and a term coextensive with Lessee's budget year.

"State" means the state or commonwealth where Lessee is located.

"Supplier" means International Business Machines Corporation "IBM", or any other manufacturer, vendor or provider of the Property leased/purchased by Lessee.

Lease/Purchase Master Agreement For State and Local Government

Part 2 - Separate Financings

Each Supplement executed and delivered under this Agreement shall be a separate financing, distinct from other Supplements. Without limiting the foregoing, upon the occurrence of an Event of Default or a Nonappropriation Event with respect to a Supplement, Lessor shall have the rights and remedies specified herein with respect to the Property financed and the Lease Payments payable under such Supplement, and except as expressly provided in Section 12.2 below, Lessor shall have no rights or remedies with respect to Property financed or Lease Payments payable under any other Supplements unless an Event of Default or Nonappropriation Event has also occurred under such other Supplements.

Part 3 - Lessee's Covenants

As of the Commencement Date for each Supplement executed and delivered hereunder, Lessee shall be deemed to represent, covenant and warrant for the benefit of Lessor as follows:

- a. Lessee is a public body corporate and politic duly organized and existing under the constitution and laws of the State with full power and authority to enter into this Agreement and the Supplement and the transactions contemplated thereby and to perform all of its obligations thereunder.
- b. Lessee will do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a body corporate and politic. To the extent Lessee should merge with another entity under the laws of the State, Lessee agrees that as a condition to such merger it will require that the remaining or resulting entity shall be assigned Lessee's rights and shall assume Lessee's obligations hereunder.
- c. Lessee has been duly authorized to execute and deliver this Agreement and the Supplement by proper action by its governing body, or by other appropriate official approval, and all requirements have been met and procedures have occurred in order to ensure the validity and enforceability of this Agreement and the Supplement, and Lessee has complied with such public bidding requirements as may be applicable to this Agreement and the Supplement and the acquisition by Lessee of the Property thereunder. On or before the Commencement Date, Lessee shall cause to be executed an Opinion of Lessee's Counsel in substantially the form attached to the form of the Supplement as Exhibit 2 and a Lessee's Certificate in substantially the form attached to the form of the Supplement as Exhibit 3.
- d. During the Lease Term for the Supplement, the Property thereunder will perform and will be used by Lessee only for the purpose of performing essential governmental uses and public functions within the permissible scope of Lessee's authority.
- e. Lessee will provide Lessor with current financial statements, budgets and proof of appropriation for the ensuing budget year and other financial information relating to the ability of Lessee to continue this Agreement and the Supplement in such form and containing such information as may be requested by Lessor.
- f. Lessee will comply with all applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), including Sections 103 and 148 thereof, and the regulations of the Treasury Department thereunder, from time to time proposed or in effect, in order to maintain the excludability from gross income for federal income tax purposes of the interest component of Lease Payments under the Supplement and will not use or permit the use of the Property in such a manner as to cause a Supplement to be a "private activity bond" under Section 141(a) of the Code. Lessee covenants and agrees that no part of the proceeds of the Supplement shall be invested in any securities, obligations or other investments except for the temporary period pending such use nor used, at any time, directly or indirectly, in a manner which, if such use had been reasonably anticipated on the date of issuance of the Agreement, would have caused any portion of the Supplement to be or become "arbitrage bonds" within the meaning of Section 103(b)(2) or Section 148 of the Code and the regulations of the Treasury Department thereunder proposed or in effect at the time of such use and applicable to obligations issued on the date of issuance of the Supplement.
- g. The execution, delivery and performance of this Agreement and the Supplement and compliance with the provisions hereof and thereof by Lessee does not conflict with, or result in a violation or breach or constitute a default under, any resolution, bond, agreement, indenture, mortgage, note, lease of, or other instrument to which Lessee is a party or by which it is bound by any law or any rule, regulation, order or decree of any court, governmental agency or body having jurisdiction over Lessee or any of its activities or properties resulting in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any property or assets of Lessee or to which it is subject.
- h. Lessee's exact legal name is as set forth on the first page of this Agreement. Lessee will not change its legal name in any respect without giving thirty (30) days' prior notice to Lessor.

Part 4 - The Transactions

4.1 Lease of Property. On the Commencement Date of each Financing Transaction executed in the Supplement hereunder, Lessor will be deemed to demise, lease and let to Lessee, and Lessee will be deemed to rent, lease and hire from Lessor, the Property described in such Supplement, in accordance with this Agreement and such Supplement, for the Lease Term set forth in such Supplement.

4.2 Lease Term. The term of each Financing Transaction shall commence on the Commencement Date set forth in the Certificate of Acceptance and shall terminate upon payment of the final Lease Payment set forth in such Payment Schedule and the exercise of the Deemed Purchase described in Section 11.1, unless terminated sooner pursuant to this Agreement or the Supplement.

4.3 Delivery, Installation and Acceptance of Property. Lessee shall order the Property, shall cause the Property to be delivered and installed at the locations specified in the applicable Supplement, and shall pay all taxes, delivery costs and installation costs, if any, in

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connection therewith. To the extent funds are deposited under an escrow agreement for the acquisition of the Property, such funds shall be disbursed as provided therein. When the Property described in such Supplement is delivered, installed and accepted as to Lessee's specifications, Lessee shall immediately accept the Property and evidence said acceptance by executing and delivering to Lessor the Certificate of Acceptance substantially in the form attached to the Supplement.

4.4 Assignment to Lessor. With respect to Property, Lessee assigns for security purposes to Lessor, effective upon Lessor signing the Supplement, its right to purchase the Property from its Supplier. Although Lessor shall have the obligation to pay the Supplier for the Property, not to exceed the principal amount set forth in the Supplement, title to the Property shall pass directly from Supplier to Lessee subject to Lessor's right under Section 7.3 hereunder, or unless otherwise provided. All other rights and obligations as defined in the agreement between Lessee and Lessee's Supplier governing the purchase of the Property ("Purchase Agreement") shall remain with Lessee. Lessee represents that it has reviewed and approved the Purchase Agreement. Lessor will not modify or rescind the Purchase Agreement.

4.5 Credit Review. For each Financing Transaction, Lessee consents to a reasonable credit review by Lessor.

Part 5 - Lessor's Rights of Access

5.1 Enjoyment of Property. Lessee shall during the Lease Term peaceably and quietly have, hold and enjoy the Property, without suit, trouble or hindrance from Lessor, except as expressly set forth in this Agreement. Neither Lessor nor its successors or assigns shall interfere with such quiet use and enjoyment during the Lease Term so long as Lessee is not in default under the subject Supplement.

5.2 Location; Inspection. The Property will be initially located or based at the location specified in the applicable Supplement. Upon reasonable advance request, Lessee agrees to allow Lessor to inspect the Equipment and its maintenance records during Lessee's normal business hours, subject to Lessee's reasonable security procedures. Lessee will affix to the Equipment any identifying labels supplied by Lessor indicating ownership.

Part 6 - Payments

6.1 Lease Payments to Constitute a Current Expense of Lessee. Lessor and Lessee understand and intend that the obligation of Lessee to pay Lease Payments hereunder shall constitute a current expense of Lessee and shall not in any way be construed to be a debt of Lessee in contravention of any applicable constitutional, statutory or charter limitation or requirement concerning the creation of indebtedness by Lessee, nor shall anything contained herein constitute a pledge of the faith and credit or taxing power of Lessee. Upon the appropriation of Lease Payments for a fiscal year, the Lease Payments for said fiscal year, and only the Lease Payments for said current fiscal year, shall be a binding obligation of Lessee; provided that such obligation shall not include a pledge of the taxing power of Lessee.

6.2 Payment of Lease Payments. Lessee shall promptly pay Lease Payments under each Supplement, exclusively from legally available funds, in lawful money of the United States of America, to Lessor in such amounts and on such dates as described in the applicable Payment Schedule, at Lessor's address set forth as the "remit to" address in the invoice, unless Lessor instructs Lessee otherwise. Lessee shall pay Lessor a charge on any delinquent Lease Payments in an amount sufficient to cover all additional costs and expenses incurred by Lessor from such delinquent Lease Payment. In addition, Lessee shall pay a late charge of five cents per dollar or the highest amount permitted by applicable law, whichever is lower, on all delinquent Lease Payments and interest on said delinquent amounts from the date such amounts were due until paid at the rate of 12% per annum or the maximum amount permitted by law, whichever is less.

6.3 Interest Component. A portion of each Lease Payment due under each Supplement is paid as, and represents payment of, interest, and each Supplement hereunder shall set forth the interest component (or method of computation thereof) of each Lease Payment thereunder during the Lease Term.

6.4 Lease Payments to be Unconditional. SUBJECT TO SECTION 6.6, THE OBLIGATIONS OF LESSEE TO PAY THE LEASE PAYMENTS DUE UNDER THE SUPPLEMENTS AND TO PERFORM AND OBSERVE THE OTHER COVENANTS AND AGREEMENTS CONTAINED HEREIN SHALL BE ABSOLUTE AND UNCONDITIONAL IN ALL EVENTS WITHOUT ABATEMENT, DIMINUTION, DEDUCTION, SET-OFF OR DEFENSE, FOR ANY REASON, INCLUDING WITHOUT LIMITATION, ANY DEFECTS, MALFUNCTIONS, BREAKDOWNS OR INFIRMITIES IN THE PROPERTY OR ANY ACCIDENT, CONDEMNATION OR UNFORESEEN CIRCUMSTANCES. THIS PROVISION SHALL NOT LIMIT LESSEE'S RIGHTS OR ACTIONS AGAINST ANY SUPPLIER AS PROVIDED IN SECTION 10.2.

6.5 Continuation of Lease by Lessee. Lessee intends to continue all Supplements entered into pursuant to this Agreement and to pay the Lease Payments thereunder. Lessee reasonably believes that legally available funds in an amount sufficient to make all Lease Payments during the term of all Supplements can be obtained. Lessee agrees that during the budgeting process for each budget year its staff will provide to the governing body of Lessee notification of any Lease Payments due under the Supplements during the following budget year.

6.6 Nonappropriation. If, during the then current Original Term or Renewal Term, sufficient funds are not appropriated to make Lease Payments required under a Supplement for the following fiscal year, Lessee shall be deemed to not have renewed such Supplement for the following fiscal year and the Supplement shall terminate at the end of the then current Original Term or Renewal Term and Lessee shall not be obligated to make Lease Payments under said Supplement beyond the then current fiscal year for which funds have been appropriated. Upon the occurrence of such nonappropriation (a "Nonappropriation Event") Lessee shall, no later than the end of the fiscal year for which Lease Payments have been appropriated, deliver possession of the Property under said Supplement to Lessor. If

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Lessee fails to deliver possession of the Property to Lessor upon termination of said Supplement by reason of a Nonappropriation Event, the termination shall nevertheless be effective but Lessee shall be responsible for the payment of damages in an amount equal to the portion of Lease Payments thereafter coming due that is attributable to the number of days after the termination during which the Lessee fails to deliver possession and for any other loss suffered by Lessor as a result of Lessee's failure to deliver possession as required. In the event of a Nonappropriation Event under a Supplement, Lessee shall cease use of all software financed or acquired under the applicable Supplement and shall confirm and state in writing to Lessor that it has: (1) deleted or disabled all files and copies of the software from the equipment on which it was installed; (2) returned all software documentation, training manuals, and physical media on which the software was delivered; and (3) has no ability to use the returned software. Lessor may, by written instructions to any escrow agent who is holding proceeds of the Supplement, instruct such escrow agent to release all such proceeds and any earnings thereon to Lessor, such sums to be credited to Lessee's obligations under the Supplement and this Agreement. Lessee shall notify Lessor in writing within seven (7) days after the failure of the Lessee to appropriate funds sufficient for the payment of the Lease Payments, but failure to provide such notice shall not operate to extend the Lease Term or result in any liability to Lessee. In the event of such nonappropriation, upon request from Lessor, Lessee agrees to provide in a timely manner, written evidence of such nonappropriation, a copy of the fiscal year budget in which such nonappropriation occurred and any other related documentation reasonably requested by Lessor.

Part 7 - Title; Security Interest

7.1 Title to the Property. Upon acceptance of the Equipment by Lessee and unless otherwise required by the laws of the State, title to the Equipment shall vest directly in Lessee from the Supplier, subject to Lessor's interests under the applicable Supplement and this Agreement. Software that the Lessee acquires from the Supplier and finances with Lessor remains the property of the licensor. Ownership of the software is governed by the license agreement between the licensor and the Lessee and is not affected by this Agreement.

7.2 Personal Property. The Equipment is and will remain personal property and will not be deemed to be affixed to or a part of the real estate on which it may be situated, notwithstanding that the Equipment or any part thereof may be or hereafter become in any manner physically affixed or attached to real estate or any building thereon. If requested by Lessor, Lessee will, at Lessee's expense, furnish a waiver of any interest in the Equipment from any party having an interest in any such real estate or building.

7.3 Security Interest. To the extent permitted by law and to secure the performance of all of Lessee's obligations under this Agreement with respect to a Supplement, including without limitation all Supplements now existing or hereafter executed, Lessee grants to Lessor, for the benefit of Lessor and its successors and assigns, a security interest constituting a first lien on Lessee's interest in all of the Equipment under the Supplement, whether now owned or hereafter acquired, all additions, attachments, alterations and accessions to the Equipment, all substitutions and replacements for the Equipment, and on any proceeds of any of the foregoing, including insurance proceeds. Lessee shall execute any additional documents, including financing statements, affidavits, notices and similar instruments, in form and substance satisfactory to Lessor, that Lessor deems necessary or appropriate to establish, maintain and perfect a security interest in the Equipment in favor of Lessor and its successors and assigns. Lessee hereby authorizes Lessor to file all financing statements that Lessor deems necessary or appropriate to establish, maintain and perfect such security interest.

Part 8 - Maintenance and Ancillary Charges

8.1 Maintenance of Equipment by Lessee. Lessee shall keep and maintain the Equipment in good condition and working order and in compliance with the manufacturer's specifications, shall use, operate and maintain the Equipment in conformity with all laws and regulations concerning the Equipment's ownership, possession, use and maintenance, and shall keep the Equipment free and clear of all liens and claims, other than those created by this Agreement. Lessee shall have sole responsibility to maintain and repair the Equipment. Should Lessee fail to maintain, preserve and keep the Equipment in good repair and working order and in accordance with manufacturer's specifications, and if requested by Lessor, Lessee will enter into maintenance contracts for the Equipment in form approved by Lessor and with approved providers.

8.2 Liens, Taxes, Other Governmental Charges and Utility Charges. Lessee shall keep the Property free of all levies, liens and encumbrances, except for the interest of Lessor under this Agreement. The parties to this Agreement contemplate that the Property will be used for a governmental or proprietary purpose of Lessee and, therefore, that the Property will be exempt from all property taxes. The Lease Payments payable by Lessee under this Agreement and the Supplements hereunder have been established to reflect the savings resulting from this exemption from taxation. Lessee will take such actions necessary under applicable law to obtain said exemption. Nevertheless, if the use, possession or acquisition of the Property is determined to be subject to taxation or later becomes subject to such taxes, Lessee shall pay when due all taxes and governmental charges lawfully assessed or levied against or with respect to the Property. Lessee shall pay all gas, water, steam, electricity, heat, power, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Property. Lessee shall pay such taxes or charges as the same may become due; provided that, with respect to any such taxes or charges that may lawfully be paid in installments over a period of years, Lessee shall be obligated to pay only such installments as accrue during the then current fiscal year of the Lease Term for such Property.

8.3 Insurance. At its own expense, Lessee shall maintain (a) casualty insurance insuring the Property against loss or damage by fire and all other risks covered by the standard extended coverage endorsement then in use in the State and any other risks reasonably required by Lessor in an amount equal to at least the outstanding principal component of Lease Payments, and (b) liability insurance that protects Lessor from liability in all events in an amount reasonably acceptable to Lessor, and (c) worker's compensation insurance covering all employees working on, in, near or about the Property; provided that Lessee may self-insure against all such risks. All insurance proceeds from casualty losses shall be payable as hereinafter provided in this Agreement. All such insurance shall be with

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insurers that are authorized to issue such insurance in the State. All such liability insurance shall name Lessor as an additional insured. All such casualty insurance shall contain a provision making any losses payable to Lessor and Lessee as their respective interests may appear. All such insurance shall contain a provision to the effect that such insurance shall not be canceled or modified without first giving written notice thereof to Lessor and Lessee at least thirty (30) days in advance of such cancellation or modification. Such changes shall not become effective without Lessor's prior written consent. Upon Lessor's request, Lessee shall, within thirty (30) days of such request, furnish to Lessor, for each Supplement, certificates evidencing such coverage, or, if Lessee self-insures, a written description of its self-insurance program together with a certification from Lessee's risk manager or insurance agent or consultant to the effect that Lessee's self-insurance program provides adequate coverage against the risks listed above.

8.4 Advances. In the event Lessee shall fail to either maintain the insurance required by this Agreement or keep the Property in good repair and working order, Lessor may, but shall be under no obligation to, purchase the required insurance and pay the cost of the premiums thereof or maintain and repair the Property and pay the cost thereof. All amounts so advanced by Lessor shall constitute additional rent for the Lease Term for the Supplement for which the Property is under and shall be due and payable on the next Lease Payment Date and Lessee covenants and agrees to pay such amounts so advanced by Lessor with interest thereon from the date such amounts are advanced until paid at the rate of 12% per annum or the maximum amount permitted by law, whichever is less.

Part 9 - Casualty Loss

9.1 Damage or Destruction. If (a) the Property under a Supplement or any portion thereof is destroyed, in whole or in part, or is damaged by fire or other casualty, or (b) title to, or the temporary use of, the Property under a Supplement or any part thereof shall be taken under the exercise or threat of the power of eminent domain by any governmental body or by any person, firm or corporation acting pursuant to governmental authority, Lessor and Lessee will cause the Net Proceeds (as hereinafter defined) of any insurance claim, condemnation award or sale under threat of condemnation to be applied to the prompt repair, restoration, modification or improvement of the Property, unless Lessee shall have exercised its option to purchase Lessor's interest in the Property if the Supplement so provides. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to Lessee and applied to the next Lease Payments coming due on the Supplement. For purposes of Section 8.3 and this Part 9, the term "Net Proceeds" shall mean the amount remaining from the gross proceeds of any insurance claim, condemnation award or sale under threat of condemnation after deducting all expenses, including attorneys' fees, incurred in the collection thereof.

9.2 Insufficiency of Net Proceeds. If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement referred to in Section 9.1, Lessee shall (a) complete such repair, restoration, modification or improvement and pay any costs thereof in excess of the amount of the Net Proceeds and, if Lessee shall make any payments pursuant to this Section, Lessee shall not be entitled to any reimbursement therefor from Lessor nor shall Lessee be entitled to any diminution of the amounts payable under Section 6.2; or (b) exercise its option to purchase Lessor's interest in the Property pursuant to the optional purchase provisions of the Supplement, if any. The amount of the Net Proceeds, if any, remaining after completing such repair, restoration, modification or improvement or after such purchase may be retained by Lessee.

Part 10 - Warranties; Use of Equipment and/or Financed Items

10.1 Disclaimer of Warranties. LESSOR MAKES NO (AND SHALL NOT BE DEEMED TO HAVE MADE ANY) WARRANTIES, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE DESIGN, OPERATION OR CONDITION OF, OR THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE PROPERTY, ITS MERCHANTABILITY OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE STATE OF TITLE THERETO OR ANY COMPONENT THEREOF, THE ABSENCE OF LATENT OR OTHER DEFECTS (WHETHER OR NOT DISCOVERABLE), AND LESSOR HEREBY DISCLAIMS THE SAME; IT BEING UNDERSTOOD THAT THE PROPERTY IS LEASED TO LESSEE "AS IS" ON THE DATE OF THIS AGREEMENT OR THE DATE OF DELIVERY, WHICHEVER IS LATER, AND ALL SUCH RISKS, IF ANY, ARE TO BE BORNE BY LESSEE. Lessee acknowledges that it has made (or will make) the selection of the Property from the Supplier based on its own judgment and expressly disclaims any reliance upon any statements or representations made by Lessor. Lessee understands and agrees that (a) neither the Supplier nor any sales representative or other agent of Supplier, is (i) an agent of Lessor, or (ii) authorized to make or alter any term or condition of this Agreement, and (b) no such waiver or alteration shall vary the terms of this Agreement unless expressly set forth herein. In no event shall Lessor be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Agreement, the Supplements, or the existence, furnishing, functioning or use of any item, product or service provided for in this Agreement or the Supplements.

10.2 Supplier's Warranties. Lessor hereby irrevocably assigns to Lessee all rights that Lessor may have to assert from time to time whatever claims and rights (including without limitation warranties) related to the Property against the Supplier. Lessee's sole remedy for the breach of such warranty, indemnification or representation shall be against the Supplier of the Property, and not against Lessor, nor shall such matter have any effect whatsoever on the rights and obligations of Lessor with respect to this Agreement, including the right to receive full and timely payments hereunder. Lessee expressly acknowledges that Lessor makes, and has made, no representations or warranties whatsoever as to the existence or the availability of such warranties of the Supplier of the Property.

10.3 Use of the Property. Lessee will not install, use, operate or maintain the Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Agreement and the applicable Supplement. Lessee shall provide all permits and licenses, if any, necessary for the installation and operation of the Property. In addition, Lessee agrees to comply in all respects with all laws of the jurisdiction in which its operations involving any item of Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the items of the Property (including compliance with any applicable privacy laws, rules or regulations and in conjunction therewith Lessee, upon cessation of the use, operation and control of, and prior to any disposition of the Equipment, shall destroy any data contained thereon that would be subject to such privacy laws, rules

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or regulations); provided that Lessee may contest in good faith the validity or application of any such law or rule in any reasonable manner that does not, in the opinion of Lessor, adversely affect the interest of Lessor in and to the Property or its interest or rights under this Agreement. Lessee shall promptly notify Lessor in writing of any pending or threatened investigation, inquiry, claim or action by any governmental authority which could adversely affect this Agreement, any Supplement or the Property thereunder.

10.4 Modifications. Subject to the provisions of this Section, Lessee shall have the right, at its own expense, to make alterations, additions, modifications or improvements to the Equipment. All such alterations, additions, modifications and improvements shall thereafter comprise part of the Equipment and shall be subject to the provisions of this Agreement. Such alterations, additions, modifications and improvements shall not in any way damage the Equipment, substantially alter its nature or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Equipment, on completion of any alterations, additions, modifications or improvements made pursuant to this Section, shall be of a value which is equal to or greater than the value of the Equipment immediately prior to the making of such alterations, additions, modifications and improvements. Lessee shall, at its own expense, make such alterations, additions, modifications and improvements to the Equipment as may be required from time to time by applicable law or by any governmental authority.

Part 11 - Prepayments

11.1 Deemed Purchase. Lessee shall be deemed to have purchased Lessor's entire interest in all of the Equipment subject to a Supplement and to have terminated any restrictions herein on the Property under such Supplement on the last day of the Lease Term for a Supplement, if the Supplement is still in effect on such day, upon payment in full of the Lease Payments due thereunder. Upon the deemed purchase as set forth in this Section 11.1 or payment of the purchase price pursuant to Section 11.2 hereof, under the applicable Supplement, and performance by Lessee of all other terms, conditions and provisions hereof, Lessor shall deliver to Lessee all such documents and instruments as Lessee may reasonably require to evidence the transfer, without warranty by or recourse to Lessor, of all of Lessor's right, title and interest in and to the Equipment subject to such Supplement to Lessee.

11.2 Option to Prepay. Lessee shall have the option to prepay (a) in whole, but not in part, the Lease Payments due under a Supplement on any Lease Payment Date, at the Prepayment Price set forth in the Payment Schedule as the "Prepayment Price", or (b) in part, by requesting, in writing, the Prepayment Price for the portion of the remaining Lease Payments allocable to the Property being prepaid plus any past due amounts, accrued interest to the date of such prepayment and any other monetary amounts due under the Supplement to Lessor. The Prepayment Price shall be an amount equal to the present value of the portion of the remaining Lease Payments allocable to the Property being prepaid multiplied by the Prepayment Fee Rate set forth in such Payment Schedule as the "Prepayment Fee Rate". Upon payment of the Prepayment Price and such other amounts due Lessor, Lessee shall be deemed to have purchased Lessor's entire interest in all Property being prepaid, and to have terminated any restrictions herein on the Property prepaid.

Part 12 - Assignment; Risk of Loss

12.1 Assignment by Lessor. Lessor's right, title and interest in, to and under each Supplement and the Property under such Supplement may be assigned and reassigned in whole or in part to one or more assignees or subassignees by Lessor without the consent of Lessee; provided that any assignment shall not be effective against the Lessee until Lessee has received written notice, signed by the assignor, of the name, address and tax identification number of the assignee. Lessee shall retain all such notices as a register of all assignees and shall make all payments to the assignee or assignees designated in such register. Lessee agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements that may be reasonably requested by Lessor or any assignee to protect its interests in this Agreement and the Supplements.

12.2 Supplements Separate Financings. Assignees of the Lessor's rights in one Supplement shall have no rights in any other Supplement unless such rights have been separately assigned.

12.3 Assignment and Subleasing by Lessee. NONE OF LESSEE'S RIGHT, TITLE AND INTEREST IN, TO AND UNDER THIS AGREEMENT OR ANY SUPPLEMENT AND IN THE PROPERTY MAY BE ASSIGNED, SUBLEASED OR ENCUMBERED BY LESSEE FOR ANY REASON, WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR. Any request by Lessee to assign a Supplement or any Property thereunder must be accompanied by an opinion of tax counsel satisfactory to Lessor that the assignment will cause no material change to the federal income tax treatment of the amounts payable as interest under the Supplement.

12.4 Risk of Loss Covenants. Lessee shall not be required to indemnify or hold Lessor harmless against liabilities arising from the Agreement. However, as between Lessor and Lessee, and to the extent permitted by law, Lessee shall bear the risk of loss for, shall pay directly, and shall defend Lessor against any and all claims, liabilities, proceedings, actions, expenses, damages or losses arising under or related to the Property, including, but not limited to, the possession, ownership, lease, use or operation thereof, except that (provided that Lessee has complied with its obligations under Section 10.3) Lessee shall not bear the risk of loss of, nor pay for, any claims, liabilities, proceedings, actions, expenses, damages or losses that arise directly from events occurring after Lessee has surrendered possession of the Property in accordance with the terms of the Agreement to Lessor or that arise directly from the gross negligence or willful misconduct of the Lessor.

Part 13 - Defaults and Remedies

13.1 Events of Default Defined. Any of the following shall constitute an "Event of Default" under a Supplement:

- a. Failure by Lessee to pay any Lease Payment under the Supplement or other payment required to be paid with respect thereto at the time specified therein;

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- b. Failure by Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed with respect to the Supplement, other than as referred to in subparagraph (a) above, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to Lessee by Lessor, unless Lessor shall agree in writing to an extension of such time prior to its expiration; provided that, if the failure stated in the notice cannot be corrected within the applicable period, Lessor will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Lessee within the applicable period and diligently pursued until the default is corrected;
- c. Any statement, representation or warranty made by Lessee in or pursuant to the Supplement or its execution, delivery or performance shall prove to have been false, incorrect, misleading or breached in any material respect on the date when made;
- d. Lessee shall (i) apply for or consent to the appointment of a receiver, trustee, custodian or liquidator of Lessee, or of all or a substantial part of the assets of Lessee, (ii) be unable, fail or admit in writing its inability generally to pay its debts as they become due, (iii) make a general assignment for the benefit of creditors, (iv) have an order for relief entered against it under applicable federal bankruptcy law, or (v) file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or taking advantage of any insolvency law or any answer admitting the material allegations of a petition filed against Lessee in any bankruptcy, reorganization or insolvency proceeding; or
- e. An order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition or appointing a receiver, trustee, custodian or liquidator of Lessee or of all or a substantial part of the assets of Lessee, in each case without its application, approval or consent, and such order, judgment or decree shall continue unstayed and in effect for any period of 60 consecutive days.

The foregoing provisions of Section 13.1 are subject to the following limitation: if by reason of force majeure Lessee is unable in whole or in part to perform its agreements under this Agreement and the Supplement (other than the obligations on the part of Lessee contained in Part 6 hereof) Lessee shall not be in default during the continuance of such inability. The term "force majeure" as used herein shall mean the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States or of the State or any of their departments, agencies or officials, or any civil or military authority; insurrections, riots, landslides, earthquakes, fires, storms, droughts, floods, explosions, breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of Lessee.

A Nonappropriation Event is not an Event of Default.

13.2 Remedies on Default. Whenever any Event of Default exists with respect to a Supplement, Lessor shall have the right, at its sole option without any further demand or notice, to take one or any combination of the following remedial steps:

- a. Without terminating the Supplement, and by written notice to Lessee, Lessor may declare all Lease Payments and other amounts payable by Lessee thereunder to the end of the then current budget year of Lessee to be due, including without limitation delinquent Lease Payments under the Supplement from prior budget years, and such amounts shall thereafter bear interest at the rate of 12% per annum or the maximum rate permitted by applicable law, whichever is less;
- b. Lessor may terminate the Supplement, may enter the premises where the Property subject to the Supplement is located and retake possession of the Equipment and require Lessee to discontinue use of any Financed Items, or require Lessee, at Lessee's expense, to promptly return any or all of the Equipment to the possession of Lessor at such place within the United States as Lessor shall specify and require Lessee to discontinue use of any Financed Items, and Lessor may thereafter dispose of the Property in accordance with Article 9 of the Uniform Commercial Code in effect in the State; provided, however, that any proceeds from the disposition of the property in excess of the sum required to (i) pay off any outstanding principal component of Lease Payments, (ii) pay any other amounts then due under the Supplement, and (iii) pay Lessor's costs and expenses associated with the disposition of the Property (including attorneys fees), shall be paid to Lessee or such other creditor of Lessee as may be entitled thereto, and further provided that no deficiency shall be allowed against Lessee. Lessee shall confirm and state in writing to Lessor that it has: (1) deleted or disabled all files and copies of the software from the equipment on which it was installed; (2) returned all software documentation, training manuals, and physical media on which the software was delivered; and (3) has no ability to use the returned software;
- c. By written notice to any escrow agent who is holding proceeds of the Supplement, Lessor may instruct such escrow agent to release all such proceeds and any earnings thereon to Lessor, such sums to be credited to payment of Lessee's obligations under the Supplement;
- d. Lessor may take any action, at law or in equity, that is permitted by applicable law and that may appear necessary or desirable to enforce or to protect any of its rights under the Supplement and this Agreement.

13.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to Lessor is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Lessor to exercise any remedy reserved to it in this Part it shall not be necessary to give any notice, other than such notice as may be required in this Part.

13.4 Costs and Attorney Fees. Upon the occurrence of an Event of Default by Lessee in the performance of any term of this Agreement, Lessee agrees to pay to Lessor or reimburse Lessor for, in addition to all other amounts due hereunder, all of Lessor's costs

Lease/Purchase Master Agreement For State and Local Government

of collection, including reasonable attorney fees, whether or not suit or action is filed thereon. Any such costs shall be immediately due and payable upon written notice and demand given to Lessee and shall be secured by this Agreement until paid. In the event suit or action is instituted to enforce any of the terms of this Agreement, the prevailing party shall be entitled to recover from the other party such sum as the court may adjudge reasonable as attorneys' fees at trial or on appeal of such suit or action or in any bankruptcy proceeding, in addition to all other sums provided by law.

Part 14 - General

14.1 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by certified mail, postage prepaid, to the parties hereto at the addresses immediately after the signatures to this Agreement (or at such other address as either party hereto shall designate in writing to the other for notices to such party), to any assignee at its address as it appears on the registration books maintained by Lessee.

14.2 Arbitrage Certifications. Lessee shall be deemed to make the following representations and covenants as of the Commencement Date for each Supplement:

- a. The estimated total costs, including taxes, freight, installation, cost of issuance, of the Financed Items under the Supplement will not be less than the total principal amount of the Lease Payments.
- b. Lessee has not created or established, and does not expect to create or establish, any sinking fund or other similar fund (i) that is reasonably expected to be used to pay the Lease Payments under the Supplement, or (ii) that may be used solely to prevent a default in the payment of the Lease Payments under the Supplement.
- c. The Property under the Supplement has not been and is not expected to be sold or otherwise disposed of by Lessee, either in whole or in major part, prior to the last maturity of the Lease Payments under the Supplement.
- d. There are no other obligations of Lessee which (i) are being sold within 15 days of the Commencement Date of the Supplement; (ii) are being sold pursuant to the same plan of financing as the Supplement; and (iii) are expected to be paid from substantially the same source of funds.
- e. The officer or official who has executed the Supplement on Lessee's behalf is familiar with Lessee's expectations regarding this Section 14.2. To the best of Lessee's knowledge, information and belief, the facts and estimates set forth in herein are accurate and the expectations of Lessee set forth herein are reasonable.

14.3 Further Assurances. Lessee agrees to execute such other and further documents, including, without limitation, confirmatory financing statements, continuation statements, certificates of title and the like, and to take all such action as may be necessary or appropriate, from time to time, in the reasonable opinion of Lessor, to perfect, confirm, establish, reestablish, continue, or complete the interests of Lessor in this Agreement and the Supplements, to consummate the transactions contemplated hereby and thereby, and to carry out the purposes and intentions of this Agreement and the Supplements.

14.4 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon Lessor and Lessee and their respective successors and assigns. Any county, township, municipality, political subdivision or affiliate (collectively, "Affiliate") of Lessee may enter into a Financing Transaction under this Agreement by signing a Supplement referencing this Agreement and so will be bound to the terms and conditions of this Agreement as Lessee. Nothing in this Agreement obligates the Lessor to provide financing to an Affiliate

14.5 Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

14.6 Amendments, Changes and Modifications. This Agreement may be amended in writing by Lessor and Lessee to the extent the amendment or modification does not apply to outstanding Supplements at the time of such amendment or modification

14.7 Execution in Counterparts. This Agreement and the Supplements hereunder may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

14.8 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State.

**Lease/Purchase Master Agreement
For State and Local Government**

14.9 Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

Agreed to:
KERN COUNTY HOSPITAL AUTHORITY

Agreed to:
IBM Credit LLC

By: _____
Authorized Signature

By: _____
Authorized Signature

Name (type or print):

Name (type or print):

Title (type or print):

Title (type or print):

Date:

Date:

Email Address:



**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

August 17, 2016

SUBJECT: Proposed Amendment No. 4 with Ishaan S. Kalah, M.D.

Recommended Action: Approve; Authorize Chairman to sign.

Summary:

Kern Medical requests Amendment No. 4 to Agreement 679 with Ishaan S. Kalah, M.D., a contract employee, for professional medical services in the Department of Medicine, extending the term from September 15, 2016 through December 9, 2016, and increasing the maximum payable by \$135,000, from \$2,150,000 to \$2,285,000, to cover the extended term.

**AMENDMENT NO. 4
TO
AGREEMENT FOR PROFESSIONAL SERVICES
CONTRACT EMPLOYEE
(Kern County Hospital Authority – Ishaan S. Kalha, M.D.)**

This Amendment No. 4 to the Agreement for Professional Services is made and entered into this ____ day of _____, 2016, between the Kern County Hospital Authority, a county hospital authority (“Authority”), which owns and operates Kern Medical Center (“KMC”), and Ishaan S. Kalha, M.D. (“Physician”).

RECITALS

(a) Authority and Physician have heretofore entered into an Agreement for Professional Services (Kern County Agt. #679-2012, dated September 10, 2012), Amendment No. 1 (Kern County Agt. #924-2013, dated December 9, 2013), Amendment No. 2 (Kern County Agt. #153-2014, dated March 25, 2014), Amendment No. 3 (Kern County Agt. #626-2015, dated September 1, 2015), and Assignment of Agreement (Kern County Agt. #269-2016, dated March 1, 2016) (collectively, the “Agreement”), for the period September 15, 2012 through September 14, 2016, for professional medical and administrative services in the Department of Medicine at KMC; and

(b) The Agreement expires September 14, 2016; and

(c) Authority continues to requires the services of Physician; and

(d) It is the intent of the parties to have the terms of the Agreement provide for the payment of all reasonably projected costs and expenses related to the services provided by Physician; and

(e) Authority and Physician agree to amend the Agreement to (i) extend the term of the Agreement through December 9, 2016, in order for the parties to finalize the terms and approval process of a new agreement, which, upon approval and signature of the parties, will supersede and replace the Agreement, and (ii) increase the maximum payable under the Agreement by \$135,000, from \$2,150,000 to \$2,285,000, to cover the extended term; and

(f) The Agreement is amended effective September 15, 2016;

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter set forth and incorporating by this reference the foregoing recitals, the parties hereto agree to amend the Agreement as follows:

1. Section 1, Term, shall be amended as follows:

“1. Term. Performance by Physician and Authority shall commence on September 15, 2012 (the “Effective Date”), and shall end December 9, 2016, unless earlier terminated pursuant to other provisions of this Agreement.”

2. Section 3, Compensation Package, paragraph 3.4, Maximum Payable, shall be amended as follows:

“3.4 Maximum Payable. The maximum payable under this Agreement shall not exceed \$2,285,000 over the term of this Agreement.”

3. All capitalized terms used in this Amendment and not otherwise defined, shall have the meaning ascribed thereto in the Agreement.

4. This Amendment shall be governed by and construed in accordance with the laws of the state of California.

5. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

6. Except as provided herein, all other terms, conditions, and covenants of the Agreement and any and all amendments thereto shall remain in full force and effect.

[Signatures follow on next page]

IN WITNESS TO THE FOREGOING, the parties have executed this Amendment No. 4 as of the day and year first written above.

PHYSICIAN

By _____
Ishaan S. Kalha, M.D.

KERN COUNTY HOSPITAL AUTHORITY

By _____
Chairman
Board of Governors

APPROVED AS TO CONTENT:
KERN MEDICAL CENTER

By _____
Russell V. Judd
Chief Executive Officer

APPROVED AS TO FORM:
OFFICE OF COUNTY COUNSEL

By _____
Chief Deputy

Amend4.Kalha.080916



**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

August 17, 2016

**SUBJECT: Proposed Operating Agreement of Kern Medical Surgery Center, LLC,
with an Initial Cash Contribution of \$1,500,000**

Recommended Action: Approve; Authorize Chairman to sign

Summary:

Kern Medical Surgery Center, LLC (“Company”), was formed with the purpose to develop, own, and operate an ambulatory surgery center (“ASC”) located in Bakersfield, California. The Kern County Hospital Authority (“Hospital Authority”) is the sole member of the Company. The proposed operating agreement entered with the Hospital Authority and the Company contains the terms for: the organizational matters; capital contributions and issuance of units; allocation of profit and loss; member rights; distributions; management; dissolution and liquidation; accounting, records, and reporting; indemnification; and, other miscellaneous matters.

As contained in the operating agreement, the Hospital Authority, as its capital contribution, shall contribute \$1,500,000 for one (1) unit in the Company. The use of funds is for capital equipment and initial working capital for the ASC’s operations. The funds for the capital contribution are budgeted.

Kern Medical requests approval of: (a) the Operating Agreement with Kern Medical Surgery Center, LLC; and, (b) authorization to contribute \$1,500,000 as its capital contribution to the Kern Medical Surgery Center, LLC.

Fiscal Impact: \$1,500,000 for Fiscal Year 2016-17.

OPERATING AGREEMENT

OF

**Kern Medical Surgery Center, LLC
a California Limited Liability Company**

Dated and Effective

as of

_____, 2016

OPERATING AGREEMENT
of
Kern Medical Surgery Center, LLC,
a California Limited Liability Company

This OPERATING AGREEMENT (this “Agreement”) of Kern Medical Surgery Center, LLC, a California limited liability company (the “Company”), is entered into effective as of this 17th day of August, 2016, by Kern County Hospital Authority, a California governmental entity, in its capacity as the sole member (the “Member”) of the Company.

WHEREAS, Articles of Organization have been filed in the office of the California Secretary of State providing for the formation of the Company as a California limited liability company under the California Revised Uniform Limited Liability Company Act, codified in the California Corporations Code section 17701 et seq. (such act, together with all amendments thereto, the “Act”);

NOW, THEREFORE, the Member hereby provides as follows for the purpose of organizing the Company and providing for its governance, the allocation of its profits and losses and other matters, all with the intent and purpose that this Agreement shall be the operating agreement (as that term is defined in the Act) of the Company.

ARTICLE I
DEFINITIONS

When used in this Agreement, the following capitalized terms, not otherwise defined in this Agreement, shall have the meanings set forth below:

“Affiliate” shall mean with respect to any person any: (i) spouse or family member; (ii) individual, partnership, corporation, trust, or other entity or association, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with such person, or (iii) any employee, officer, director, or agent of such person. The term “control,” as used in the preceding sentence, means, with respect to a corporation, partnership, or limited liability company, the right to exercise, directly or indirectly, more than fifty percent (50%) of the voting rights attributable to the controlled corporation, partnership, or limited liability company and, with respect to any individual trust, other entity, or association, the possession of power, directly or indirectly, to direct or cause the direction of the management or policies of the controlled entity.

“Board” or “Board of Managers” shall have the meaning given to such terms in section 6.1 hereof.

“Capital Account” shall mean, with respect to the Member, the account established and maintained for the Member in accordance with section 3.6, which account shall be adjusted and maintained in accordance with the following provisions:

- (a) The Member’s Capital Account shall be increased by:

(i) The amount of money and the fair market value of property (net of liabilities secured by such property that the Company is considered to assume or take subject to under Code section 752) contributed by the Member to Company capital;

(ii) The amount of liabilities of the Company assumed by the Member (exclusive of the Member's share of liabilities of the Company determined under Code section 752 and of any liabilities referred to in clause (b)(i) of this definition); and

(iii) Allocations to the Member of Net Profit; and

(b) The Member's Capital Account shall be decreased by:

(i) The amount of money and the fair market value of property (net of liabilities secured by such property that the Member is considered to assume or take subject to under Code section 752) distributed to the Member by the Company;

(ii) The amount of the Member's liabilities that are assumed by the Company (exclusive of any liabilities referred to in clause (a)(i) of this definition); and

(iii) Allocations to the Member of Net Loss.

Notwithstanding the foregoing, the Member's Capital Account shall be maintained in accordance with section 1.704-1(b)(2)(iv) of the Treasury Regulations and, to the extent that any provision of such regulation is inconsistent with or is not addressed by this definition, this definition shall be deemed automatically amended to be consistent with and to incorporate such provision.

"Capital Contribution" shall mean the total amount of cash and the fair market value of any property (net of liabilities secured by such property) contributed to the Company by the Member as the Member's Capital Contribution, as provided in section 3.2 and as reflected on Exhibit "A" hereof, as the same may be modified from time to time.

"Code" shall mean the Internal Revenue Code of 1986, as amended, or corresponding provisions of subsequent federal revenue laws.

"Distributable Cash" shall mean cash belonging to the Company that the Board determines to be available for distribution to the Member, after taking into account the Company's reasonable needs for working capital, for capital investment and reserves, all as determined in the reasonable discretion of the Board. Notwithstanding the foregoing, in the event that any debt or other obligation of the Company is not paid when due and payable, there shall be deemed to be no Distributable Cash unless and until such debt or other obligation is paid and otherwise satisfied or brought current.

"Fiscal Year" shall mean the fiscal year commencing July 1 each year or such other 12-month period as the Board may designate as the Company's fiscal year.

"Person" shall mean any individual, partnership, trust, corporation, limited liability company, association or other legal entity.

“Treasury Regulations” shall mean the Regulations of the United States Department of the Treasury promulgated under the Code and codified at title 26 of the Code of Federal Regulations.

“Unit” and “Units” shall have the meaning given to such terms in section 3.1.

ARTICLE II ORGANIZATIONAL MATTERS

2.1 Formation; Governing Documents.

Pursuant to the Act, the Company has been formed as a California limited liability company by the filing of Articles of Organization (“Articles”) on _____, 2016. To the extent that any provision of this Agreement conflicts with the Articles, the Articles shall control. To the extent that any provision of this Agreement conflicts with the Act, this Agreement shall control to the fullest extent permitted by law, but, if not so permitted, then the Act shall control. The Member shall cause the execution of such further documents and take such further actions as shall be appropriate or necessary to comply with the requirements of law for the formation and operation of a California limited liability company.

2.2 Name.

The name of the Company is “Kern Medical Surgery Center, LLC.” The Member may change the name of the Company from time to time by filing an appropriate amendment to the Articles, and the Board may adopt and conduct business under one or more fictitious business names, provided that the Board causes the Company to file such notices and registrations and comply with such other requirements as may legally be prescribed in connection with the adoption and use of a fictitious business name.

2.3 Term.

The term of the Company shall commence on the date of filing the Articles and shall continue indefinitely until terminated in accordance with the provisions of Article VII hereof.

2.4 Purpose.

The purpose of the Company shall be to develop, own and operate an ambulatory surgery center located in Bakersfield, California, and to engage in such other and additional activities as are reasonably related thereto. The above shall be construed as a statement of purposes and not powers, and the Company shall have all lawful authority to engage in any and all acts in furtherance of the foregoing purposes in which a limited liability company organized under the Act lawfully may engage.

2.5 Principal Place of Business; Registered Office and Agent.

The principal place of business of the Company shall be 1700 Mount Vernon Avenue, Bakersfield, California 93306. The Board may relocate the Company’s principal place

of business from time to time in its reasonable discretion. The Board also may establish such additional offices for the administration and management of the Company wherever and whenever the Board deems appropriate. The Company's initial registered agent is Karen S. Barnes, whose address is 1700 Mount Vernon Avenue, Bakersfield, California 93306. The Board may change the identity of the Company's registered agent from time to time by filing the information statement required by the Act.

2.6 Qualification to Do Business.

The Board shall cause the Company to qualify to do business in all jurisdictions in which it determines that such qualification is legally required or desirable.

**ARTICLE III
CAPITAL CONTRIBUTIONS; ISSUANCE OF UNITS**

3.1 Units.

The interest of the Member in the income, loss and distributions of the Company shall be represented and evidenced by units (each a "Unit" and collectively the "Units"). Each Unit shall have the same rights, preferences and privileges as each other Unit. The Company shall issue to the Member, in exchange for its Capital Contribution, one (1) Unit. In the event one or more other Persons are admitted as Members in the Company, the Company shall issue a number of Units to such Person or Persons that the existing Member determines is fair and appropriate, there being no finite or fixed number of Units that the Company may issue. All Unit issuances shall be reflected on Exhibit "A" hereto. The Board shall cause Exhibit "A" to be amended promptly to reflect any change in the Unit ownership of any Member. The Board shall date and certify the correctness of each such amendment of Exhibit "A" made after the date hereof. The Unit ownership reflected on the most recently certified Exhibit "A" shall be presumptively correct, absent manifest error.

3.2 Capital Contributions.

The Member, as its Capital Contribution, shall contribute such cash and other property to the Company as the Member determines that the Company may need and is appropriate. The Board shall cause Exhibit "A" to be amended to reflect all Capital Contributions made in cash or other property. The Board shall date and certify the correctness of each such amendment of Exhibit "A" made after the date hereof. In the event one or more other Persons are admitted as Members in the Company, such Persons shall make such Capital Contributions that the existing Member determines is fair and appropriate. The Capital Contributions reflected on the most recently certified Exhibit "A" shall be presumptively correct, absent manifest error.

3.3 Additional Capital Contributions.

No Member shall be required or obligated to make any Capital Contribution, except as provided in section 3.2.

3.4 Additional Members; Additional Units.

Subsequent to the initial execution and delivery of this Agreement by the Member, the Company may admit one or more additional Persons as members only upon the approval of the existing Member(s).

3.5 Organization Expenses.

All costs, fees and expenses incurred in connection with the organization and start-up of the Company shall be paid by the Company. The Company shall elect to amortize such expenses for income tax purposes over the shortest period permitted by law.

3.6 Capital Accounts.

The Company shall establish a single Capital Account for the Member (as well as a single Capital Account for any other Person subsequently admitted as a member), and shall maintain such account in accordance with the provisions of the definition of "Capital Account" in Article I of this Agreement.

3.7 No Interest.

The Member shall not be entitled to receive interest or any other earnings on its Capital Account, except for the allocation of Net Profit and Net Loss in accordance with Article IV, and except as may otherwise be expressly provided in this Agreement.

3.8 Loans. The Member may, in its discretion, make one or more loans to the Company. Neither the Member nor any other Person admitted as a Member shall have any obligation to make a loan or loans to the Company.

**ARTICLE IV
ALLOCATION OF PROFIT AND LOSS AND CERTAIN MEMBER RIGHTS**

4.1 Allocation of Income and Loss. All income or loss realized by the Company in any Fiscal Year shall be allocated entirely to the Member.

4.2 Limited Liability; Deficit Capital Account Make-Up. The Member shall not be bound by, or personally liable for, any expense, liability or obligation of the Company, and the Member shall not be obligated to restore a deficit balance in its Capital Account or otherwise to return any money or property to the Company, except as otherwise provided in section 5.2 hereof and as otherwise expressly provided in this Agreement or the Act.

**ARTICLE V
DISTRIBUTIONS**

5.1 Distributions.

Subject to such limitations as may be imposed by the Act and any limitations imposed elsewhere in this Agreement, the Company shall distribute Distributable Cash to the Member at such times as the Board determines is appropriate, in its reasonable discretion.

5.2 Return of Distributions.

Except to the extent of any distributions made that: (i) render the Company unable to pay its debt as they become due in the usual course of business; (ii) cause its total assets to be less than the sum of its total liabilities; or (iii) otherwise violates the Act or this Agreement, the Member shall not be obligated to return to the Company any distribution previously made.

**ARTICLE VI
MANAGEMENT; MEMBER ACTION**

6.1 Authority of the Member.

The Member shall have full, complete and exclusive authority, power, and discretion to control the business, property and affairs of the Company, to make all decisions regarding those matters, and to perform any and all other acts or activities customary or incident to the management of the Company's business, property and affairs. Notwithstanding the provisions of section 6.2 below, the following actions may be taken only with the approval of the Member:

- (a) The sale, exchange or transfer of all or substantially all of the Company's assets, other than in the ordinary course of business;
- (b) To change the nature of the Company's business;
- (c) To voluntarily place the Company into Bankruptcy;
- (d) To adopt, amend, repeal and/or restate this Agreement or the Articles; or
- (e) To merge or consolidate the Company.

6.2 Management by Board .

Pursuant to the Articles, the business, property and affairs of the Company shall be managed by three (3) managers (each a "Manager" and, collectively, the "Board of Managers" or the "Board"), all of whom shall be appointed by the Member. The Managers shall collectively, sitting as the Board, have all of the powers and authority given to the sole manager of a California limited liability company under the Act. A Manager shall serve indefinitely until his or her resignation or death, or his or her removal or replacement by the Member, which the Member may do at any time by notice to such effect to all Managers then serving. The Member may at any time increase or decrease the authorized number of Managers by notice to such effect to all Managers then serving. By its execution of this Agreement, the Member appoints as the initial Managers, Russell V. Judd, Andrew J. Cantu and Alton Scott Thygeson.

6.3 Manager Action Informally or Formally by Meeting or Written Consent.

The Board may exercise its managerial authority informally through any mechanism or mechanisms that all the Managers may agree upon. Notwithstanding the foregoing, any Manager may require that the Board exercise its managerial authority through a

formally convened meeting or by written consent in accordance with this section 6.2 by its notice to the other Managers to such effect.

(a) Except as the Board otherwise may determine by Resolution: (i) any Manager may at any time call a meeting of the Board for the purpose of taking any action by notice to such effect to the other Managers given in accordance with this section 6.2; (ii) the Manager calling the meeting shall specify the date, time and place of the meeting in the notice, *provided* that, unless waived by the other Managers, the place shall be in the city of Bakersfield, state of California, and the date shall be not less than three (3) days after the date of the notice; and (iii) the Manager calling the meeting shall preside at the meeting and shall act as secretary of the meeting and prepare minutes of the meeting, which shall reflect the votes taken on each matter to come before the meeting and shall be subject to approval by the Board and, when so approved, shall be placed in the minute books of the Company. Conduct of a Board meeting need not observe any particular formalities other than as provided herein, except as the Board otherwise may determine. Managers may participate in any Board meeting through the use of any means of conference telephones or similar communications equipment as long as each Manager participating can hear the other Managers participating in the meeting.

(b) Except as otherwise determined by the Board, the presence of a majority of the Managers then in office shall constitute a quorum for the conduct of any meeting of the Board, and the vote of a majority of the Managers present at any duly convened meeting of the Board at which a quorum is present shall be the determination of the Board.

(c) The Board also may exercise its managerial authority by the unanimous written consent of the Managers, which shall be placed in the minute books of the Company.

6.4 Officers and Other Agents. The Board may appoint such officers and other agents, with such titles, duties, responsibility and authority as the Board may determine to be appropriate. Notwithstanding the foregoing, the Member, by its execution of this Agreement, and until changed by determination of the Board, hereby appoints Russell V. Judd to serve as the President and Chief Executive Officer of the Company, and Andrew J. Cantu and Alton Scott Thygerson each to serve as Executive Vice President, all of whom together shall have general authority for the conduct of the day-to-day business of the Company and each of whom respectively shall have the duties, responsibility and authority normally accorded persons holding those titles in a California corporation.

6.5 Agency Authority of Officers. Subject to such policies that may be adopted by the Board from time to time, the President and Chief Executive Officer, and each Executive Vice President and any other officer, but only when so designated by the President and Chief Executive Officer, may execute any and all instruments and other documents in the name and on behalf of the Company.

6.6 Transactions Between the Company and the Member or a Manager.

Notwithstanding that it may constitute a conflict of interest, a Member and/or a Manager may, and may permit or cause his, her or its Affiliates to, engage in any transaction with the Company (including, without limitation, the purchase, sale, lease, or exchange of any

property or the rendering of any service, or the establishment of any salary, other compensation, or other terms of employment) so long as such transaction is not expressly prohibited by this Agreement and so long as the terms and conditions of such transaction, on an overall basis, are fair and reasonable to the Company, and the transaction otherwise is approved by the Member, with full knowledge of the material facts relative to the transaction.

6.7 Limited Liability.

Neither the Member, nor any Manager or officer or agent of the Company shall be personally liable under any judgment of a court, or in any other manner, for any debt, obligation, or liability of the Company, whether that debt, liability or obligation arises in contract, tort, or otherwise, solely by reason of being a Member, Manager, officer or agent, so long as he/she/it acts in good faith and in a manner reasonably believed to be in the best interests of the Company.

6.8 Insurance.

The Company may acquire and maintain, for the protection of the Company, the Member, the Board, and any officer or agent, such insurance as the Board deems necessary and prudent for the business and operations being conducted by the Company. Such insurance may include directors and officers or similar coverage protecting the Board and others from liability for actions taken in the reasonable discharge of their duties and responsibilities hereunder, subject to the limits and other terms and conditions of such policy.

**ARTICLE VII
DISSOLUTION AND LIQUIDATION**

7.1 Dissolution Events.

The Company shall be liquidated and dissolved upon the first to occur of the following:

- (a) The Member's decision to liquidate and dissolve the Company;
- (b) The entry of a decree of dissolution pursuant to California law; or
- (c) The occurrence of any other event that causes the dissolution of the Company under California law.

7.2 Procedure in Liquidation and Dissolution.

Upon the dissolution of the Company, the Board and all officers then serving shall immediately commence to wind up the Company's business and affairs and shall proceed with reasonable promptness to liquidate the business and assets of the Company, consistent with obtaining the highest consideration therefore reasonably available. Upon dissolution of the Company, the operation of the Company's business shall continue, with full authority in the Board and the officers to do all acts reasonably necessary to wind up the Company's affairs, discharge its obligations, and preserve and distribute its assets. Upon dissolution, a certificate of dissolution shall be filed by the Company or the Member in accordance with law. During the

period of the winding up of the affairs of the Company, the rights and obligations of the Board and officers relative to the management of the Company shall continue. Upon completion of the winding up of the Company's business and affairs, the assets of the Company shall be distributed as follows:

FIRST: To the payment of any and all third party debts and obligations of the Company;

SECOND: To the payment of the expenses of dissolution and liquidation;

THIRD: To the repayment of any debts owed by the Company to the Member, if any, including all accrued interest thereon;

FOURTH: To the Member.

ARTICLE VIII ACCOUNTING, RECORDS and REPORTING

8.1 Books and Records.

The Board shall cause the books and records of the Company to be accurately and fully kept, and the financial position and the results of its operations recorded, consistent with any and all requirements of this Agreement and as the Board otherwise may determine.

8.2 Filings.

The Board shall cause the Company to prepare and timely file with the appropriate authorities all income and similar tax returns for the Company to the extent required by law. The Board shall also cause to be prepared and timely filed, with appropriate federal and state regulatory and administrative bodies, amendments to, or restatements of, the Articles and all reports required to be filed by the Company with those entities under the Act or under then current applicable laws, rules and regulations.

8.3 Bank Accounts.

The Board shall maintain the funds of the Company in one or more separate bank accounts in the name of the Company, and shall not permit the funds of the Company to be commingled in any fashion with the funds of any other Person. Funds may be withdrawn from such bank account(s) only upon the signature of a Manager or such officer or officers who shall be expressly authorized by the Board to make such withdrawals.

ARTICLE IX INDEMNIFICATION

9.1 Indemnification of Agents.

The Company shall indemnify any Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason

of the fact that he, she or it is or was a Member, Manager, officer, employee or other agent of the Company (all such persons being referred to herein as an “agent”), to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit. The Board’s authority hereunder hereby is expressly recognized to include the power to enter into from time to time, on behalf of and in the name of the Company, indemnity agreements with any Person entitled to be indemnified by the Company hereunder, upon such terms and conditions as the Board deems appropriate in its reasonable business judgment.

ARTICLE X MISCELLANEOUS

10.1 Complete Agreement.

This Agreement, together with the Articles, and all amendments thereto, constitute the complete and exclusive statement of the Member with respect to the subject matter hereof and completely and fully replaces and supersedes all prior written and oral agreements, representations, warranties, promises and understandings of the Member relative to the subject matter hereof.

10.2 Governing Law; Jurisdiction and Venue.

This Agreement shall be governed by the laws of the state of California, and the laws of such state (other than conflicts of laws principles) shall govern the construction, validity, enforcement and interpretation hereof. Any action or proceeding relating to this Agreement, including the enforceability hereof or of any of the provisions of this Agreement, the interpretation or application of any of the provisions of this Agreement, may be brought solely in the Superior Court of the state of California in and for the county of Kern, and the Member and the Company agree not to challenge the subject matter or personal jurisdiction of such Court, hereby waive and agree not to assert the defense of forum nonconviens, and each of the Member and the Company agree to accept service of process by registered or certified mail, in connection with any such action or proceeding.

10.3 Binding Effect and Survival of Rights.

This Agreement shall be binding upon and inure to the benefit of the Member, and its legal representatives, and permitted successors and assigns.

10.4 Interpretation.

All pronouns shall be deemed to refer to the masculine, feminine, or neuter, singular or plural, as the context in which they are used may require. All headings herein are inserted only for convenience and ease of reference and are not to be considered in the interpretation of any provision of this Agreement.

10.5 Severability.

If any provision of this Agreement or the application of such provision to any person or circumstance shall be held invalid, the remainder of this Agreement or the application of such provision to persons or circumstances other than those to which it is held invalid shall not be affected thereby.

10.6 Notices.

Any notice or other communication required or permitted to be given to the Member, to the Board or any Manager, or other Person under the terms of this Agreement shall be validly given if in writing (which may include facsimile or e-mail to the extent provided below) and either personally delivered to the Member, Manager or other Person or deposited with the United States Postal Service, with first class postage prepaid and properly addressed to the Person to whom it is to be delivered. Any notice or other communication to the Member, any Manager or other Person shall be deemed properly addressed if sent to the Member, Manager or other Person at the most current address of the Member, Manager or other Person appearing on the books and records of the Company, or, if the Person has not provided any such address, then to such Person at the principal office of the Company. Notice to the Member, any Manager or other Person may also be given by facsimile or electronic communication if the Member, Manager or other Person shall have provided a telephone number for facsimile notice or e-mail address for electronic notice. Notice personally delivered or given by facsimile or electronic communication shall be deemed given as of the time of personal delivery or giving such notice, and notice sent by first class mail shall be deemed given three days after deposit with the United States Postal Service with first class postage prepaid and properly addressed. The Member, any Manager or any other Person may change its address for notice by notice of the same given to the Member and the Managers. Rejection, or other refusal to accept, or the inability to deliver because of changed address of which no notice was given as herein provided shall be deemed to be receipt of the notice or other communication.

10.7 Amendments.

This Agreement shall not be amended or modified except by a writing signed by the Member.

[Signatures follow on next page]

IN WITNESS WHEREOF, the undersigned has executed this Operating Agreement effective as of the day and year first set forth above.

KERN COUNTY HOSPITAL AUTHORITY,
a California governmental entity

By: _____
Russell E. Bigler
Chairman, Board of Governors

APPROVED AS TO FORM:
OFFICE OF COUNTY COUNSEL

By: _____
Karen S. Barnes, Chief Deputy

EXHIBIT "A"
TO
OPERATING AGREEMENT

Record of Capital Contributions made and Units issued to the Member:

<u>Member Name</u>	<u>Units Owned</u>	<u>Contribution Amount; Date</u>
Kern County Hospital Authority	One (1)	\$1,500,000; _____, 2016



**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

August 17, 2016

SUBJECT: Proposed Agreement with Regional Anesthesia Associates, Inc.

Recommended Action: Approve; Authorize Chairman to sign.

Summary:

Kern Medical requests Agreement with Regional Anesthesia Associates, Inc., an independent contractor, for professional medical services in the Department of Anesthesiology from November 9, 2016 through November 8, 2019, in an amount not to exceed \$15,835,500.

**AGREEMENT FOR PROFESSIONAL SERVICES
INDEPENDENT CONTRACTOR
(Kern County Hospital Authority – Regional Anesthesia Associates, Inc.)**

This Agreement is made and entered into this ____ day of _____, 2016, between the Kern County Hospital Authority, a county hospital authority (“Authority”), which owns and operates Kern Medical Center (“KMC”), and Regional Anesthesia Associates, Inc., a California professional medical corporation (“Contractor”), with its principal place of business located at 7370 N. Palm Avenue, Suite 102, Fresno, California 93711. Authority and Contractor are sometimes referred to herein, individually, as a “Party” and collectively, as the “Parties.”

**I.
RECITALS**

- (a) Authority is authorized, pursuant to section 101852 of Part 4 of Division 101 of the Health and Safety Code, to contract for special services with individuals specially trained, experienced, expert, and competent to perform those services; and
- (b) Authority owns and operates KMC, a general acute care hospital located at 1700 Mount Vernon Avenue, Bakersfield, California (the “Premises”), in which is located the Department of Anesthesiology (the “Department”); and
- (c) The Department consists of facilities and equipment owned by Authority and staffed by Authority employees working under the general supervision of Group Physicians; and
- (d) Contractor is a California professional medical corporation with medical doctors and certified registered nurse anesthetists (“CRNA,” and together with the medical doctors, “Group Physicians” or individually “Group Physician”) who provide services on behalf of Contractor; and
- (e) Authority requires the assistance of Contractor to provide professional medical services to patients of KMC and teaching services to resident physicians employed by Authority; and
- (f) Authority and KMC have reached a determination that the goals of improved quality and availability of anesthesia services can only be achieved by contracting with a single entity for the provision of anesthesia services, and have determined that Authority and KMC should retain Contractor to be the exclusive provider of professional anesthesia services for KMC, and Contractor agrees to provide such services on the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter set forth and incorporating by this reference the foregoing recitals, the parties hereto agree as follows:

II. TERMS AND CONDITIONS

1. **Term.** The term of this Agreement shall commence November 9, 2016 (the “Effective Date”), and shall end November 8, 2019, unless earlier terminated pursuant to other provisions of this Agreement as herein stated. Performance by Contractor shall commence only after Contractor has provided KMC with a fictitious name permit issued to Contractor by the Medical Board of California.

2. **Obligations of Contractor.**

2.1 **Specified Services.** Contractor shall perform services required for the orderly and effective operation of the Department as set forth in Exhibit “A,” attached hereto and incorporated herein by this reference. Such services may be changed from time to time by agreement of the parties in accordance with the provisions of this Agreement.

2.2 **Representations.** Contractor makes the following representations which are agreed to be material to and form a part of the inducement for this Agreement: (i) Contractor has the expertise and support staff necessary to provide the services described in this Agreement; and (ii) Contractor does not have any actual or potential interests adverse to Authority nor does Contractor represent a person or firm with an interest adverse to Authority with reference to the subject of this Agreement; and (iii) Contractor shall diligently provide all required services in a timely and professional manner in accordance with the terms and conditions set forth in this Agreement.

2.3 **Standard of Care.** Authority has relied upon the professional ability and training of Contractor as a material inducement to enter into this Agreement. Contractor hereby agrees that all of its work will be performed and that its operations shall be conducted in accordance with generally accepted and applicable professional practices and standards as well as the requirements of applicable federal, state and local laws, it being understood that acceptance of Contractor’s work by Authority shall not operate as a waiver or release.

2.4 **Performance Standard.** Contractor shall perform all services hereunder in a manner consistent with the level of competency and standard of care normally observed by a person practicing in Contractor’s profession. If Authority determines that any of Contractor’s work is not in accordance with such level of competency and standard of care, Authority, in its sole discretion, shall have the right to do any or all of the following: (a) require Contractor to meet with Authority to review the quality of the work and resolve matters of concern; (b) terminate this Agreement pursuant to the provisions of section 35; or (c) pursue any and all other remedies at law or in equity.

2.5 **Assigned Personnel.** Contractor shall assign only competent personnel to perform the services hereunder. In the event that at any time Authority, in its sole discretion, desires the removal of any person or persons assigned by Contractor to perform the services hereunder, Contractor shall remove such person or persons immediately upon receiving written notice from Authority.

2.6 Training and Education. Contractor shall provide adequate in-service training and education to appropriate personnel and the KMC medical staff with regard to the use of equipment and the provision of quality anesthesia services to patients of KMC.

2.7 Department Chairman. Contractor shall designate a Department chairman, subject to KMC approval, which shall not be unreasonably withheld, who will have the authority to function as the Chairman, Department of Anesthesiology and overall responsibility for the administration of services under this Agreement pursuant to the KMC medical staff bylaws.

2.8 Rights and Duties. The Chairman, Department of Anesthesiology will act as the authorized agent for Contractor in all matters relating to the performance of Group Physicians under this Agreement. Contractor shall require Group Physicians to participate in the educational and committee activities of the KMC medical staff. Contractor shall, by contract, obligate Group Physicians to comply fully with all duties, obligations and restrictions imposed upon Contractor under this Agreement.

2.9 Qualifications of Group Physicians.

2.9.1 Licensure/Board Certification. Group Physicians shall at all times during the term of this Agreement be either duly licensed physicians and surgeons in the state of California, practicing in the medical specialty of anesthesiology, and certified by or eligible for certification by the American Board of Anesthesiology, **OR** CRNA licensed in the state of California.

2.9.2 Medical Staff Status. Each Group Physician shall at all times during the term of this Agreement be a member in good standing of the KMC medical staff with “active” or “courtesy” staff status and hold all clinical privileges on the active or courtesy medical staff appropriate to the discharge of his or her obligations under this Agreement.

2.9.3 TJC and ACGME Compliance. Each Group Physician shall observe and comply with all applicable standards and recommendations of The Joint Commission and Accreditation Council for Graduate Medical Education.

2.9.4 Training/Experience. Each Group Physician shall have (i) major trauma experience at a level I or II trauma center within the two (2) years prior to the Effective Date, (ii) general anesthesiology experience in neonate, pediatric, adult, OB/GYN and trauma patients in the operating room, emergency department, labor and delivery and intensive care unit, (iii) recent experience with massive transfusion protocols for severe trauma cases, (iv) an academic background to include teaching and working in an academic medical center, experience working with other clinical departments, teaching residents and medical students, participating in hospital committees, and working on pathways and evidence-based guidelines, and (v) ongoing acute care hospital anesthesia experience with ASA 3-5 patients.

2.10 Loss or Limitation. Contractor shall notify KMC promptly of any loss, sanction, suspension or material limitations of any Group Physician’s license to practice in the state of

California, Controlled Substance Registration Certificate issued by the Drug Enforcement Administration, right to participate in the Medicare or Medicaid programs, or specialty qualifications for medical staff membership or clinical privileges.

2.11 Standards of Medical Practice. The standards of medical practice and professional duties of all Group Physicians providing services under this Agreement shall be in accordance with the KMC medical staff bylaws, rules, regulations, and policies, the standards for practice established by the state Department of Public Health and all other state and federal laws and regulations relating to the licensure and practice of physicians, and The Joint Commission.

2.12 Medical Record Documentation. Contractor shall cause a complete medical record to be timely prepared and maintained for each patient seen by a Group Physician providing services under this Agreement. This record shall be prepared in compliance with all state and federal regulations, standards of The Joint Commission, and the KMC medical staff bylaws, rules, regulations, and policies. Documentation by Group Physicians will conform to the requirements for evaluation and management (E/M) services billed by teaching physicians set forth in the Medicare Carriers Manual, Part 3, sections 15016–15018, inclusive.

2.13 Quality Improvement and Risk Management. Contractor agrees that all Group Physicians shall participate in (i) the quality improvement and risk management programs of KMC and serve on such committees as may be required; (ii) ongoing quality improvement activities, such as audits, which will be conducted annually in the Department in order to evaluate and enhance the quality of patient care; and (iii) risk management activities designed to identify, evaluate and reduce the risk of patient injury associated with care. At a minimum, Contractor shall ensure that the quality improvement program consists of the following integrated components: (i) professional development that provides continuous performance feedback that is benchmarked, evaluated, and rated individually and collectively; (ii) clinical standards that are evidence-based and grounded in industry best practices; (iii) performance improvement that is outcomes-focused and based on quality indicators/metrics with quarterly reporting of same; and (iv) customer satisfaction that is feedback/survey-driven and objectively and comparatively measured, tracked/trended, and analyzed. The appropriate review mechanism will be applied in accordance with the provisions of the KMC medical staff bylaws, The Joint Commission, and applicable law.

2.14 Outside Practice. During the term of this Agreement, Group Physicians may provide locum tenens services, but not primary or exclusive services, to other hospitals or providers located within a 15 mile radius (the “Restricted Territory”) of the Premises. KMC reserves the right to cancel this privilege with 60 days’ prior written notice. Contractor agrees to provide KMC with information regarding the extent of the locum tenens services upon request. Nothing herein shall prohibit Contractor from providing services to other providers using physicians or CRNA that are either not part of Group Physicians or for providers located outside the Restricted Territory.

2.15 Exclusive Rights. During the term of this Agreement and any extensions thereof, Contractor will have the sole and exclusive right and responsibility for the scheduling and provision of the professional medical services described in this Agreement on the Premises. It is

the intent of the Parties, by the provisions of the exclusive authority and responsibility to Contractor, to promote and enhance the quality of the delivery of anesthesia services at KMC through the establishment of known standards for the operation of the Department, and to accomplish all of this, neither Authority nor KMC will cause or permit any other persons or entities to provide any such services, except as expressly permitted by this Agreement or other written agreement between Authority and Contractor. Contractor recognizes, acknowledges and understands that it is accepting benefits under this exclusive provider arrangement and that therefore if, for any reason, this Agreement is terminated or expires and is not renewed by the Parties, the benefits of this exclusive provider arrangement may be conveyed by Authority and KMC to another contracting party.

2.16 Taxes. Contractor agrees to file federal and state tax returns and pay all applicable taxes on amounts paid pursuant to this Agreement and shall be solely liable and responsible to pay such taxes and other obligations, including, but not limited to, state and federal income and FICA taxes. Contractor agrees to indemnify and hold Authority harmless from any liability which it may incur to the United States or to the state of California as a consequence of Contractor's failure to pay, when due, all such taxes and obligations. In case Authority is audited for compliance regarding any withholding or other applicable taxes, Contractor agrees to furnish Authority with proof of payment of taxes on these earnings.

3. Obligations of Authority.

3.1 Authority Designee. Authority will designate a primary contact, who will arrange for KMC staff assistance as may be required.

3.2 Space. KMC shall furnish for the use of Contractor such space and facilities as may be deemed necessary by KMC for the proper operation and conduct of the Department. KMC shall, in its sole discretion, determine the amount and type of space and facilities to be provided herein. Contractor shall use the space and equipment solely for the performance of the services required under this Agreement. Neither Contractor nor Group Physicians shall use such space or equipment for other business or personal use.

3.3 Use Limitations on Space. The use of any part of the space occupied by the Department for the general or private practice of medicine is prohibited. Contractor shall use the items furnished under this Agreement only for the performance of services required by this Agreement. This Agreement shall not be construed to be a lease to Contractor or any Group Physician of any portion of the Premises, and insofar as Contractor or Group Physicians may use a portion of said Premises, Contractor and Group Physicians do so as licensees only, and Authority and KMC shall, at all times, have full and free access to the same.

3.4 Equipment. KMC shall furnish for the use of the Department such equipment as is deemed necessary by KMC for the proper operation and conduct of the Department consistent with community standards. KMC shall keep and maintain this equipment in good order and repair and replace such equipment, as is reasonably necessary and subject to the usual purchasing practices of Authority and KMC and budget constraints.

3.5 Services and Supplies. KMC shall provide or arrange for the provision of janitorial services, housekeeping services, laundry and utilities, together with such other hospital services, including medical records, administrative and engineering services, and expendable supplies as KMC deems necessary for the proper operation and conduct of the Department.

3.6 Personnel. Non-physician personnel required for the proper operation of the Department will be employed or contracted by Authority, with the exception of CRNA, credentialed in accordance with the KMC medical staff bylaws, employed or contracted by Contractor to provide anesthesia services under this Agreement with the approval of the Chief Executive Officer of KMC. Contractor will provide oversight monitoring for the technical performance of such personnel. This oversight monitoring will not include the right to control the actions of Authority or KMC personnel or how Authority or KMC personnel perform their assigned tasks. The selection, retention and compensation of such personnel will be the responsibility of Authority and KMC, subject to Authority personnel policies and the advice and recommendations of Contractor.

3.7 Obligation to Provide Services for Department Chairman. KMC shall assist Contractor in discharging its administrative duties with regard to the management of the Department by (i) providing Authority and KMC policies and procedures to Contractor and keeping Contractor abreast of changes as they occur; (ii) providing Contractor with timely operating and budgetary reports for the Department; and (iii) informing Contractor of any plans KMC may have that pertain to the operation of the Department.

3.8 Information Technology. Authority and KMC shall provide Contractor with access to KMC's information technology that is reasonably necessary for Contractor to provide the anesthesia services and the administrative services related thereto, including, but not limited to, virtual private network access to KMC's applicable information technology system so that Contractor may acquire the necessary information to process anesthesia claims, including preauthorization, diagnosis and procedure codes as well as patient demographic and insurance information in accordance with the terms of this Agreement. Upon the request of Contractor, KMC shall promptly provide Contractor with access to and copies of any and all paper records, documents or other information that Contractor would otherwise be permitted to access through KMC's information technology.

3.9 Full Cooperation. KMC shall, in the normal course of administration of patient accounts, assist Contractor in obtaining patient signatures on assignment of insurance benefits, necessary consents and authorizations, and other reasonably appropriate forms provided to KMC by Contractor.

3.10 Control Retained in KMC. In compliance with title 22, California Code of Regulations, section 70713 KMC will retain professional and administrative responsibility for services rendered under this Agreement. Contractor shall apprise KMC of recommendations, plans for implementation and continuing assessment through dated and signed reports which shall be retained by KMC for follow-up action and evaluation of performance.

4. **Payment for Services.**

4.1 **Annual Compensation.** As consideration for the services provided by Contractor hereunder, Authority will pay Contractor in accordance with the fee schedule set forth in Exhibit “B,” attached hereto and incorporated herein by this reference. All services are payable in arrears.

4.2 **Additional Compensation.** As consideration for any additional services provided by Contractor hereunder, Authority will pay Contractor in accordance with the fee schedule set forth in Exhibit “C,” attached hereto and incorporated herein by this reference. Authority shall pay Contractor only for those additional services authorized in advance by Authority. All services are payable in arrears.

4.3 **Professional Fee Billing.** Contractor may bill and collect for all professional services provided by Contractor under this Agreement, with the exception of “County Responsible” patients (defined as medically indigent adults pursuant to Welfare and Institutions Code sections 17000 et seq., and adult inmates and juvenile detainees in custody in detention facilities owned and operated by the County of Kern) and uninsured patients, and will use for that purpose a billing service selected by Contractor. KMC will provide reasonable assistance to Contractor in assembling instructions and providing demographic information reasonably accessible to KMC for the billing service, and Contractor will act as liaison between KMC and the billing service. Contractor and KMC shall separately bill all patients for their respective fees and charges, and neither Contractor nor KMC shall bill for, guarantee the collection of, or have any claim or interest in or to the amounts billed or collected by the other Party.

4.4 **Limitations on Compensation.** The compensation paid to Contractor is inclusive of accommodations, mileage reimbursement, car rental, meals, and incidental expenses. Except as expressly stated herein, neither Contractor nor Group Physicians shall receive any benefits from Authority, including without limitation, health benefits, sick leave, vacation, holidays, deferred compensation or retirement.

4.5 **Invoices.** Invoices for payment shall be submitted in a form approved by Authority and list each service performed. Invoices and receipts shall be sent to Authority for review and processing within 30 days of the date of service or payment will not be made. Payment shall be made to Contractor within 30 days of receipt and approval of each invoice by KMC.

4.6 **Maximum Payable.** The maximum payable under this Agreement will not exceed \$15,835,500 over the three-year term of this Agreement.

4.7 **Taxpayer Identification.** To ensure compensation is reported as paid to the proper party, Contractor will complete and execute IRS Form W-9 (Exhibit “D,” attached hereto and incorporated herein by this reference), which identifies the taxpayer identification number for Contractor.

4.8 **Managed Care Organizations.** For and on behalf of Contractor, including Group Physicians, Authority shall have the sole and exclusive right and authority to enter into contractual relationships with HMOs, IPAs, PPOs, PHOs, employer groups, provider networks and other managed care organizations (collectively “Managed Care Organizations”). Contractor shall provide the same quality of care to patients from Managed Care Organizations as is provided to other KMC patients. Upon request from Authority or KMC, Contractor shall execute Managed Care Organization documents as “provider” if deemed necessary or advisable by Authority. Contractor shall not contract with any Managed Care Organization without Authority’s prior written consent in each instance.

5. **Access to Books and Records.** Until the expiration of four (4) years after the expiration or termination of this Agreement, KMC and Contractor shall make available, upon written request of the Secretary of the United States Secretary of Health and Human Services (“Secretary”) or the Comptroller General of the United States General Accounting Office (“Comptroller General”), or any of their duly authorized representatives, a copy of this Agreement and such books, documents and records of either Party as are necessary to certify the nature and extent of costs of the services Contractor provided under this Agreement. Contractor further agrees that if it carries out any of its duties under this Agreement through a subcontract with a value or cost of \$10,000 or more over a 12-month period with a related organization, that such subcontract shall contain a clause to the effect that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the related organization shall make available, upon written request of the Secretary or the Comptroller General, or any of their duly authorized representatives, the subcontract, and books, documents and records of such organization that are necessary to verify the nature and extent of such costs.

6. **Anti-referral Laws.** Contractor acknowledges that it is subject to certain federal and state laws governing the referral of patients, which are in effect during the term of this Agreement. These laws include (i) prohibitions on payments for referral or to induce the referral of patients, and (ii) the referral of patients by a physician for certain designated health care services to an entity with which the physician (or his or her immediate family) has a financial relationship (Cal. Business and Professions Code sections 650 et seq.; Cal. Labor Code sections 139.3 and 139.31; section 1128B (b) of the Social Security Act; and section 1877 of the Social Security Act). The parties expressly agree that nothing contained in this Agreement shall require either the referral of any patients to, or order of any goods or services from Contractor or KMC. Notwithstanding any unanticipated effect of any provision of this Agreement, neither Party shall knowingly or intentionally conduct itself in such a manner as to violate the prohibition against fraud and abuse in connection with the Medicare and Medicaid programs (42 U.S.C. section 1320a-7b).

7. **Assignment.** Contractor shall not assign, delegate, sublet, or transfer any interest in or duty under this Agreement. Contractor shall not assign any money due or which becomes due to Contractor under this Agreement without the prior written approval of Authority.

8. **Audits, Inspection and Retention of Records.** Contractor agrees to maintain and make available to Authority accurate books and records relative to all its activities under this Agreement. Contractor shall permit Authority to audit, examine and make excerpts and

transcripts from such records, and to conduct audits or reviews of all invoices, materials, records or personnel or other data related to all other matters covered by this Agreement. Contractor shall maintain such data and records in an accessible location and condition for a period of not less than four (4) years from the date of final payment under this Agreement, or until after the conclusion of any audit, whichever occurs last. The state of California or any federal agency having an interest in the subject of this Agreement shall have the same rights conferred upon Authority herein.

9. **Authority to Bind Authority.** It is understood that Contractor, in its performance of any and all duties under this Agreement, has no authority to bind Authority to any agreements or undertakings.

10. **Captions.** The captions in this Agreement are solely for convenience of reference. They are not a part of this Agreement and shall have no effect on its construction or interpretation.

11. **Change in Law.** In the event that a change in state or federal law or regulatory requirement (or the application thereof), any of which renders this Agreement illegal, impossible to perform, or commercially impracticable, the Parties agree to negotiate immediately, in good faith, any necessary or appropriate amendments(s) to the terms of this Agreement. If the Parties fail to reach a mutually agreeable amendment within 30 days of such negotiation period, this Agreement shall automatically terminate at the end of such 30-day period.

12. **Choice of Law/Venue.** The Parties hereto agree that the provisions of this Agreement will be construed pursuant to the laws of the state of California. It is expressly acknowledged that this Agreement has been entered into and will be performed within the County of Kern. Should any suit or action be commenced to enforce or interpret the terms of this Agreement or any claim arising under it, it is expressly agreed that proper venue shall be in County of Kern, state of California.

13. **Compliance with Law.** Contractor shall observe and comply with all applicable Authority, local, state and federal laws, ordinances, rules and regulations now in effect or hereafter enacted, each of which is hereby made a part hereof and incorporated herein by reference.

14. **Compliance Program.** Contractor acknowledges that KMC has implemented a compliance program for the purpose of ensuring adherence to applicable federal and state laws, regulations and other standards. Contractor agrees that in the course of performance of its duties described herein that it shall act, and cause its employees to act, in conformance with the policies set forth therein. KMC shall make available such information relating to its compliance program as is appropriate to assist Contractor in adhering to the policies set forth in the compliance program. Contractor and Group Physicians shall participate in compliance training and education as reasonably requested by KMC.

15. **Confidentiality.**

15.1 Use and Disclosure Restrictions. Neither Party shall, without the written consent of the other, communicate confidential information of the other, designated in writing or identified in this Agreement as such, to any third party and shall protect such information from inadvertent disclosure to any third party in the same manner that the receiving Party would protect its own confidential information. The foregoing obligations will not restrict either Party from disclosing confidential information of the other Party: (i) pursuant to applicable law; (ii) pursuant to the order or requirement of a court, administrative agency, or other governmental body, on condition that the Party required to make such a disclosure gives reasonable written notice to the other Party to contest such order or requirement; and (iii) on a confidential basis to its legal or financial advisors.

15.2 Trade Secrets. The Parties acknowledges that each Party, in connection with its business, has developed certain operating manuals, symbols, trademarks, trade names, service marks, designs, patient lists, procedures, processes, and other copyrighted, patented, trademarked, or legally protectable information which is confidential and proprietary to the Party that constitute its trade secrets. The Parties shall not use any name, symbol, mark, or other proprietary information of the other Party except as expressly permitted.

15.3 Medical Records. The Parties agree to maintain the confidentiality of all medical records pertaining to the provision of services under this Agreement in accordance with applicable federal and state laws and regulations including, but not limited to, the California Confidentiality of Medical Records Information Act, codified at section 56.1 of the California Civil Code, California Evidence Code sections 1156 and 1157, and the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations.

15.4 Medical Staff and Committee Records. All records, files, proceedings and related information of Group Physicians, KMC and the medical staff and its committees pertaining to the evaluation and improvements of the quality of patient care at KMC shall be kept strictly confidential by Contractor and Group Physicians. Neither Contractor nor Group Physicians shall voluntarily disclose such confidential information, either orally or in writing, except as expressly required by law or pursuant to written authorization by KMC, which may be given or withheld in the sole discretion of KMC.

15.5 Protected Health Information. Contractor and Authority recognize that in performing services, Contractor may receive, create or otherwise have access to protected health information ("PHI") and thereby become a business associate of Authority or KMC (as defined by the privacy, security, breach notification, and enforcement rules at 45 C.F.R. Part 160 and Part 164). Accordingly, the Parties shall protect PHI in accordance with the HIPAA Business Associate Addendum, attached as Exhibit "E" and incorporated herein by this reference. In the event of a conflict between Exhibit "E" and any other confidentiality provision of this Agreement, Exhibit "E" shall control.

15.6 Ownership of Records. All documents, papers, notes, memoranda, computer files and other written or electronic records of any kind ("Documents"), in whatever form or format, assembled, prepared or utilized by Contractor or Group Physicians during and in connection with this Agreement shall remain the property of Authority at all times. Upon the expiration or

termination of this Agreement, Contractor shall promptly deliver to Authority all such Documents, which have not already been provided to Authority in such form or format as Authority deems appropriate. Such Documents shall be and will remain the property of Authority without restriction or limitation. Contractor may retain copies of the above described Documents but agrees not to disclose or discuss any information gathered, discovered, or generated in any way through this Agreement without the express written permission of Authority.

15.7 **Non-disparagement.** Each Party agrees that it shall not make or cause to be made, any written (including, but not limited to, any emails, internet postings, remarks or statements) or verbal assertions, statements or other communications regarding the other Party's business or each other which may be in any manner whatsoever defamatory, detrimental or unfavorable to such other Party. Each Party agrees that these non-disparagement covenants shall survive the termination of this Agreement.

16. **Conflict of Interest.** Contractor covenants that it has no interest and that it will not acquire any interest, direct or indirect, that represents a financial conflict of interest under state law or that would otherwise conflict in any manner or degree with the performance of its services hereunder. Contractor further covenants that in the performance of this Agreement no person having any such interests shall be employed. It is understood and agreed that if such a financial interest does exist at the inception of this Agreement, Authority may immediately terminate this Agreement by giving written notice thereof.

17. **Consent.** Wherever in this Agreement the consent or approval of one Party is required to an act of the other Party, such consent or approval shall not be unreasonably withheld or delayed.

18. **Construction.** To the fullest extent allowed by law, the provisions of this Agreement shall be construed and given effect in a manner that avoids any violation of statute, ordinance, regulation, or law. The parties covenant and agree that in the event that any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired, or invalidated thereby. Contractor and Authority acknowledge that they have each contributed to the making of this Agreement and that, in the event of a dispute over the interpretation of this Agreement, the language of the Agreement will not be construed against one Party in favor of the other. Contractor and Authority acknowledge that they have each had an adequate opportunity to consult with counsel in the negotiation and preparation of this Agreement.

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

20. **Disqualified Persons.** The Parties mutually represent and warrant to one another that they and their respective representatives are not: (i) currently excluded, debarred, or otherwise ineligible to participate in the federal health care programs as defined in 42 U.S.C. section 1320a-7b-(f) (the "Federal health care programs") and/or present on the exclusion database of

the Office of the Inspector General (“OIG”) or the Government Services Administration (“GSA”); (ii) convicted of a criminal offense related to the provision of health care items or services but have not yet been excluded, debarred, or otherwise declared ineligible to participate in the Federal health care programs; or (iii) debarred, suspended, excluded or disqualified by any federal governmental agency or department or otherwise declared ineligible from receiving federal contracts or federally approved subcontracts or from receiving federal financial and nonfinancial assistance and benefits. This shall be an ongoing representation and warranty during the term of this Agreement and a Party shall immediately notify the other Party of any change in the status of any of the representations and/or warranties set forth in this section. Any breach of this section shall give the non-breaching Party the right to terminate this Agreement immediately upon written notice.

21. **Enforcement of Remedies.** No right or remedy herein conferred on or reserved to Authority is exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy given hereunder or now or hereafter existing by law or in equity or by statute or otherwise, and may be enforced concurrently or from time to time.

22. **Immigration Compliance.** Contractor shall comply with all provisions of immigration law with respect to hiring, recruiting or referring for employment persons whose authorization for employment in the United States has been verified, and shall provide KMC with a copy of such verification required in 8 USCA section 1324a. Contractor agrees to indemnify, defend, and hold harmless Authority, its agents, officers, and employees, from any liability, damages, or causes of action arising out of Contractor’s failure to comply with this section 22.

23. **Indemnification and Hold Harmless.** Contractor agrees to indemnify, defend and hold harmless Authority and Authority’s agents, board members, elected and appointed officials and officers, employees, volunteers and authorized representatives from any and all losses, liabilities, charges, damages, claims, liens, causes of action, awards, judgments, costs, and expenses (including, but not limited to, reasonable attorneys’ fees of the Office of Kern County Counsel and counsel retained by Authority, expert fees, costs of staff time, and investigation costs) of whatever kind or nature, which arise out of or are in any way connected with any act or omission of Contractor or Contractor’s officers, agents, employees, independent contractors, subcontractors of any tier, or authorized representatives, but only to the extent the same is attributable in whole or in part to Contractor’s acts or omissions. Without limiting the generality of the foregoing, the same shall include bodily and personal injury or death to any person or persons; damage to any property, regardless of where located, including the property of Authority; and any workers’ compensation claim or suit arising from or connected with any services performed pursuant to this Agreement on behalf of Contractor by any person or entity.

24. **Independent Contractor.** In the performance of the services under this Agreement, Contractor shall be, and acknowledges that Contractor is in fact and law, an independent contractor and not an agent or employee of Authority. Contractor has and retains the right to exercise full supervision and control over the manner and methods of providing services to Authority under this Agreement. Contractor retains full supervision and control over the employment, direction, compensation and discharge of all persons assisting Contractor in the

provision of services under this Agreement. With respect to Contractor's employees, if any, Contractor shall be solely responsible for payment of wages, benefits and other compensation, compliance with all occupational safety, welfare and civil rights laws, tax withholding and payment of employment taxes whether federal, state or local, and compliance with any and all other laws regulating employment.

25. **Informal Dispute Resolution.** Controversies between the Parties with respect to this Agreement, or the rights of either Party, or with respect to any transaction contemplated by this Agreement, shall be resolved, to the extent possible, by informal meetings and discussions among appropriate representatives of the Parties.

26. **Insurance.** With respect to performance of work under this Agreement, Contractor shall maintain and shall require all of its subcontractors, consultants, and other agents to maintain, insurance as described in Exhibit "F," attached hereto and incorporated herein by this reference.

27. **Modifications of Agreement.** This Agreement may be modified in writing only, signed by the parties in interest at the time of the modification.

28. **No Third Party Beneficiaries.** It is expressly understood and agreed that the enforcement of this Agreement and all rights of action relating to such enforcement, shall be strictly reserved to Authority and Contractor. Nothing contained in this Agreement shall give or allow any claim or right of action whatsoever by any other third person. It is the express intention of Authority and Contractor that any such person or entity, other than Authority or Contractor, receiving services or benefits under this Agreement shall be deemed an incidental beneficiary only.

29. **Non-appropriation.** Authority reserves the right to terminate this Agreement in the event insufficient funds are appropriated or budgeted for this Agreement in any fiscal year. Upon such termination, Authority will be released from any further financial obligation to Contractor, except for services performed prior to the date of termination or any liability due to any default existing at the time this clause is exercised. Contractor will be given 30 days' prior written notice in the event that Authority requires such an action.

30. **Non-collusion Covenant.** Contractor represents and agrees that it has in no way entered into any contingent fee arrangement with any firm or person concerning the obtaining of this Agreement with Authority. Contractor has received from Authority no incentive or special payments, nor considerations, not related to the provision of services under this Agreement.

31. **Non-waiver.** No covenant or condition of this Agreement can be waived except by the written consent of Authority. Forbearance or indulgence by Authority in any regard whatsoever shall not constitute a waiver of the covenant or condition to be performed by Contractor. Authority shall be entitled to invoke any remedy available to Authority under this Agreement or by law or in equity despite said forbearance or indulgence.

32. **Notices.** Notices to be given by one Party to the other under this Agreement shall be given in writing by personal delivery, by certified mail, return receipt requested, or express

delivery service at the addresses specified below. Notices delivered personally shall be deemed received upon receipt; mailed or expressed notices shall be deemed received four (4) days after deposit. A Party may change the address to which notice is to be given by giving notice as provided above.

Notice to Contractor: Regional Anesthesia Associates, Inc.
7370 N. Palm Avenue, Suite 102
Fresno, California 93711
Attn.: Its President

Notice to Authority: Kern Medical Center
1700 Mount Vernon Avenue
Bakersfield, California 93306
Attn.: Chief Executive Officer

33. **Signature Authority.** Each Party represents that they have full power and authority to enter into and perform this Agreement, and the person(s) signing this Agreement on behalf of each Party has been properly authorized and empowered to enter into this Agreement.

34. **Sole Agreement.** This Agreement, including all attachments hereto, contains the entire agreement between the parties relating to the services, rights, obligations and covenants contained herein and assumed by the parties respectively. No inducements, representations or promises have been made, other than those recited in this Agreement. No oral promise, modification, change or inducement shall be effective or given any force or effect.

35. **Termination.**

35.1 **Termination with Cause.** Either Party may terminate this Agreement in the event of a material breach by the other; provided, however, the termination for the breach of this Agreement will not become effective unless and until the Party not in default, has given the other Party written notice of breach, which notice shall state the general nature of the breach, and the Party allegedly in default will thereafter have a period of 30 days following the giving of said notice in which to remedy the default to the reasonable satisfaction of the other Party. If the alleged default is of the kind that cannot be cured within 30 days, then the Party allegedly in default will have an additional 30 days in which to remedy the breach as long as such Party is acting in good faith and using diligent efforts to remedy such breach throughout the cure period.

35.2 **Termination without Cause.** Either Party may terminate this Agreement, without cause, upon 180 days' prior written notice to the other Party.

35.3 **Immediate Termination.** Notwithstanding the foregoing, Authority shall have the right to terminate this Agreement effective immediately after giving written notice to Contractor, for any of the following reasons: (i) Authority determines that Contractor does not have the proper credentials, experience or skill to perform the required services under this Agreement; (ii) continuation by Contractor in the providing of services may result in civil, criminal, or monetary penalties against Authority or KMC; (iii) the violation of any federal or state law or regulatory

rule or regulation or condition of accreditation or certification to which Authority or KMC is subject; (iv) an unauthorized use or disclosure of confidential or proprietary information by Contractor which causes material harm to Authority or KMC; (v) commission of a material act involving moral turpitude, fraud, dishonesty, embezzlement, misappropriation or financial dishonesty by Contractor against Authority or KMC; (vi) the loss or threatened loss of KMC's ability to participate in any federal or state health care program, including Medicare or Medi-Cal, due to the actions of Contractor; or (vii) the failure of Contractor to cure a default within the time allowed in paragraph 35.1.

36. **Effect of Termination.**

36.1 **Payment Obligations.** In the event of termination of this Agreement for any reason, Authority shall have no further obligation to pay for any services rendered or expenses incurred by Contractor after the effective date of the termination, and Contractor shall be entitled to receive compensation for services satisfactorily rendered, calculated on a prorated basis up to the effective date of termination.

36.2 **Vacate Premises.** Upon expiration or earlier termination of this Agreement, Contractor shall immediately vacate KMC, removing at such time any and all personal property of Contractor. Authority may remove and store, at Contractor's expense, any personal property that Contractor has not so removed.

36.3 **No Interference.** Following the expiration or earlier termination of this Agreement, Contractor shall not do anything or cause any person to do anything that might interfere with any efforts by Authority to contract with any other individual or entity for the provision of services or to interfere in any way with any relationship between Authority and any provider that may replace Contractor.

36.4 **Medical Staff Privileges.**

36.4.1 **Termination of Physician.** If a Group Physician is no longer eligible to provide anesthesia services at KMC pursuant to and as contemplated by this Agreement, the medical staff membership and clinical privileges of the Group Physician shall automatically terminate concurrently with the loss of Group Physician's eligibility to provide such services. In such circumstances, Group Physician's medical staff membership and clinical privileges shall automatically terminate without the necessity of KMC following the procedures set forth in the medical staff bylaws, and the Group Physician shall have no right to exercise or assert any procedural rights that are set forth in or based on the medical staff bylaws; provided, however, in the event any action or proposed action by KMC results or would result, if taken, in a report to the Medical Board of California or the National Practitioner Data Bank as an adverse professional review action against one or more Group Physicians, then KMC shall comply with the procedural requirements set forth in the medical staff bylaws, including the provisions regarding the conduct of investigations, hearings and appeals. Nothing in this Agreement shall preclude any current or former Group Physician from applying for medical staff membership or clinical privileges at KMC, provided that neither the governing body nor

the medical staff of KMC shall have any obligation to grant such privileges. Except as provided herein, Group Physicians shall be entitled to all rights otherwise provided to members of the medical staff in the bylaws, rules, regulations or policies of the medical staff or KMC.

36.4.2 Termination of Contract. In the event of the termination or expiration of this Agreement, the medical staff membership and clinical privileges of all Group Physicians providing anesthesia services pursuant to this Agreement shall automatically terminate concurrently with the termination or expiration of this Agreement. In such circumstances, the medical staff membership and clinical privileges of each Group Physician shall terminate without the necessity of KMC following the procedures set forth in the medical staff bylaws, and Group Physicians shall have no right to exercise or assert any procedural rights that are set forth in or based on the medical staff bylaws.

36.4.3 Election to Participate. Each Group Physician shall execute an “Election to Participate,” in the form set forth in Exhibit “G,” attached hereto and incorporated herein by this reference, prior to the Group Physician being approved by KMC to provide services pursuant to this Agreement.

37. **Time of Essence.** Time is hereby expressly declared to be of the essence of this Agreement and of each and every provision hereof, and each such provision is hereby made and declared to be a material, necessary and essential part of this Agreement.

38. **Liability of Authority.** The liabilities or obligations of Authority with respect to its activities pursuant to this Agreement shall be the liabilities or obligations solely of Authority and shall not be or become the liabilities or obligations of the County of Kern or any other entity, including the state of California.

[Signatures follow on next page]

IN WITNESS TO THE FOREGOING, the parties have executed this Agreement as of the day and year first written above.

REGIONAL ANESTHESIA ASSOCIATES, INC.

By _____
Oji A. Oji, M.D.
Its President

KERN COUNTY HOSPITAL AUTHORITY

By _____
Chairman
Board of Governors

APPROVED AS TO CONTENT:
KERN MEDICAL CENTER

By _____
Russell V. Judd
Chief Executive Officer

APPROVED AS TO FORM:
OFFICE OF COUNTY COUNSEL

By _____
Chief Deputy

Agreement.Regional Anesthesia Associates.072916

EXHIBIT “A”
Description of Services
Regional Anesthesia Associates, Inc.

1. Contractor shall adhere to the following operating room (“OR”) coverage schedule:

Coverage	# of OR suites	Hours per day	OR hours	Total annual coverage hours
Monday - Friday (CRNA)	5	8	7 AM - 3 PM	10400
Monday - Friday (MD)	1	8	7 AM - 3 PM	2080
Monday - Friday (CRNA)	4	4	3 PM - 7 PM	4160
Monday - Friday (CRNA)	1	12	7 PM - 7 AM	3120
Saturday - Sunday (CRNA)	1 or 2	12	7 AM - 7 PM	2496
Total OR Hours				21008
Holidays¹ (CRNA)	1 or 2	12	7 AM – 7 PM	132
Dedicated OB (CRNA)				
Monday - Sunday	1	24	7 AM - 7 AM	8760
Dedicated OR Trauma (MD)				
Monday - Sunday	1	24	7 AM - 7 AM	8760
Third Call Coverage (CRNA)				
Monday - Friday	1	12	7 PM - 7 AM	3120
Saturday - Sunday	1	24	7 AM - 7 AM	6240

2. Contractor shall use a combination of physicians and CRNA to staff the Department in accordance with coverage schedule set forth herein. Contractor shall meet or exceed a coverage ratio of one (1) full-time physician to every four (4) CRNA.

3. Contractor shall provide epidural anesthesia 24-hours per day through the use of dedicated provider around the clock. The dedicated provider will be responsible for placement and management of labor epidurals and for providing anesthesia care for elective and emergent caesarian sections.

4. Contractor shall provide in-house call coverage for the emergency department, critical care and trauma.

5. Contractor will take an active role in the management of pediatric and adult intensive care and direct observation patients. Contractor shall provide Group Physicians who are competent pediatric providers. Such Group Physicians shall be paneled with California Children’s Services.

¹ Designated Authority holidays.

6. Contractor shall use its best efforts to minimize the after-hours caseload to avoid holding patients through the weekend while waiting for elective or nonemergency cases to be performed.
7. Contractor shall provide an alternative plan to the current staffing model that supports a growing case volume from the current 612 cases per month to greater than 650 cases per month, if requested by KMC.
8. Contractor shall minimally comply with the performance standards, guidelines, and practice parameters, as established by the American Society of Anesthesiologists.
9. Contractor shall assist KMC with marketing efforts to educate the public on the availability of programs developed by KMC and Contractor.
10. Contractor shall undertake strategic planning with KMC to identify a unique service line every 18 to 24 months, and lead the effort in, with and for KMC to achieve this designation for a given service line.
11. Contractor shall develop and manage a multidisciplinary acute and chronic pain management program, including the development of pain management protocols for inpatients and consultations for patients with acute and chronic pain issues. The development and management of this program as well as its goals, metrics, and operational measures shall be set forth in writing in a project plan to be mutually agreed upon by KMC and Contractor. The multidisciplinary acute and chronic pain management program project plan shall be completed within three (3) months of the Effective Date and operationalized such program within nine (9) months of the Effective Date.
12. Contractor shall develop a perioperative medical management program, to reduce case cancellations by 3% to 5% each year over the term of the Agreement and to lower the current 15% rate to 5% during the term of the Agreement. The perioperative medical management program project plan shall be completed and operationalized during calendar year 2017.

[Intentionally left blank]

**EXHIBIT “B”
Fee Schedule
Annual Compensation
Regional Anesthesia Associates, Inc.**

As consideration for the services provided by Contractor hereunder, Authority will pay Contractor in accordance with the fee schedule set forth below, as follows:

A. Year 1.

Maximum payable per year:	\$5,278,500
Monthly payment:	\$439,875

B. Year 2.

Maximum payable per year:	\$5,278,500
Monthly payment:	\$439,875

C. Year 3.

Maximum payable per year:	\$5,278,500
Monthly payment:	\$439,875

Payment will be made in accordance with paragraph 4.4 of the Agreement. All services are payable in arrears.

[Intentionally left blank]

**EXHIBIT “C”
Fee Schedule
Additional Compensation
Regional Anesthesia Associates, Inc.**

As consideration for any additional services provided by Contractor hereunder, Authority will pay Contractor in accordance with the fee schedule set forth below, as follows:

Additional Service	Hourly Rate
CRNA – OR coverage	\$139
MD – OR coverage	\$225
MD – Dedicated OR trauma	\$180
CRNA – Dedicated OB	\$139
Additional call person	\$ 20
Medical directorship services	\$185

Payment will be made in accordance with paragraph 4.4 of the Agreement. All services are payable in arrears.

[Intentionally left blank]

EXHIBIT “D”

IRS FORM W-9

**EXHIBIT “E”
HIPAA BUSINESS ASSOCIATE ADDENDUM**

This Business Associate Agreement (“**BAA**”) is entered into by and between the Kern County Hospital Authority on behalf of Kern Medical Center (“**Covered Entity**”) and Regional Anesthesia Associates, Inc., a California professional medical corporation (“**Business Associate**”) (each a “**Party**” and collectively the “**Parties**”), effective as of November 9, 2016 (the “**Effective Date**”).

RECITALS

WHEREAS, Covered Entity is a “Covered Entity” as that term is defined under the Health Insurance Portability and Accountability Act of 1996 (Public Law 104-91), as amended, (“**HIPAA**”), and the regulations promulgated thereunder by the Secretary of the U.S. Department of Health and Human Services (“**Secretary**”), including, without limitation, the regulations codified at 45 C.F.R. Parts 160, 162, and 164 (“**HIPAA Rules**”);

WHEREAS, Business Associate performs Services for or on behalf of Covered Entity, and in performing said Services, Business Associate creates, receives, maintains, or transmits Protected Health Information (“**PHI**”);

WHEREAS, the Parties intend to protect the privacy and provide for the security of PHI Disclosed by Covered Entity to Business Associate, or received or created by Business Associate, when providing Services in compliance with HIPAA, the Health Information Technology for Economic and Clinical Health Act (Public Law 111-005) (the “**HITECH Act**”) and its implementing regulations and guidance issued by the Secretary; and

WHEREAS, the Privacy and Security Rules (defined below) require Covered Entity and Business Associate to enter into a BAA that meets certain requirements with respect to the Use and Disclosure of PHI, which are met by this BAA.

AGREEMENT

NOW THEREFORE, in consideration of the Recitals and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties agree as follows:

**ARTICLE I
DEFINITIONS**

1.1 “Breach” shall have the meaning given under [45 C.F.R. § 164.402](#).

1.2 “Breach Notification Rule” shall mean the Breach Notification for Unsecured Protected Health Information interim final rule at 45 C.F.R. Parts 160 and 164, Subpart D, as may be amended from time to time.

1.3 “Designated Record Set” shall have the meaning given such term under [45 C.F.R. § 164.501](#).

1.4 “Disclose” and “Disclosure” mean, with respect to PHI, the release, transfer, provision of access to, or divulging in any other manner of PHI outside of Business Associate or to other than members of its Workforce, as set forth in [45 C.F.R. § 160.103](#).

1.5 “Electronic PHI” or “e-PHI” means PHI that is transmitted or maintained in electronic media, as set forth in [45 C.F.R. § 160.103](#).

1.6 “Protected Health Information” and “PHI” mean any information created, received or maintained by Business Associate on behalf of Covered Entity, whether oral or recorded in any form or medium, that: (a) relates to the past, present or future physical or mental health or 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; (b) identifies the Individual (or for which there is a reasonable basis for believing that the information can be used to identify the Individual); and (c) shall have the meaning given to such term under the Privacy Rule at [45 C.F.R. § 160.103](#). Protected Health Information includes e-PHI.

1.7 “Privacy Rule” shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 C.F.R. Parts 160 and 164, Subparts A and E, as may be amended from time to time.

1.8 “Security Rule” shall mean the Security Standards at 45 C.F.R. Parts 160 and 164, Subparts A and C, as may be amended from time to time.

1.9 “Services” shall mean the services for or functions on behalf of Covered Entity performed by Business Associate pursuant to any service agreement(s) between Covered Entity and Business Associate which may be in effect now or from time to time (the “Underlying Agreement”), or, if no such agreements are in effect, then the services or functions performed by Business Associate that constitute a Business Associate relationship, as set forth in [45 C.F.R. § 160.103](#).

1.10 “Subcontractor” shall have the meaning given to such term under [45 C.F.R. § 160.103](#).

1.11 “Unsecured PHI” shall have the meaning given to such term under [42 U.S.C. § 17932\(h\)](#), [45 C.F.R. § 164.402](#), and guidance issued pursuant to the HITECH Act including, but not limited to the guidance issued on April 17, 2009 and published in 74 Federal Register 19006 (April 27, 2009) by the Secretary.

1.12 “Use” or “Uses” mean, with respect to PHI, the sharing, employment, application, utilization, examination or analysis of such PHI within Business Associate’s internal operations, as set forth in [45 C.F.R. § 160.103](#).

1.13 “Workforce” shall have the meaning given to such term under [45 C.F.R. § 160.103](#)

Capitalized terms not otherwise defined in this Agreement shall have the meanings given to them in HIPAA or the HITECH Act, as applicable.

ARTICLE II OBLIGATIONS OF BUSINESS ASSOCIATE

2.1 Permitted Uses and Disclosures of Protected Health Information. Business Associate shall not Use or Disclose PHI other than as permitted or required by any Underlying Agreement, this BAA, or as Required by Law. Business Associate shall not Use or Disclose PHI in any manner that would constitute a violation of the Privacy Rule if so Used or Disclosed by Covered Entity, except that Business Associate may Use or Disclose PHI (i) for the proper management and administration of Business Associate; (ii) to carry out the legal responsibilities of Business Associate, provided that with respect to any such Disclosure either: (a) the Disclosure is Required by Law; or (b) Business Associate obtains a written agreement from the person to whom the PHI is to be Disclosed that such person will hold the PHI in confidence and shall not Use and further Disclose such PHI except as Required by Law and for the purpose(s) for which it was Disclosed by Business Associate to such person, and that such person will notify Business Associate of any instances of which it is aware in which the confidentiality of the PHI has been breached. Business Associate may perform Services, including Data Aggregation for the Health Care Operations purposes of Covered Entity and de-identification of PHI in accordance with 45 C.F.R. § 164.514, if required by any Underlying Agreement or with the advance written permission of Covered Entity.

2.2 Adequate Safeguards of PHI. Business Associate shall implement and maintain appropriate safeguards to prevent Use or Disclosure of PHI other than as provided for by this BAA. Business Associate shall reasonably and appropriately protect the confidentiality, integrity, and availability of e-PHI that it creates, receives, maintains or transmits on behalf of Covered Entity and shall comply with Subpart C of 45 C.F.R. Part 164 to prevent Use or Disclosure of PHI other than as provided for by this BAA.

2.3 Reporting Non-Permitted Use or Disclosure.

2.3.1 Reporting Security Incidents and Non-Permitted Use or Disclosure. Business Associate shall report to Covered Entity in writing each Security Incident or Use or Disclosure that is made by Business Associate, members of its Workforce, or Subcontractors that is not specifically permitted by this BAA no later than twenty-four (24) hours days after becoming aware of such Security Incident or non-permitted Use or Disclosure, in accordance with the notice provisions set forth herein. Notwithstanding the foregoing, Business Associate and Covered Entity acknowledge the ongoing existence and occurrence of attempted but ineffective Security Incidents that are trivial in nature, such as pings and other broadcast service attacks, and Covered Entity acknowledges and agrees that no additional notification to Covered Entity of such ineffective Security Incidents is required, as long as no such incident results in

unauthorized access, Use or Disclosure of PHI. Business Associate shall investigate each Security Incident or non-permitted Use or Disclosure of Covered Entity's PHI that it discovers to determine whether such Security Incident or non-permitted Use or Disclosure constitutes a reportable Breach of Unsecured PHI and shall provide a summary of its investigation and risk assessment to Covered Entity. Business Associate shall document and retain records of its investigation of any suspected Breach, including its reports to Covered Entity under this Section 2.3.1. Business Associate shall take prompt corrective action and any action required by applicable state or federal laws and regulations relating to such Security Incident or non-permitted disclosure. If Business Associate or Covered Entity, in its review of this initial report, determines that such Security Incident or non-permitted Use or Disclosure constitutes a reportable Breach of Unsecured PHI, then Business Associate shall comply with the additional requirements of Section 2.3.2 below.

2.3.2 Breach of Unsecured PHI. If Business Associate or Covered Entity determines that a reportable Breach of Unsecured PHI has occurred, Business Associate shall provide a written report to Covered Entity without unreasonable delay but no later than five (5) calendar days after discovery of the Breach. To the extent that information is available to Business Associate, Business Associate's written report to Covered Entity shall be in accordance with 45 C.F.R. §164.410(c). Business Associate shall cooperate with Covered Entity in meeting Covered Entity's obligations under the HIPAA Rules with respect to such Breach. Covered Entity shall have sole control over the timing and method of providing notification of such Breach to the affected individual(s), the Secretary and, if applicable, the media. Business Associate shall reimburse Covered Entity for its reasonable and actual costs and expenses in providing the notification, including, but not limited to, any administrative costs associated with providing notice, printing and mailing costs, public relations costs, and costs of mitigating the harm (which may include the costs of obtaining credit monitoring services and identity theft insurance) for affected individuals whose PHI has or may have been compromised as a result of the Breach.

2.3.3 Data Breach Notification and Mitigation under Other Laws. In addition to the requirements of Sections 2.3.1 and 2.3.2, Business Associate agrees to implement reasonable systems for the discovery and prompt reporting of any breach of individually identifiable information (including but not limited to PHI, and referred to hereinafter as "Individually Identifiable Information") that, if misused, disclosed, lost or stolen, Covered Entity believes would trigger an obligation under applicable state security breach notification laws ("State Breach") to notify the individuals who are the subject of the information. Business Associate agrees to: (i) cooperate and assist Covered Entity with any investigation into any State Breach or alleged State Breach; (ii) cooperate and assist Covered Entity with any investigation into any State Breach or alleged State Breach conducted by a state agency or Attorney General; (iii) comply with Covered Entity's determinations regarding Covered Entity's and Business Associate's obligations to mitigate to the extent practicable any potential harm to the individuals impacted by the State Breach; and (iv) assist with the implementation of any decision by Covered Entity

or any State agency to notify individuals impacted or potentially impacted by a State Breach.

2.4 Mitigation. Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a Use or Disclosure of PHI by Business Associate in violation of the requirements of this BAA.

2.5 Use of Subcontractors. Business Associate shall require each of its Subcontractors that creates, maintains, receives, or transmits PHI on behalf of Business Associate, to execute a Business Associate Agreement that imposes on such Subcontractors substantially the same restrictions, conditions, and requirements that apply to Business Associate under this BAA with respect to PHI.

2.6 Access to Protected Health Information. To the extent that Business Associate maintains a Designated Record Set on behalf of Covered Entity and within fifteen (15) days of a request by Covered Entity, Business Associate shall make the PHI it maintains (or which is maintained by its Subcontractors) in Designated Record Sets available to Covered Entity for inspection and copying, or to an Individual to enable Covered Entity to fulfill its obligations under 45 C.F.R. § 164.524. If Business Associate maintains PHI in a Designated Record Set electronically, Business Associate shall provide such information in the electronic form and format requested by the Covered Entity if it is readily reproducible in such form and format, and, if not, in such other form and format agreed to by Covered Entity to enable Covered Entity to fulfill its obligations under 45 C.F.R. § 164.524(c)(2). Business Associate shall notify Covered Entity within five (5) days of receipt of a request for access to PHI from an Individual.

2.7 Amendment of Protected Health Information. To the extent that Business Associate maintains a Designated Record Set on behalf of Covered Entity and within fifteen (15) days of a request by Covered Entity, Business Associate shall amend the PHI it maintains (or which is maintained by its Subcontractors) in Designated Record Sets to enable the Covered Entity to fulfill its obligations under 45 C.F.R. § 164.526. Business Associate shall notify Covered Entity within five (5) days of receipt of a request for amendment of PHI from an Individual.

2.8 Accounting. Within thirty (30) days of receipt of a request from Covered Entity or an Individual for an accounting of disclosures of PHI, Business Associate and its Subcontractors shall make available to Covered Entity the information required to provide an accounting of disclosures to enable Covered Entity to fulfill its obligations under 45 C.F.R. § 164.528 and 42 U.S.C. § 17935(c). Business Associate shall notify Covered Entity within five (5) days of receipt of a request by an Individual or other requesting party for an accounting of disclosures of PHI from an Individual.

2.9 Delegated Responsibilities. To the extent that Business Associate carries out one or more of Covered Entity's obligations under Subpart E of 45 C.F.R. Part 164, Business Associate must comply with the requirements of Subpart E that apply to the Covered Entity in the performance of such obligations.

2.10 Availability of Internal Practices, Books, and Records to Government. Business Associate agrees to make internal practices, books, and records, including policies and procedures and PHI, relating to the use and disclosure of PHI received from, created, maintained, or transmitted by Business Associate on behalf of Covered Entity promptly available for inspection and copying to the Secretary, in a time and manner designated by the Secretary, for purposes of the Secretary determining Covered Entity's or Business Associate's compliance with the HIPAA Rules. In addition, Business Associate agrees that Covered Entity shall have the right to audit and monitor all applicable activities and records of Business Associate to determine Business Associate's compliance with the HIPAA Rules and shall promptly make available to Covered Entity such books, records, or other information relating to the Use and Disclosure of PHI provided, created, received, maintained or transmitted by Business Associate on behalf of Covered Entity for such purpose.

2.11 Minimum Necessary. Business Associate (and its Subcontractors) shall, to the extent practicable, limits its request, Use, or Disclosure of PHI to the minimum amount of PHI necessary to accomplish the purpose of the request, Use or Disclosure, in accordance with 42 U.S.C. § 17935(b) and 45 C.F.R. § 164.502(b)(1) or any other guidance issued thereunder.

2.12 Acknowledgement. Business Associate acknowledges that it is obligated by law to comply and represents and warrants that it shall comply, with HIPAA, the HITECH Act, and the HIPAA Rules. Business Associate shall comply with all applicable state privacy and security laws, to the extent that such state laws are not preempted by HIPAA or the HITECH Act.

ARTICLE III OBLIGATIONS OF COVERED ENTITY

3.1 Covered Entity's Obligations.

3.1.1 Covered Entity shall notify Business Associate of any limitation(s) in the Notice of Privacy Practices of Covered Entity under 45 C.F.R. 164.520, to the extent that such limitation may affect Business Associate's Use or Disclosure of PHI.

3.1.2 Covered Entity shall notify Business Associate of any changes in, or revocation of, the permission by an individual to Use or Disclose his or her PHI, to the extent that such changes may affect Business Associate's Use or Disclosure of PHI.

3.1.3 In the event Covered Entity agrees with an Individual to any restrictions on Use or Disclosure of PHI pursuant to 45 C.F.R. § 164.522(a) or if Covered Entity determines that it is obligated to accommodate a reasonable request of an Individual to receive communications of PHI pursuant to 45 C.F.R. § 164.522(b), Covered Entity promptly shall notify Business Associate of the same, as well as any revocation or modification of the same, and Business Associate thereupon shall observe such restriction or accommodation (or revocation or modification, if any, thereof) to the extent applicable to its Use or Disclosure of PHI hereunder, notwithstanding any other provision hereof, except as otherwise required by law.

3.1.4 Covered Entity agrees to obtain any consent or authorization that may be required under HIPAA or any other applicable law and/or regulation prior to furnishing Business Associate with PHI.

3.1.5 Covered Entity shall not request Business Associate to make any Use or Disclosure of PHI that would not be permitted under HIPAA if made by Covered Entity. Covered Entity agrees to fulfill its obligations under this BAA in a timely manner.

ARTICLE IV TERM AND TERMINATION

4.1 Term. Subject to the provisions of Section 4.1, the term of this BAA shall be the term of any Underlying Agreement.

4.2 Termination of Underlying Agreement.

4.2.1 A breach by Business Associate of any provision of this BAA, as determined by Covered Entity, shall constitute a material breach of the Underlying Agreement and shall provide grounds for immediate termination of the Underlying Agreement, any provision in the Underlying Agreement to the contrary notwithstanding.

4.2.2 Covered Entity may terminate the Underlying Agreement, effective immediately, if: (i) Business Associate is named as a defendant in a criminal proceeding for a violation of HIPAA, the HITECH Act, the HIPAA Rules or other security or privacy laws or (ii) a finding or stipulation that the Business Associate has violated any standard or requirement of HIPAA, the HITECH Act, the HIPAA Rules or other security or privacy laws is made in any administrative or civil proceeding in which the party has been joined.

4.3 Termination for Cause. In addition to and notwithstanding the termination provisions set forth in any Underlying Agreement, upon Covered Entity's knowledge of a material breach or violation of this BAA by Business Associate, Covered Entity shall either:

4.3.1 Notify Business Associate of the breach in writing, and provide an opportunity for Business Associate to cure the breach or end the violation within ten (10) business days of such notification; provided that if Business Associate fails to cure the breach or end the violation within such time period to the satisfaction of Covered Entity, Covered Entity may terminate this BAA and any Underlying Agreement upon thirty (30) calendar days written notice to Business Associate; or

4.3.2 Upon thirty (30) calendar day written notice to Business Associate, immediately terminate this BAA and any Underlying Agreement if Covered Entity determines that such breach cannot be cured.

4.4 Disposition of Protected Health Information upon Termination or Expiration.

4.4.1 Upon termination or expiration of this BAA, Business Associate shall return or destroy all PHI received from, or created or received by Business Associate on behalf of Covered Entity, that Business Associate still maintains in any form and retain no copies of such PHI. If Covered Entity requests that Business Associate return PHI, PHI shall be returned in a mutually agreed upon format and timeframe.

4.4.2 If return or destruction is not feasible, Business Associate shall: (a) retain only that PHI which is necessary for Business Associate to continue its proper management and administration or to carry out its legal responsibilities; (b) return to Covered Entity the remaining PHI that the Business Associate still maintains in any form; (c) continue to extend the protections of this BAA to the PHI for as long as Business Associate retains the PHI; (d) limit further Uses and Disclosures of such PHI to those purposes that make the return or destruction of the PHI not feasible and subject to the same conditions set out in Sections 2.1 and 2.2 above, which applied prior to termination; and (e) return to Covered Entity the PHI retained by Business Associate when it is no longer needed by Business Associate for its proper management and administration or to carry out its legal responsibilities.

ARTICLE V MISCELLANEOUS

5.1 Regulatory References. A reference in this BAA to a section or other part of HIPAA, the HIPAA Rules, or the HITECH Act means, as of any point in time, the section or part as it may be amended or in effect at such time.

5.2 Amendment. The Parties agree to take such action as is necessary to amend this BAA from time to time as necessary for Covered Entity to implement its obligations pursuant to HIPAA, the HIPAA Rules, or the HITECH Act.

5.3 Relationship to Underlying Agreement Provisions. In the event that a provision of this BAA is contrary to a provision of an Underlying Agreement, the provision of this BAA shall control. Otherwise, this BAA shall be construed under, and in accordance with, the terms of such Underlying Agreement, and shall be considered an amendment of and supplement to such Underlying Agreement.

5.4 Headings. The headings of the paragraphs and sections of this BAA are inserted solely for convenience of reference and are not a part or intended to govern, limit or aid in the construction of any term or provision hereof.

5.5 Equitable Relief. Business Associate understands and acknowledges that any Disclosure or misappropriation of any PHI in violation of this BAA will cause Covered Entity irreparable harm, the amount of which may be difficult to ascertain, and therefore agrees that Covered Entity shall have the right to apply to a court of competent jurisdiction for specific performance and/or an order restraining and enjoining any such further Disclosure or Breach and for such other relief as Covered Entity shall deem appropriate. Such right of Covered Entity is to be in addition to the remedies otherwise available to Covered Entity at law or in equity.

Business Associate expressly waives the defense that a remedy in damages will be adequate and further waives any requirement in an action for specific performance or injunction for the posting of a bond by Covered Entity.

5.6 Insurance. In addition to any general and/or professional liability insurance required of Business Associate, Business Associate agrees to obtain and maintain, at its sole expense, liability insurance on an occurrence basis, covering any and all claims, liabilities, demands, damages, losses, costs and expenses arising from a breach of the security or privacy obligations of Business Associate, its officers, employees, agents and Subcontractors under this BAA. Such insurance coverage will be maintained for the term of this BAA, and a copy of such policy or a certificate evidencing the policy shall be provided to Covered Entity at Covered Entity's request.

5.7 Assistance in Litigation or Administrative Proceedings. Business Associate shall make itself and any Subcontractors or members of its Workforce assisting Business Associate in the performance of its obligations under this BAA available to Covered Entity, at no cost to Covered Entity, to testify as witnesses, or otherwise, in the event of litigation or administrative proceedings being commenced against Covered Entity, its directors, officers or employees based upon a claim of violation of the HIPAA or other applicable laws relating to privacy or security.

5.8 Indemnification. Notwithstanding anything to the contrary which may be contained in any Underlying Agreement, including but not limited to any limitations on liability contained therein, Business Associate hereby agrees to indemnify and hold harmless Covered Entity and its respective officers, directors, managers, members, employees and agents from and against any and all losses, damages, fines, penalties, claims or causes of action and associated expenses (including, without limitation, costs of judgments, settlements, court costs and attorney's fees) resulting from Business Associate's (including its employees, directors, officers, agents, or other members of its Workforce, and its Subcontractors) breach of PHI or violation of the terms of this BAA, including but not limited to failure of Business Associate to perform its obligations under this BAA, or to comply with HIPAA or applicable state privacy or security law.

5.9 Legal Actions. Promptly, but no later than five (5) business days after notice thereof, Business Associate shall advise Covered Entity of any actual or potential action, proceeding, regulatory or governmental orders or actions, or any material threat thereof that becomes known to it that may affect the interests of Covered Entity or jeopardize this BAA, and of any facts and circumstances that may be pertinent to the prosecution or defense of any such actual or potential legal action or proceeding, except to the extent prohibited by law.

5.10 Notice of Request or Subpoena for Data. Business Associate agrees to notify Covered Entity promptly, but no later than five (5) business days after Business Associate's receipt of any request or subpoena for PHI or an accounting thereof. Business Associate shall promptly comply with Covered Entity's instructions for responding to any such request or subpoena, unless such Covered Entity instructions would prejudice Business Associate. To the extent that Covered Entity decides to assume responsibility for challenging the validity of such request, Business Associate agrees to reasonably cooperate with Covered Entity in such challenge. The provisions of this Section shall survive the termination of this BAA.

5.11 Requests from Secretary. Promptly, but no later than five (5) calendar days after notice thereof, Business Associate shall advise Covered Entity of any inquiry by the Secretary concerning any actual or alleged violation of the Privacy Rule or the Security Rule.

5.12 Notices. Any notices required or permitted to be given hereunder by either Party to the other shall be given in writing: (1) by personal delivery; (2) by electronic mail or facsimile with confirmation sent by United States first class registered or certified mail, postage prepaid, return receipt requested; (3) by bonded courier or by a nationally recognized overnight delivery service; or (4) by United States first class registered or certified mail, postage prepaid, return receipt, in each case, addressed to a Party on the signature page(s) to this BAA, or to such other addresses as the Parties may request in writing by notice given pursuant to this Section 5.12. Notices shall be deemed received on the earliest of personal delivery; upon delivery by electronic facsimile with confirmation from the transmitting machine that the transmission was completed; twenty-four (24) hours following deposit with a bonded courier or overnight delivery service; or seventy-two (72) hours following deposit in the U.S. mail as required herein.

Covered Entity's Notice Address:

Kern Medical Center
1700 Mount Vernon Avenue
Bakersfield, CA 93306
Attn.: Chief Executive Officer
Fax: (661) 326-2100
Email: Russell.Judd@kernmedical.com

Business Associate's Notice Address:

Regional Anesthesia Associates, Inc.
7370 N. Palm Avenue, Suite 102
Fresno, CA 93711
Attn.: Its President
Fax: (559) 224-1825
Email: OOji@communityanesthesia.com

5.13 Relationship of Parties. Notwithstanding anything to the contrary in any Underlying Agreement, Business Associate is an independent contractor and not an agent of Covered Entity under this BAA. Business Associate has the sole right and obligation to supervise, manage, contract, direct, procure, perform or cause to be performed all Business Associate obligations under this BAA.

5.14 Survival. To the extent that Business Associate retains PHI, the respective rights and obligations of the Parties set forth in Sections 2.3, 4.4, 5.8, and 5.10 of this BAA shall survive the termination, expiration, cancellation, or other conclusion of the BAA or any Underlying Agreement.

5.15 Interpretation. Any ambiguity in this BAA shall be interpreted to permit the Parties to comply with HIPAA, the HITECH Act, and the HIPAA Rules.

5.16 Governing Law; Applicable Law and Venue. This BAA shall be construed in accordance with the laws of the State of California applicable to agreements made and to be performed in such state. Any dispute between the Parties shall be brought before the Superior Court of Kern County, California, which shall have jurisdiction over all such claims.

5.17 Waiver of Provisions. Any waiver of any terms and conditions hereof must be in writing and signed by the Parties hereto. A waiver of any of the terms and conditions hereof shall not be construed as a waiver of any other term or condition hereof.

5.18 Assignment and Delegation. Neither this BAA nor any of the rights or duties under this BAA may be assigned or delegated by either Party hereto.

5.19 Disclaimer. Neither Party represents or warrants that compliance by the other Party with this BAA, HIPAA, the HIPAA Rules, or the HITECH Act will be adequate or satisfactory for the other Party's own purposes. Each Party is solely responsible for its own decisions regarding the safeguarding of PHI.

5.20 Certification. To the extent that Covered Entity determines that such examination is necessary to comply with Covered Entity's legal obligations pursuant to HIPAA relating to certification of its security practices, Covered Entity or its authorized agents or contractors may, at Covered Entity's expense, examine Business Associate's facilities, systems, procedures, and records, as may be necessary for such agents or contractors to certify to Covered Entity the extent to which Business Associate's security safeguards comply with HIPAA, the HIPAA Rules, the HITECH Act, or this BAA.

5.21 Counterparts. This BAA may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement, binding on both Parties hereto.

The Parties hereto have executed this BAA as of the Effective Date.

COVERED ENTITY:

The Kern County Hospital Authority on behalf
of Kern Medical Center

BUSINESS ASSOCIATE:

Organization Name: Regional Anesthesia
Associates, Inc.

Title: Chairman, Board of Governors

Date: _____

Title: Its President

Date: _____

EXHIBIT “F”
Insurance

With respect to performance of work under this Agreement, Contractor shall maintain and shall require all of its subcontractors, consultants, and other agents to maintain insurance as described below unless such insurance has been expressly waived in writing by Authority. Any requirement for insurance to be maintained after completion of the work shall survive the termination or expiration of this Agreement.

Authority reserves the right to review any and all of the required insurance policies and/or endorsements, but has no obligation to do so. Failure to demand evidence of full compliance with the insurance requirements set forth in this Agreement or failure to identify any insurance deficiency shall not relieve Contractor from, nor be construed or deemed a waiver of, its obligation to maintain the required insurance at all times during the performance of this Agreement.

1. Workers’ Compensation and Employers Liability Insurance:

- (a) Required if Contractor has employees. If Contractor currently has no employees, Contractor’s written confirmation of such will be required before execution of this Agreement. If Contractor engages any employees during the term of this Agreement or any extensions thereof, Contractor agrees to obtain the specified Workers’ Compensation and Employers Liability insurance.
- (b) Workers’ Compensation insurance with statutory limits as required by the California Labor Code.
- (c) Employers Liability with limits of \$1,000,000 per Accident; \$1,000,000 Disease per employee; \$1,000,000 Disease per policy.
- (d) Waiver of Subrogation: The Workers’ Compensation policy shall be endorsed with a waiver of subrogation in favor of Authority for all work performed by Contractor, its employees, agents and subcontractors.
- (e) Required Evidence of Insurance: Certificate of Insurance.

2. General Liability Insurance:

- (a) Commercial General Liability Insurance on a standard occurrence form, no less broad than Insurance Services Office (ISO) form CG 00 01.
- (b) Minimum Limits: \$1,000,000 per Occurrence; \$2,000,000 General Aggregate; \$2,000,000 Products/Completed Operations Aggregate. The required limits may be provided by a combination of General Liability Insurance and Commercial Umbrella Liability Insurance. If Contractor maintains higher limits than the specified minimum limits, Authority requires and shall be entitled to coverage for the higher limits maintained by Contractor.
- (c) If Contractor has no Owned automobiles, the General Liability policy shall include Non-Owned and Hired Automobile Liability in the amount of \$1,000,000 combined single limit per accident.

- (d) Any deductible or self-insured retention shall be shown on the Certificate of Insurance. If the deductible or self-insured retention exceeds \$25,000 it must be approved in advance by Authority. Contractor is responsible for any deductible or self-insured retention and shall fund it upon Authority's written request, regardless of whether Contractor has a claim against the insurance or is named as a party in any action involving Authority.
- (e) Authority shall be named as an additional insured for liability arising out of operations by or on behalf of Contractor in the performance of this Agreement. See section 6 below for full Additional Insured wording.
- (f) The insurance provided to Authority as an additional insured shall be primary to and non-contributory with any insurance or self-insurance program maintained by Authority.
- (g) The policy definition of "insured contract" shall include assumptions of liability arising out of both ongoing operations and the products-completed operations hazard (broad form contractual liability coverage including the "f" definition of insured contract in ISO form CG 00 01, or equivalent).
- (h) The policy shall cover inter-insured suits between Authority and Contractor and include a "separation of insureds" or "severability" clause which treats each insured separately.
- (i) Required Evidence of Insurance: (i) Copy of the additional insured endorsement or policy language granting additional insured status; and (ii) Certificate of Insurance.

3. Automobile Liability Insurance:

- (a) Minimum Limits: \$1,000,000 combined single limit per accident for bodily injury and property damage.
- (b) Insurance shall apply to all Owned autos. If Contractor currently owns no autos, Contractor agrees to obtain such insurance should any autos be acquired during the term of this Agreement or any extensions thereof.
- (c) Insurance shall include coverage for Non-Owned and Hired autos. (See requirements in section 1(c) above if there is no separate Automobile Liability coverage.)
- (d) Authority shall be named as an additional insured for liability arising out of operations by or on behalf of Contractor in the performance of this Agreement. See section 6 for full Additional Insured wording.
- (e) Required Evidence of Insurance: Certificate of Insurance.

4. Professional Liability Insurance (Errors and Omissions):

- (a) Professional Liability Insurance (Errors and Omissions) appropriate to Contractor's profession.
- (b) Minimum Limits: \$1,000,000 per Occurrence or Claim; \$3,000,000 Annual Aggregate. If Contractor maintains higher limits than the specified minimum limits, Authority requires and shall be entitled to coverage for the higher limits maintained by Contractor.

- (c) Any deductible or self-insured retention shall be shown on the Certificate of Insurance. If the deductible or self-insured retention exceeds \$25,000 it must be approved in advance by Authority. Contractor is responsible for any deductible or self-insured retention and shall fund it upon Authority's written request, regardless of whether Contractor has a claim against the insurance or is named as a party in any action involving Authority.
 - (d) Required Evidence of Coverage: Certificate of Insurance.
5. Standards for Insurance Companies: Insurers shall have an A.M. Best's rating of at least A;VII.
 6. Additional Insured Wording: "**Kern County Hospital Authority, its officers, officials, employees and volunteers**" are to be named as Additional Insureds as per each section where noted above.
 7. Claims Made Policies: If any of the required policies provide coverage on a claims-made basis:
 - (a) The Retroactive Date must be shown and must be before the Effective Date of the Agreement or the beginning of contract work.
 - (b) Insurance must be maintained and evidence of insurance must be provided *for at least five (5) years after completion of the contract work*.
 - (c) If coverage is canceled or non-renewed, and *not replaced with another claims-made policy form with a Retroactive Date* prior to the contract effective date, Contractor must purchase "extended reporting" coverage for a minimum of *five (5) years* after completion of the contract work.
 8. Documentation:
 - (a) The Certificate of Insurance must include the following reference: "**Agreement for Professional Services – Master Facility Plan.**"
 - (b) All required Evidence of Insurance shall be submitted prior to the execution of this Agreement. Contractor agrees to maintain current Evidence of Insurance on file with Authority for the entire term of this Agreement and any additional periods if specified in sections 1, 2, 3 or 4 above.
 - (c) The name and address for the Certificates of Insurance and Additional Insured endorsements is: Kern County Hospital Authority, c/o Kern Medical Center, 1700 Mount Vernon Avenue, Bakersfield, California 93306.
 - (d) Required Evidence of Insurance shall be submitted for any renewal or replacement of a policy that already exists, at least 10 days before expiration or other termination of the existing policy.
 - (e) Contractor shall provide immediate written notice if: (i) any of the required insurance policies is terminated; (ii) the limits of any of the required policies are reduced; or (iii) the deductible or self-insured retention is increased.
 - (f) Upon written request, certified copies of required insurance policies must be provided to Authority within 30 days.

9. Policy Obligations: Contractor's indemnity and other obligations shall not be limited by the foregoing insurance requirements.
10. Primary Coverage: For any claims related to this Agreement, Contractor's insurance coverage shall be primary insurance coverage at least as broad as ISO CG 20 01 04 13 as respects Authority, its officers, directors, officials, employees, and volunteers. Any insurance or self-insurance maintained by Authority, its officers, directors, officials, employees, or volunteers shall be excess of Contractor's insurance and shall not contribute with it.
11. Material Breach: If Contractor fails to maintain the insurance required by this Agreement, it shall be deemed a material breach of this Agreement. Authority, at its sole option, may terminate this Agreement and obtain damages from Contractor resulting from said breach. Alternatively, Authority may purchase the required insurance, and without further notice to Contractor, Authority may deduct from sums due to Contractor any premium costs advanced by Authority for such insurance. These remedies shall be in addition to any other remedies available to Authority.

[Intentionally left blank]

EXHIBIT “G”

ELECTION TO PARTICIPATE

[See attached]

ELECTION TO PARTICIPATE

I, the undersigned physician, am a member of the medical staff of Kern Medical Center (“KMC”), and am an employee/independent contractor/member/shareholder (**circle all that apply**) of Regional Anesthesia Associates, Inc., a California professional medical corporation organized under the laws of the state of California (“Contractor”). I further state that I am board certified/eligible for board certification (**circle one if applicable**) in anesthesiology by the American Board of Anesthesiology.

I hereby acknowledge that I have read the Agreement for Professional Services between the Kern County Hospital Authority, which owns and operates KMC, and Contractor (the “Agreement”), and hereby elect to participate in the rendering of anesthesia services pursuant to the Agreement and agree to abide by the provisions of the Agreement. I have been specifically advised and agree that my medical staff membership and clinical privileges at KMC, including access to and use of hospital facilities, equipment, personnel, and resources necessary to exercise such privileges, shall automatically terminate concurrently with loss of my eligibility to provide anesthesia services pursuant to and as contemplated by the Agreement, without the necessity of KMC or its medical staff following the procedures set forth in the medical staff bylaws, and, in such circumstances, I shall have no right to exercise or assert any procedural rights based on or set forth in the medical staff bylaws. I have also been advised and agree that in the event Contractor ceases to provide anesthesia services to KMC pursuant to the Agreement for any reason whatsoever, my medical staff membership and clinical privileges, including access to and use of hospital facilities, equipment, personnel, and resources necessary to exercise such privileges, shall terminate concurrently with the cessation of such services without the necessity of KMC or its medical staff following the procedures set forth in the medical staff bylaws. In such circumstances, I further acknowledge and agree that I shall have no right to exercise or assert any procedural rights that are set forth in or based on the medical staff bylaws.

DATED this _____ day of _____, 20__

By: _____
(Signature of Group Physician)

Print Name: _____, M.D./D.O./CRNA (**circle one**)

(Address of Group Physician)



**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

August 17, 2016

SUBJECT: Kern County Hospital Authority, Chief Executive Officer Report

Required Action: Receive and File.

Summary:

Chief Executive Officer will provide an update on hospital operations.

Volume:

- During the month of June, Kern Medical experienced an unfavorable variance in patient volume when compared to the previous month of May, and an unfavorable variance for the month. Kern Medical's Average Daily Census for June was 129 compared to a budget of 141.
- Emergency Room (ER) visits had a favorable variance for the month of June. Actual ER visits were 3,843 compared to a budget of 3,602 visits, a 6.7% favorable variance.
- Kern Medical is continuing to experience increased Outpatient Clinic visits compared to budget. For the month of June, actual Outpatient Clinic visits were 10,253 compared to a budget of 8,834 visits, a favorable variance of 16.6%.

PATIENT VOLUMES

PATIENT VOLUME STATISTICS	ACTUAL ACTUAL		BUDGET	YTD ACTUAL	YTD BUDGET	YTD ACTUAL
	May-16	Jun-16	Jun-16	FY 2016	FY 2016	FY 2015
1 ADMISSIONS	814	757	755	9,172	8,640	8,823
2 ADJUSTED ADMISSIONS	1,595	1,456	1,289	16,963	14,749	15,354
3 PATIENT DAYS (EXCLUDING NEWBORNS)	4,263	3,872	4,216	48,529	49,877	48,312
4 ADJUSTED PATIENT DAYS	8,352	6,904	7,198	89,751	85,142	84,071
5 AVERAGE DAILY CENSUS	138	129	141	133	136	132
6 EMERGENCY ROOM VISITS	4,041	3,843	3,602	43,741	41,227	40,996
7 EMERGENCY ROOM ADMITS	428	363	376	4,799	4,390	4,390
8 OUTPATIENT CLINIC VISITS	10,082	10,253	8,834	114,036	92,761	105,669
9 DELIVERIES	195	220	260	2,556	2,969	2,521
10 SURGERIES	511	478	484	5,797	5,669	5,678
11 TOTAL PAID FTE*	1,361	1,374	1,353	1,375	1,355	1,351

*Total Paid FTE count includes all Kern Medical paid personnel (employed and contracted) excluding physicians and medical residents.



**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

August 17, 2016

SUBJECT: Kern County Hospital Authority, Chief Financial Officer Report

Required Action: Receive and File.

Summary:

Kern County's Hospital Authority Chief Financial officer will provide a report.

Operating Revenue:

- The results of Net Patient Revenue for the month of June were favorable compared to budget by \$3,791,530, or 28.3%. The favorable variance in Net Patient Revenue is due to continued improvement and increased efficiency in Kern Medical's revenue cycle, which has led to better than expected patient billings and improved patient cash collection rates.
- For the month of June, Kern Medical reports a favorable variance in its governmental revenue (Indigent Patient Care Funding Revenue). Adjustments were made in June to true-up governmental revenue streams on a year-to-date basis. For June, Kern Medical reports actual governmental revenue of \$14,082,807 compared to a budget of \$9,374,540, or a 50.2% favorable variance.

Operating Expenses:

- The Salaries, Benefits, and Registry expense category yields a favorable variance compared to budget on both a month-to-date and year-to-date basis. The actual expenses for the month of \$11,218,805 are 35.9% under budget. The year-to-date expenses of \$187,898,598 are 8.3% under budget. Kern Medical made year-end adjustments to salaries and benefits expenses per allocations made by the County of Kern. These adjustments had a favorable effect for Kern Medical. It should also be noted that some of the savings Kern Medical shows for salaries are being used to cover other operating expenses.
- For Other Professional Fees, Kern Medical experienced an unfavorable variance of 74.0% compared to budget for the month of June. The unfavorable budget-to-actual



variance is due in part to additional accrued expenses for attorneys and consultants regarding the transition to the Hospital Authority. Also, many employee positions have now been moved to this expense category for Meridian Healthcare Partners and Cantu Management.

- For the Supplies expense category, Kern Medical experienced an unfavorable variance of 34.1% for the month of June compared to budget. The unfavorable variance is due mainly because of high pharmaceutical expenses, including additional expense accrued for potential liability for the 340b Drug Program. There were also some increases in supply costs due to Kern Medical's new urology services.
- Overall, Kern Medical's Total Operating Expenses are over budget for the month of June by 10.3%.

Earnings before Interest, Depreciation, and Amortization:

- Kern Medical's Earnings before Interest, Depreciation, and Amortization (EBIDA) for June is a gain of \$11,262,752 as compared to a budgeted loss of \$195,362, a 5,865.1% favorable variance compared to budget. The better than expected EBIDA results are primarily due to the favorable variances in Net Patient Revenue as discussed above. The large increase for June is mainly due to the true-up for governmental revenue streams discussed above. Accordingly, the result is improved EBIDA compared to budget.

Projections for the month of July 2016:

- Expect similar levels of patient volume (Average Daily Census) compared to June.
- Expect a similar level of Outpatient Clinic visits from June to July.
- Expect continued improvement in contractual adjustments (deductions from revenue) compared to budget as a result of overall revenue cycle improvements.
- Goal is to produce favorable financial results on an EBIDA basis.

KEY RATIOS

KEY RATIOS		ACTUAL	ACTUAL	BUDGET	YTD ACTUAL	YTD BUDGET	YTD ACTUAL
		May-16	Jun-16	Jun-16	FY 2016	FY 2016	FY 2015
LABOR METRICS							
1	LABOR COSTS (INCL. BENEFITS & REGISTRY) AS % OF TOTAL OPERATING REVENUE	49%	33%	70%	57%	69%	75%
2	BENEFITS AS % OF LABOR EXPENSE (EXCLUDING REGISTRY NURSES)	34%	3%	33%	32%	33%	29%
OPERATING EXPENSE METRICS							
3	SUPPLY EXPENSE AS % OF NET PATIENT REVENUE	12.5%	14.6%	15.1%	15.9%	15.1%	15.2%
4	TOTAL OPERATING EXPENSES PER ADJUSTED ADMISSION	\$17,072	\$17,783	\$19,989	\$ 18,297	\$ 20,566	\$ 21,234
5	NON-CAPITAL COST PER ADJUSTED ADMISSION	\$16,938	\$15,617	\$19,667	\$ 17,878	\$ 20,222	\$ 19,663
WORKING CAPITAL INDICATORS							
6	CASH COLLECTIONS AS A % OF NET PATIENT REVENUE	123.4%	108.7%	100.0%	106.1%	100.0%	110.2%
7	GROSS DAYS IN A/R	79.7	79.3	76.0	79.3	76.0	70.2

PROFIT & LOSS - ACTUAL TO BUDGET

	MONTH TO DATE			JUNE 2016	YEAR TO DATE			
	ACTUAL	BUDGET	VAR%		ACTUAL	BUDGET	VAR%	
1	\$ 64,305,039	\$ 61,564,967	4.5%	PATIENT REVENUE	\$ 745,955,366	\$ 720,235,018	3.6%	1
2	47,093,733	48,145,191	-2.2%	DEDUCTIONS FROM REVENUE	558,007,463	567,264,358	-1.6%	2
3	17,211,306	13,419,776	28.3%	NET PATIENT REVENUE	187,947,903	152,970,660	22.9%	3
4	14,082,807	9,374,540	50.2%	INDIGENT PATIENT CARE FUNDING REVENUE	112,920,747	114,369,386	-1.3%	4
5	1,750,000	1,043,000	0.0%	CAPITATION PREMIUM REVENUE	14,000,000	12,516,000	0.0%	5
6	952,827	1,314,199	-27.5%	OTHER OPERATING REVENUE	12,901,825	16,033,202	-19.5%	6
7	33,996,940	25,151,515	35.2%	NET OPERATING REVENUE	327,770,475	295,889,248	10.8%	7
				OPERATING EXPENSES				
8	11,218,805	17,504,139	-35.9%	SALARIES, BENEFITS & REGISTRY	187,898,598	204,965,471	-8.3%	8
9	1,338,792	1,162,557	15.2%	MEDICAL FEES	15,349,871	13,600,509	12.9%	9
10	1,428,564	820,810	74.0%	OTHER PROFESSIONAL FEES	18,194,154	10,013,880	81.7%	10
11	4,836,758	3,605,573	34.1%	SUPPLIES	50,025,448	42,180,828	18.6%	11
12	1,661,121	915,044	81.5%	PURCHASED SERVICES	14,774,404	11,163,517	32.3%	12
13	2,250,148	1,338,754	68.1%	OTHER EXPENSES	17,014,956	16,332,649	4.2%	13
14	22,734,188	25,346,877	-10.3%	TOTAL OPERATING EXPENSES	303,257,431	298,256,854	1.7%	14
15	11,262,752	(195,362)	5865.1%	EBIDA (OPERATING INCOME)	24,513,045	(2,367,606)	1135.4%	15
16	(3,153,083)	(414,878)	660.0%	NON-OPERATING REVENUE & EXPENSE, NET	(7,118,811)	(5,061,538)	-40.6%	16
17	8,109,669	(610,241)	1428.9%	NET INCOME/(LOSS)	17,394,234	(7,429,144)	334.1%	17
18	-	-	0.0%	COUNTY CONTRIBUTION-CAPITAL	-	-	0.0%	18
19	304,057	611,046	50.2%	COUNTY CONTRIBUTION	7,147,773	7,454,767	-4.1%	19
20	\$ 8,413,726	\$ 805	1044466.5%	GAIN/(LOSS) WITH COUNTY CONTRIBUTION	\$ 24,542,007	\$ 25,624	-95678.1%	20
21	48.88%	0.01%	814355.8%	OPERATING INCOME (LOSS) MARGIN %	13.06%	0.02%	77853.8%	21
22	65.44%	-1.46%	4595.1%	EBIDA MARGIN %	13.04%	-1.55%	942.7%	22

**KERN COUNTY HOSPITAL AUTHORITY
BOARD OF GOVERNORS
PUBLIC STATEMENT REGARDING CLOSED SESSION**

Government Code Section 54956.9

Based on the advice of Counsel, the Board of Governors is holding a closed session on August 17, 2016, to confer with, or receive advice from Counsel regarding pending litigation, because discussion in open session concerning this matter would prejudice the position of the authority in the litigation. The closed session involves:

 X CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION
(Government Code Section 54956.9(d)(1)) Name of case: Stenerson v. Nguyen,
et al., Kern County Superior Court Case No. BCV-15-101357 LHB –

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BOARD OF GOVERNORS
PUBLIC STATEMENT REGARDING CLOSED SESSION**

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- X CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION
(Government Code Section 54956.9(d)(2), (e)(1).) Number of cases: One (1)
Significant exposure to litigation in the opinion of the Board of Governors on the advice of legal counsel, based on: Facts and circumstances that might result in litigation against the Authority but which the Authority believes are not yet known to a potential plaintiff or plaintiffs, which facts and circumstances need not be disclosed