

INUREMENT AND SELF-DEALING

Sect. 999.5(d)(3)(A)

Copies of any documents or writings of any kind that relate or refer to any personal financial benefit that a proposed affiliation between applicant and the transferee would confer on any officer, director, employee, doctor, medical group or other entity affiliated with applicant or any family member of any such person as identified in Corporations Code section 5227(b)(2).

The proposed affiliation will not confer any personal financial benefit on any of the above specified persons, *provided* that the Applicant's Chief Executive Officer and its President are both entitled to a severance benefit (equal to 24 months of base compensation) that will become payable upon termination of their respective service contracts with the Applicant in connection with the proposed affiliation. Both of these severance arrangements were entered into prior to the commencement of affiliation discussions.

In addition, at its meeting on July 28, 2018, and in contemplation of a potential affiliation, the Applicant's board of directors resolved to enhance the benefits payable to both executives. The board observed that both executives had service contracts with terms expiring in 2022 (January 31, in the case of the President, and March 31, in the case of the CEO) and that both were entitled to severance of 24 months. The board reasoned that in the event of an affiliation that closed more than 24 months before the expiration date of an executive's service contract, the executive would suffer a loss of potential compensation due to termination of the executive's service contract upon consummation of the affiliation. Accordingly, to avoid any disincentive to an executive to pursue an affiliation in the Applicant's best interests, the board resolved to pay additional *pro rata* severance for each month that an affiliation closed before 24 months prior to expiration of an executive's service contract. Moreover, the board observed that each executive was also entitled to bonus compensation if the Applicant achieved budget for a year and the executive was employed on the last day of the year. Similarly, to avoid any disincentive to pursue an affiliation due to termination of an executive's service contract upon consummation of the affiliation on a day other than the last day of a year, the board resolved to pay a *pro rata* portion of the bonus otherwise payable if an affiliation occurred on a day other than the last day of a year, so long as the Applicant was on target to achieve budget. The board's resolution is attached (Tab (3)(A) -1).

Attached are:

- Fourth Amendment and Fifth Amendment to Consulting Contract between the Applicant and William L. Noble dated May 5, 2016 and August 1, 2018 (Tab (3)(A) - 2); and
- Amended Employment Agreement and First Amendment to Amended Employment Agreement between the Applicant and Bahram Ghaffari dated January 5, 2018 and August 1, 2018 (Tab (3)(A) - 3).