

CONTRACT ROUTING FORM

Email Completed Form to Executive Assistant (pbarrett@tfhd.com) for Processing and Compliance Review

NEW CONTRACT <input checked="" type="checkbox"/> AMENDMENT <input type="checkbox"/> RENEWAL <input type="checkbox"/> EXTENSION <input type="checkbox"/> BAA <input type="checkbox"/>		
ORIGINATING DEPARTMENT: Multi Specialty Clinic (MSC)		CONTACT PERSON: Tim Garcia-Jay, Executive Director of Clinics PHONE: 530-582-6474
RESPONSIBLE ADMINISTRATIVE COUNCIL (AC): CEO <input type="checkbox"/> CFO <input type="checkbox"/> COO <input checked="" type="checkbox"/> CNO <input type="checkbox"/> CIO <input type="checkbox"/> IVCH <input type="checkbox"/>		
REQUIRES BOARD GOVERNANCE COMMITTEE REVIEW? NO <input type="checkbox"/> YES <input checked="" type="checkbox"/> MEETING DATE: Straight to Board COMMITTEE RECOMMENDS: Pending		
TYPE OF CONTRACT:		
Physician Professional Service Agreement (P-PSA)	<input checked="" type="checkbox"/>	Type: Pediatric PSA MSC
Physician Medical Director Agreement (MDA)	<input type="checkbox"/>	Type: _____
Vendor Professional Service Agreement (V-PSA)	<input type="checkbox"/>	Type: _____
Other _____	<input type="checkbox"/>	Type: _____
❖ Business Associated Agreement Required? YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>		
CONTRACTOR/VENDOR DETAILS: <i>If needed, additional instructions and information may be provided on Page 2</i>		
LEGAL NAME OF CONTRACTOR/ VENDOR: North Lake Pediatrics Medical Group, Inc.		
Purpose of the Contract/Alternatives: Purpose: To renew the Professional Services Agreement with North Lake Pediatrics Medical Group, Inc. and continue to provide Pediatrics services to the community through the Multi-Specialty Clinics. Alternative: Discontinue North Lake Pediatrics Medical Group, Inc.'s Professional Services Agreement and eliminate the availability of Pediatrics services in the local community.		
Scope of the Contract: Group shall provide physician professional services in the specialty of Pediatrics in the MSC's Pediatric and Incline Village clinics, and provide newborn care, related newborn procedures, pediatric admissions and pediatric emergency room consultations at Tahoe Forest Hospital. Group shall also teach prenatal education classes.		
DATES OF CONTRACT:		EFFECTIVE DATE: 1/1/2015 END DATE: 6/30/2016
Version History:		Original Effective date: 2/1/2011 Renewal Dates: Amendment Dates: 2/1/12,4/1/12,4/1/13, 7/1/13, 8/1/13, 11/1/13, 7/1/14
PHYSICIAN CONTRACTS: FOR STARK LAW COMPLIANCE, THE TERMS OF THIS CONTRACT CANNOT CHANGE FOR 1 YEAR		
Compensation Structure: <i>Include "other comp" (i.e. education, phone stipend, etc.)</i> For each physician, annual base compensation shall be \$186,814 for up to 3,570 WRVUs with WRVUs calculated based upon 2014 WRVU values. For annual RVUs per physician in excess of 3,570, additional compensation will be paid at a rate of \$43.09 per WRVU. Group shall also receive 20% of the Medi-Cal Meaningful Use incentives received by hospital for their physicians, and up to an estimated \$5,151 per physician annually in reimbursed expenses.		
Contract Term: <i>(anything other than Net 30 requires AC approval)</i> Base compensation covering 16th of prior month thru 15th of current month shall be paid monthly on the 16th of the month. Incentive comp paid annually (120 days > FYE).		
Total Cost of Contract:		Total cost for the 4 physicians over 18 months is projected to be \$1,226,312.
Compensation Audit Process:		See Policies AGOV-10 and ABD-21
Is Cost of Contract Budgeted?		YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
If NOT budgeted or exceeds budgeted amount, identify the offset:		Current terms of contracts have been budgeted. Increases to base compensation taking effect in January will result in a budget variance.
TFHS Primary Responsible Party:		Tim Garcia-Jay, Executive Director of Clinics
TFHS Secondary Responsible Party:		Virginia Razo, COO

ORIGINATING DEPARTMENT: Multi Specialty Clinic (MSC)	CONTACT PERSON: Tim Garcia-Jay, Executive Director of Clinics Phone: 530-582-6474
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LEGAL NAME OF CONTRACTOR/ VENDOR: North Lake Pediatrics Medical Group, Inc.

REQUIRED COMPLIANCE INFORMATION	
Commercially Reasonable Verified Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/>	<i>Compliance Officer Signature:</i> 
Fair Market Value Verified Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/>	

CONTRACTOR INFORMATION	
Contractor Representative Name:	North Lake Pediatrics
Mailing Address:	10956 Donner Pass Road, Suite 130, Truckee, CA 96161
Telephone and Fax Number:	Phone: 530-587-3523 Fax: 530-582-6192
Email Address of Contact:	
Accounts Receivable Representative:	

REQUIRED FINANCIAL INFORMATION
W-9 and Certificates of Insurance Must Be Submitted with any Contract

ADDITIONAL INFORMATION

Amendment dated July 1, 2014 will expire on December 31, 2014
Management is recommending an 18 month term.

ECG has provided us with a fair market value range for FY 14. We have requested projected inflation factors by specialty to apply to the FY 14 fair market values, so that they may be compared to our FY 16 contract projections. ECG has committed to providing this information prior to the board meeting. Management will provide an update of those figures at the board meeting."

Reference:
Policy ABD – 21 Physician and Professional Service Agreements
Policy AGOV – 10 Contract Review Policy
Policy AFIN – 03 Accounts Payable Policy

*W-9s are required for any contract on which we are making payments.
Certificates of Insurance are required for any contract in which any service is being provided.*

THIS SECTION FOR CONTRACTS COORDINATOR USE ONLY:

W-9 Received? Yes: <input type="checkbox"/> No: <input type="checkbox"/>	Certificate of Insurance Received? Yes: <input type="checkbox"/> No: <input type="checkbox"/>
New Vendor information Sent to Accounts Payable? Yes: <input type="checkbox"/> No: <input type="checkbox"/>	<i>Email a copy of Section D (page 2) of the completed Routing Form to A/P. This is required for A/P to process their payments.</i>

Contracts Review:	
_____	_____
Date	Initials
CFO Review:	
_____	_____
Date	Initials

BOARD ACTION: _____	MEETING DATE: _____
Out for TFHD Signature: _____	Date: _____
Out for Vendor Signature: _____	Date: _____
Uploaded to Contracts System: _____	Date: _____
CONTRACT #: _____	Document Reference: _____
(i.e. 10001)	(i.e. #####.C)
	Trigger dates set: YES <input type="checkbox"/> NO <input type="checkbox"/>

TAHOE FOREST HOSPITAL DISTRICT

PROFESSIONAL SERVICES AGREEMENT – MULTISPECIALTY CLINIC

This Agreement is made and entered into as of January 1, 2015 (the “**Effective Date**”) by and between TAHOE FOREST HOSPITAL DISTRICT, a California Hospital District organized and operating under the California Health Care District Law and doing business as Tahoe Forest Hospital (“**Hospital**”) and **North Lake Pediatrics Medical Group, Inc.**, (“**Group**”), (collectively the “**Parties**”) with reference to the following facts:

RECITALS

A. Hospital is the owner and operator of Tahoe Forest Hospital District that is licensed by the State of California to operate as a general acute care hospital (Tahoe Forest Hospital) located at 1012I Pine Avenue, Truckee, California 96161-4835 and other approved outpatient services including various MultiSpecialty Clinics located at 10956 Donner Pass Road, Truckee, CA 96161 (the “**MSC-CA**”). Hospital is also the owner and operator of Incline Village Community Hospital located at 880 Alder Street, Incline Village, NV 89451 that is licensed by the State of Nevada as a Rural Hospital and operates various outpatient MultiSpecialty Clinics in Nevada (the “**MSC-NV**” or the “**Incline Village Clinic**”). Unless otherwise specified in this agreement, the term “**MSC**” in this Agreement shall refer collectively to the **MSC-NV** and **MSC-CA** and the term “**Hospital**” shall refer to Tahoe Forest Hospital District and shall include both Tahoe Forest Hospital and Incline Village Community Hospital.

B. Group is a California medical professional corporation that provides medical services through physician(s) licensed to practice medicine in California. Group is experienced in the organization and delivery of services in the medical specialty of Pediatrics (the “**Specialty**”). Medical Group employs or contracts with certain physicians who are licensed to practice medicine in California to provide services under this Agreement (“**Physicians**”), as set forth on **Exhibit C**.

C. Hospital desires to obtain professional Group services in the Specialty for patients of the **MSC** and Hospital.

D. After careful consideration of the quality of Specialty services provided by Group, Hospital has determined that an arrangement with Group for the foregoing services will ensure the availability of Specialty services to **MSC** and Hospital patients.

F. Hospital, acting with the approval of its Board of Directors, desires to engage Group in the foregoing capacities, and Group desires to be so engaged, in accordance with the terms and conditions of this Agreement.

In consideration of the foregoing promises and the mutual covenants in this Agreement, the Parties agree as follows:

AGREEMENT

ARTICLE 1 - PEDIATRIC SERVICES

1.1 Professional Services.

(a) Specialty Services. Group shall provide professional services in the Specialty to MSC patients during the MSC's usual business hours.

(b) Performance Expectations for Specialist Services. Group shall abide by and conform to the Performance Expectations for Specialist Services listed in attached **EXHIBIT B**, which is incorporated herein by reference.

1.2 Qualifications.

(a) Group shall maintain on an unrestricted basis:

- (1) California licensure as a Group;
- (2) Membership in good standing on Hospital's medical staff (the "**Medical Staff**") and appropriate clinical privileges at the MSC in the Specialty;
- (3) Federal Drug Enforcement Administration registration;
- (4) Professional liability insurance as set forth in Section 5.1 (Professional Liability Insurance Coverage);
- (5) Board certification in the Specialty, as determined by the Hospital; and
- (6) Participation in good standing in the Medicare and Medi-Cal programs.

(b) Neither Group nor any individual member of Group listed on Exhibit C, shall not have been: (i) excluded or suspended from participation in any federal or state health care program, including Medicare, Medi-Cal or CHAMPUS/Tricare; (ii) charged or convicted of a criminal offense related to the delivery of health care services or the neglect or abuse of a patient; or (iii) suspended, excluded, debarred, sanctioned, or otherwise ineligible to participate in any other federal program, including the Food and Drug Administration, the National Institutes of Health, the MSC of Defense or the MSC of Veterans Affairs, or any state equivalent.

(c) For the purposes of this Agreement, a "criminal conviction" means" (i) a judgment of conviction that has been entered against Group by a federal, state or local court, regardless of whether there is an appeal pending or whether the judgment of conviction or other record relating to criminal conduct has been expunged; (ii) a finding of guilt against Group that has been accepted by a federal, state or local court; (iii) a plea of *nolo contendere* by Group that has been accepted by a federal state or local court; or (iv) the entering into participation in a first offender, deferred adjudication or other arrangement or program where judgment of conviction has been withheld.

(d) Group and each member of Group as listed on Exhibit C shall notify the MSC Executive Director or designee within twenty-four (24) hours of any material change in status with respect to his or her compliance with Section 1.2 of this Agreement, including, without limitation, the imposition of any integrity

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agreement, consent decree or settlement agreement with any state or federal agency having jurisdiction over Group's practice. Group shall notify Hospital if any malpractice action against Group is pending, settled or reaches judgment. Failing to maintain any of the qualifications set forth in Section 1.2 of this Agreement, shall immediately terminate the Group from providing any services under this Agreement.

(e) Each member of Group as listed on Exhibit C shall participate as a member of the Medical Staff, and shall be subject to all rights and obligations of members under the Medical Staff Bylaws, Rules and Regulations, policies and procedures (hereinafter "**Bylaws**") including those related to peer review, discipline, committee service, continuing medical education ("**CME**") and the performance of other duties consistent with the practice of medicine on the staff of an accredited general acute care hospital. Except as provided in herein Section 4.6(d) (Effect of Expiration or Termination) the Parties agree that the granting and termination of Medical Staff membership and clinical privileges of Group shall be governed solely by the Medical Staff Bylaws then in effect.

1.3 Quality of Service.

Each member of Group as listed on Exhibit C shall perform Specialty Services in accordance with the Hospital Bylaws and the Bylaws as defined in Section 1.2(e) herein. In addition, each member of Group as listed on Exhibit C shall provide Specialty Services in accordance with the ethical and professional standards of the American Medical Association and the California Medical Association, and shall abide by all rules and regulations applicable to the Specialty services provided under this Agreement established by regulatory bodies including, but not limited to, the California Department of Health Services (i.e., CDPH), the Healthcare Facilities Accreditation Program ("**HFAP**"), the United States Department of Health and Human Services and all other governmental laws and authorities relating to licensure and practice of the Specialty in the MSC and hospitals.

1.4 Cooperation.

(a) In providing the Specialty Services required by this Agreement, Group shall cooperate with Hospital, its staff and the members of the Medical Staff to maintain the integrity of the Hospital and to achieve Hospital's mission and operational goals. Group shall provide input to management regarding all aspects of MSC operations to assure high-quality, cost-effective, customer-oriented service. Group shall comply with the Bylaws as defined in Section 1.2(e) herein and Hospital policies and procedures designed to prevent and eliminate disruptive Group conduct.

(b) Group and Hospital agree to cooperate in all reasonable respects necessary to facilitate Hospital's entry into or maintenance of any third-party payor arrangement during the term of this Agreement. Hospital and Group agree to notify one another during the development of contractual arrangements that involve the MSC.

- (1) To enable Hospital and MSC to participate in any third-party payor arrangement, Group shall, not more than ten (10) days following Hospital's or MSC's request:
 - (i) Initiate enrollment as a Group (if required by the third-party payor), separate from Hospital or MSC, with any third-party payor or intermediate organization (including any independent practice association) (each, a "**Managed Care Organization**") designated by Hospital for the provision of professional services to Hospital or MSC patients covered by such Managed Care Organization;

- (ii) Complete all documents as may be reasonably necessary or appropriate to effectuate enrollment;
- (iii) Enter into a written agreement with such Managed Care Organization as may be necessary or appropriate for the provision of professional services to MSC patients covered by such Managed Care Organization; and/or
- (iv) Enter into a written agreement with Hospital regarding global billing, capitation or other payment arrangements as may be necessary or appropriate for the provision of professional services to Hospital patients covered by such Managed Care Organization.

(c) Group and Hospital agree to cooperate in dealing with any and all applicable regulatory agencies that govern the provision of services in the MSC. Except as required or permitted by law, Group agrees not to submit information concerning the MSC to regulatory agencies without first consulting with and providing the Hospital an opportunity to review and comment. Group further agrees to proactively participate and assist in the preparation of any clinical, regulatory, legal or certification surveys or audits required of the MSC.

1.5 Compliance Program and Participation in Quality Improvement & Case Management.

Group has been provided Hospital's Code of Conduct and has received or agrees to receive training with respect to Hospital's Compliance Program and to participate in such program. Group shall support other compliance-related activities of Hospital, whether voluntarily initiated by Hospital or required by any federal, state or local agency, cooperating with compliance investigations, attendance in compliance education and training, and providing certifications of attendance as requested by Hospital. Group agrees to actively participate in and comply with Hospital's policies and procedures that include but are not limited to those governing quality improvement, compliance, utilization review, case management activities and administrative services in order to help facilitate Hospital's provision of quality, cost-effective health care services.

1.6 Nondiscrimination.

Group shall provide services under this Agreement without regard to any individual's race, color, age, creed, sex, national origin, ancestry, marital status, sexual orientation, disability, financial status or participation in any private or governmental payor program or plan.

1.7 Space, Utilities, Services and Supplies.

Group shall use MSC premises solely for the provision of Specialty services as specified in this Agreement. No part of MSC premises shall be used at any time by Group as an office for personal use or to conduct a private practice.

1.8 Equipment.

Hospital shall furnish, replace, repair and maintain such equipment as is necessary for the proper operation and conduct of the MSC in accordance with standards of contemporary practice and quality that prevail in the community, at Hospital's own cost and expense and in accordance with Hospital's standard budget process. Group shall supervise the operation of equipment in the MSC in a proper and safe manner

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and report to Hospital any malfunction or other problem of which he or she learns regarding the use of that equipment. Group shall advise and make recommendations regarding equipment to assure safe, quality patient care.

1.9 Support Staff.

All technical and non-Group personnel required for the proper operation of the MSC (“**Support Staff**”) shall be employed by Hospital, and Group shall have no liability for payment of wages, payroll taxes or other employment-related obligations. Hospital shall be responsible for supervising and directing Support Staff, except that Group shall provide clinical oversight of such Support Staff. Group shall comply with Hospital and MSC policies regarding gifts and supplemental compensation for Hospital employees.

1.10 MSC Review.

Group agrees to participate in and cooperate with a review of the operations of the MSC as requested by Hospital. The review shall encompass all aspects of the MSC’s operations including, without limitation, MSC administration and the efficiency, cost-effectiveness, and quality of services rendered in the MSC. The results of such review shall be kept confidential, except to the Group, the Medical Executive Committee, Hospital Administration and in closed session to the Board of Directors.

1.11 Representations and Warranties by Group. Group represents and warrants that: Group’s license to practice medicine in any state has never been suspended, revoked or restricted; (b) Group has never been reprimanded, sanctioned or disciplined by any licensing board; (c) Group has never been excluded or suspended from participation in, or sanctioned by, any state or federally funded health care program; (d) Group has never been denied membership and/or reappointment to the medical staff of any hospital or health care facility; (e) Group’s medical staff membership or clinical privileges at any hospital or health care facility have never been suspended, limited or revoked for a medical disciplinary cause or reason; and (f) Group has never been charged with or convicted of a felony, a misdemeanor involving fraud, dishonesty, controlled substances, or moral turpitude, or any crime relevant to the provision of medical services or the practice of medicine.

1.12 Review of Office of the Inspector General (“OIG”) Medicare Compliance Bulletins. The OIG issues periodic Medicare compliance alert bulletins. To the extent applicable to Group’s performance under this Agreement, Group shall undertake to review, be familiar with and comply with all applicable requirements of such OIG compliance bulletins.

1.13 Continuing Medical Education. Group shall participate in continuing medical education as necessary to maintain licensure, professional competence and skills commensurate with the standards of the medical community and as otherwise required by the medical profession.

1.14 Compliance with Grant Terms. If this Agreement has been or will be funded with monies received by Hospital pursuant to a contract with the state or federal government or private entity in which Hospital is the grantee, Group shall comply with all the provisions of said contract, and said provisions shall be deemed a part of this Agreement, as though fully set forth herein. Upon request, Hospital shall deliver a copy of any such contract to Group at no cost to Group.

1.15 No Conflicting Obligations. Group represents and warrants that the execution and delivery of this Agreement and the performance of its obligations hereunder do not and will not: (a) present a conflict of

interest or materially interfere with the performance of Group's duties under any other agreement or arrangement; or (b) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice and/or lapse of time, would constitute a default) under, terminate, accelerate the performance required by, or result in a right of termination or acceleration under any of the terms, conditions or provisions of any other agreement, indebtedness, note, bond, indenture, security or pledge agreement, license, franchise, permit, or other instrument or obligation to which Group is a party or by which Group is bound. Group shall immediately inform Hospital of any other agreements to which Group is a party that may present a conflict of interest or materially interfere with performance of Group's duties under this Agreement.

ARTICLE 2 - RELATIONSHIP OF THE PARTIES

2.1 Independent Contractors.

(a) In the performance of Group's work, duties and obligations under this Agreement, it is mutually understood and agreed that Group is at all times acting and performing as an independent contractor, and nothing in this Agreement is intended nor shall be construed to create between Hospital and Group an employer/employee relationship, a joint venture relationship, or a lease or landlord/tenant relationship. Hospital shall neither have nor exercise any control or direction over the methods by which Group shall perform Group's professional responsibilities hereunder. The sole interest and responsibility of Hospital is to assure that the services covered by this Agreement shall be performed and rendered in a competent, efficient and satisfactory manner. The standards of medical practice and professional duties of Group shall be determined by the Medical Staff, and all applicable provisions of law and other rules and regulations of any and all governmental authorities relating to licensure and regulation of Groups and hospitals and to the operation of the MSC shall be fully complied with by all Parties.

(b) Group agrees that he or she shall be personally responsible for any and all taxes payable by Group and that he or she will timely file such tax returns and make such payments thereon as are legally required. There shall be no deductions whatsoever from any of the payments made to Group pursuant to this Agreement, it being agreed and understood that Group shall be and shall remain an independent contractor and all payments made hereunder shall be in the gross amounts set forth herein. It is acknowledged that the Parties shall report on their respective federal and state income tax returns the payments provided for herein as compensation paid or received, as the case may be, for services rendered.

(c) No person performing services for Group pursuant to this Agreement, whether said persons be members, partners, employees, subcontractors or otherwise, shall have any claim against Hospital for compensation, overtime, vacation pay, sick-leave, retirement benefits, Social Security, workers' compensation, disability or unemployment insurance benefits or employee benefits of any kind, and Group shall indemnify Hospital and hold it harmless.

2.2 MSC Scheduling and Standards for Specialty Services

(a) During the term of this Agreement and any extensions thereof, Group shall have the right to provide Specialty Services in the MSC. Hospital shall be responsible for scheduling patients in the MSC. It is the intent of the Parties to promote and enhance the quality of patient care and delivery of Specialty services at the MSC through the establishment of known standards for MSC operations. Accordingly, Group agrees not to participate with any other health system, plan, or in other medical activities except through the MSC unless otherwise agreed upon in writing by the Parties.

(b) Notwithstanding the above paragraph, Group may engage in medico-legal consulting and/or provide expert witness services from time to time, provided that such services are not provided on behalf of a party that is an adverse litigant to Hospital, and provided that such services do not substantially interfere with the Group's obligations under this Agreement.

2.3. Limitation on Control. Hospital shall neither have nor exercise any control or direction over Group's professional medical judgment or the methods by which Group performs professional medical services; provided, however, that Group shall be subject to and shall at all times comply with the protocols and the bylaws, guidelines, policies, rules and regulations applicable to members of Hospital's Medical Staff.

2.5 Practice of Specialty. Group and Hospital acknowledge that Hospital is neither authorized nor qualified to engage in any activity which may be construed or deemed to constitute the practice of medicine. To the extent that any act or service required of, or reserved to, Hospital in this Agreement is construed or deemed to constitute the practice of medicine, the performance of such act or service by Hospital shall be deemed waived or unenforceable, unless this Agreement can be amended to comply with the law, in which case the Parties shall make such amendment.

2.4 Limits on Authority. Neither Group nor his/her agents shall have authority to engage in direct purchasing or otherwise contract for any liability on behalf of Hospital.

2.7 Master List. The Parties acknowledge and agree that this Agreement, together with any other contracts between Hospital and Group, will be included on the Master List of Group contracts maintained by Hospital.

ARTICLE 3 - BILLING AND COMPENSATION

3.1 Rates. Hospital shall determine all rates and charges for goods provided and services rendered to MSC patients pursuant to this Agreement, including fee-for-service rates. Professional fees shall be based on prevailing charges for similar services of Groups comparable to the MSC's Groups in experience, education, location and services.

3.2 Assignment of Fees. Group hereby assigns to Hospital all rights to bill and collect all professional fees from the performance of Specialty services by Group under the terms of this Agreement. Hospital or its agent shall bill and collect the charges for all such Specialty services rendered by Group. Group agrees that all charges and accounts receivable for Specialty services rendered by Group pursuant to this Agreement shall be the sole and exclusive property of Hospital. Group shall cooperate with Hospital in completing promptly any records, reports or claim forms required to be completed in order for Hospital to bill and be reimbursed by patients or third-party payors, and shall also provide any reasonably requested collection assistance.

3.3 Compensation.

(a) For all of Group's Specialty services under this Agreement, Hospital shall pay Group the cash compensation as set forth in **EXHIBIT A "Compensation for Specialty Services."** Exhibit A also sets forth certain other additional terms related to Group's services under this Agreement.

(b) The Parties acknowledge that the compensation for all services under this Agreement has been set in a manner that provides fair market value compensation to Group for Group's Specialty services. The Parties agree that the compensation may not be modified during the initial term period of this Agreement.

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ARTICLE 4 - TERM AND TERMINATION

4.1 Term. This Agreement shall be effective as of the Effective Date, and shall continue thereafter for a **term of eighteen (18) months (“Initial Term”)** unless terminated earlier as provided herein.

4.2 Termination Without Cause. Hospital and Group shall each have the right to terminate this Agreement, without cause, upon giving not less than ninety (90) days’ prior written notice to the other Party.

4.3 Termination For Cause. Hospital shall have the right to terminate this Agreement upon failure of Group to cure a breach of any term hereof which Hospital, at its sole discretion, has given Group an opportunity to cure, within thirty (30) calendar days after written notice of said breach and opportunity to cure.

4.4 Immediate Termination by Hospital. Notwithstanding Sections 4.2 and 4.3, Hospital shall have the right, but not the obligation, to terminate this Agreement immediately upon notice to Group if any of the following events occur:

(a) Group is excluded, suspended, terminated, or otherwise determined to be ineligible from participation in any state or federally funded healthcare program (each, a “**Government Program Exclusion**”);

(b) Any restriction, suspension or revocation of Group’s license to practice medicine in any state, without regard to whether such adverse action has been fully adjudicated;

(c) Any restriction, suspension or revocation of Group’s medical staff privileges at any health care facility, without regard to whether such adverse action had been fully adjudicated;

(d) Any restriction, suspension or revocation of Group’s federal Drug Enforcement Administration (DEA) number, without regard to whether such adverse action had been fully adjudicated;

(e) Group engages in conduct which is reasonably determined by the Hospital or the Medical Staff to be contrary to the Hospital’s policies and procedures or the Bylaws as defined in Section 1.2(e) herein.

(f) Group engages in conduct which is reasonably determined by Hospital to be prejudicial or adverse to the best interest, reputation or welfare of Hospital or its patients;

(g) Group is investigated or convicted of a criminal offense relating to health care, or is investigated or convicted of any felony or any other crime involving moral turpitude or immoral conduct;

(h) The death of Group or the inability of Group to provide services pursuant to this Agreement for a period in excess of thirty (30) days, whether consecutive or not, for any reason other than absence approved in writing by Hospital in advance;

(i) Hospital enters into an agreement for the sale, assignment, lease or other transfer of all or substantially all of Hospital’s assets to another person or entity;

(j) Hospital suffers an appointment of a receiver, custodian, examiner or a trustee for any of its property or assets;

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(k) Failure of Group to comply with the insurance requirements of Section 5.1 of this Agreement.

4.5 Legal Requirements. If either Party's legal counsel advises such party that this Agreement, or any practices which could be, or are, employed by either party in exercising rights or discharging obligations under this Agreement, pose a material risk of violating any of the legal requirements imposed on or otherwise governing the performance of this Agreement, including without limitation any federal or state anti-kickback or Group self-referral laws, regulations, or guidelines, such party shall promptly notify the other party of such advice. The Parties in good faith shall undertake to revise this Agreement to comply with such legal requirements. If the Parties are unable to agree upon the revised terms within sixty (60) days after such notice of advice is received by the other party, then either party may terminate this Agreement immediately upon giving written notice to the other party.

4.6 Effect of Expiration or Termination.

(a) Upon the expiration or termination of this Agreement, neither party shall have any further obligation hereunder except for (i) obligations due and owing which arose prior to the date of expiration or termination and (ii) obligations, promises or covenants contained in this Agreement that expressly extend beyond the term hereof.

(b) Upon the expiration or termination of this Agreement, Group shall promptly deliver and return to Hospital all of Hospital's property, including without limitation all of Hospital's supplies, patient records, and all materials, records and writings of any type (including all copies thereof) in Group's possession, custody or control that constitute Proprietary Information (as defined in Section 6.2(b)) and/or property of Hospital.

(c) Notwithstanding anything in this Agreement to the contrary, in the event of termination of this Agreement effective during the initial twelve (12) months of its term, the Parties shall not enter into the same or substantially the same arrangement during such initial twelve (12) month period; provided, however, the Parties shall not be prohibited from renegotiating this Agreement if, with the advice of legal counsel, the Parties mutually agree that renegotiation is not prohibited by law.

(d) Termination of this Agreement for any reason or for no reason is not subject to and does not entitle Group to any notice, hearing, or appeal rights under the Hospital or Medical Staff Bylaws, rules or Regulation or federal or state law, unless such termination results from an action for which a report is required to be filed under Section 805 of the California Business and Professions Code.

ARTICLE 5 - INSURANCE AND ALLOCATION OF LIABILITY

5.1 Professional Liability Insurance Coverage.

(a) Group shall maintain professional liability coverage covering all services provided under this Agreement in a form acceptable to Hospital with liability limits of not less than One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) aggregate, or such greater amount as may be specified by the Hospital as the minimum professional liability coverage to be maintained by members of the active Medical Staff of Hospital. Hospital shall maintain liability coverage of at least the

same level. Failure of either party to maintain such coverage shall be a material breach of this Agreement. Group shall provide Hospital with certificates evidencing the coverage required under this Section. Each party shall promptly notify the other party of any cancellation, reduction or other material change in the amount or scope of any coverage(s) required under this Section.

(b) If the professional liability coverage procured pursuant to this Section is on a “claims made” rather than “occurrence” basis, Group shall obtain extended reporting malpractice coverage (“tail” coverage) upon the termination or expiration of this Agreement or any amendment, reduction or other material change in the then existing professional liability coverage of Group if such amendment, reduction or other material change will result in a gap in coverage. “Tail” coverage obtained by Group shall have the same liability limits as other coverage required by Section 5.1(a). Group shall provide Hospital with certificates evidencing the “tail” coverage required under this Section and providing for not less than twenty (20) calendar days’ notice to Hospital of the cancellation of such coverage. Group shall promptly notify Hospital of any cancellation, reduction or other material change in the amount or scope of any such “tail” coverage.

5.2 Allocation of Liabilities.

Group and Hospital are each responsible for their own acts and omissions in performing their obligations hereunder and are not responsible for the acts or omissions of the other. Notwithstanding the foregoing sentence, nothing herein shall be construed to preclude a finding of liability on the part of either party to the other, based upon the doctrines of equitable indemnity, comparative negligence, contribution or other common law bases of liability.

ARTICLE 6 - OBLIGATIONS

6.1 Assistance in Litigation.

If requested by Hospital, Group shall make himself or herself available to testify as a witness in the event of litigation, regulatory proceedings, or other types of actions being brought against Hospital, its directors, officers or employees based upon a claim of negligence, during a regulatory investigation, legal cause of action or other proceeding, except where Group is potentially an adverse party. Hospital shall compensate Group for such services at a rate mutually agreed upon in advance between the Parties, provided that such compensation is consistent with the fair market value of such services. If requested by Group, Hospital shall provide similar assistance to Group, except where Hospital is potentially an adverse party. Group shall compensate Hospital for such services at a rate mutually agreed upon in advance between the Parties, provided that such compensation is consistent with the fair market value of such services. Nothing in this clause shall be construed to imply that either party has been paid for their testimony, but rather, only for their time for such services rendered under the circumstances.

6.2 Confidentiality.

(a) This Agreement. The Parties agree that the terms and conditions of this Agreement, including its financial terms, are confidential. Accordingly, each party agrees not to disclose to any other person or entity, any term or condition of this Agreement, or of any other agreement referred to in this Agreement, or of any transaction contemplated by this Agreement, except with the prior written consent of the other party.

(b) Proprietary Information. Each party acknowledges that it and its employees, contractors, representatives and other agents may obtain or have access to proprietary information of the other party,

including patient information, confidential financial, operational, business and planning information, and trade secrets (“**Proprietary Information**”). Each party agrees to keep such Proprietary Information confidential and shall not directly or indirectly disclose such Proprietary Information to a third party, except as required to perform its obligations hereunder, or as required by law, or with the prior written consent of the party to whom the Proprietary Information belongs. The foregoing sentence shall not apply to information: (i) provided to voluntary accreditation agencies, government agencies or third-party payors as required by law or consented to by the affected party; (ii) reasonably required by other health care Groups involved in a particular patient’s case; (iii) which a party can show was known to it prior to disclosure by the other party; or (iv) which is or becomes public knowledge through no fault of the party to whom the disclosure is made. Each party further agrees not to use any Proprietary Information of the other party in a manner adverse to the interests of the party to whom the Proprietary Information belongs and recognizes that party’s right to obtain judicial relief, including injunctive relief and damages, for any violation of this provision.

(c) Medical Records. Group shall, and shall require his or her employees, subcontractors and agents, to comply with and recognize all confidentiality and nondisclosure requirements that apply to Hospital and/or MSC including, but not limited to, the Health Insurance Portability and Accountability Act of 1996 (“**HIPAA**”) (45 C.F.R. Part 160, *et seq.*), the Confidentiality of Alcohol and Drug Abuse Patient Records Regulations (45 C.F.R. Part 2) and the Confidentiality of Medical Information Act (California Civil Code §56, *et seq.*), as amended from time to time.

6.3 Third-Party Payor Documentation.

(a) Group shall cooperate fully with Hospital by maintaining and making available all necessary records, or by executing any agreements, in order to ensure that the Hospital and the MSC will be able to meet all requirements for participation and payment associated with public or private third-party payment programs, including, but not limited to, the Medicare program.

(b) Pursuant to Section 1861(v)(1)(I) of the Social Security Act, until the expiration of four (4) years after termination of this Agreement, Group shall make available, upon written request of the Secretary of the United States MSC of Health and Human Services (the “**Secretary**”) or upon request of the Controller General of the United States General Accounting Office (the “**Controller General**”) or any of their duly authorized representatives, a copy of this Agreement and such books, documents and records as are necessary to certify the nature and extent of the costs of the services provided by Group under this Agreement. If Group carries out any of his or her duties under this Agreement through a subcontract with a value or cost of Ten Thousand Dollars (\$10,000) or more over a twelve (12) month period, such subcontract shall contain a provision that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the subcontractor shall make available, upon written request, to the Secretary, the Controller General or any of their duly authorized representatives, a copy of the subcontract and such books, documents and records as are necessary to verify the nature and extent of the costs of providing the services pursuant to the subcontract.

6.4 Compliance with Laws.

(a) In addition to the obligations of the Parties to comply with applicable federal, state and local laws respecting the conduct of their respective businesses and professions, Hospital and Group each acknowledge that they are subject to certain federal and state laws governing the referral of patients that are in effect or will become effective during the term of this Agreement. These laws include:

- (1) Prohibition on payments for referral or to induce the referral of patients (California Business and Professions Code §650; California Labor Code §3215; and the Medicare/Medicaid Fraud and Abuse Law, § 1128B of the Social Security Act); and
- (2) Prohibition on the referral of patients by a Group for certain designated health care services to an entity with which the Group (or his/her immediate family) has a financial relationship (California Labor Code §§139.3 and 139.31, applicable to referrals for workers' compensation services; California Business and Professions Code §§650.01 and 650.02, applicable to all other patient referrals within California; and § 1877 of the Social Security Act, applicable to referrals of Medicare and Medicaid patients).

(b) Nothing in this Agreement is intended or shall be construed to require either party to violate the California or federal laws described in Section 6.4(a) and, subject to the covenants made by Group under Section 2.1 (Independent Contractors), this Agreement shall not be interpreted to:

- (1) Require Group to make referrals to Hospital, be in a position to make or influence referrals to Hospital, or otherwise generate business for Hospital.
- (2) Restrict Group from establishing staff privileges at, referring any patient to, or from otherwise generating any business for any other entity of Group's choosing.
- (3) Provide for payments in excess of the fair market value or comparable compensation paid to Groups for Specialty services in comparable locations and circumstances.

(c) In the event of any changes in law or regulations implementing or interpreting the California Health Care District Law or the Medicare and Medicaid Patient Protection Act of 1987, including the adoption or amendment of Medicare Fraud and Abuse Safe Harbor Regulations, or to any other federal or state law relating to the subject matter of such Acts, to fraud and abuse, or to payment for patient referral, including the laws referenced in Section 6.4(a), the Parties shall use all reasonable efforts to revise this Agreement to conform and comply with such changes.

6.5 Dispute Resolution.

(a) Informal Resolution Processes. Any questions or disagreements arising under this Agreement regarding the quality of care provided to MSC patients shall be addressed pursuant to the Bylaws. Any other questions or disagreements (other than those regarding quality of care) arising under this Agreement, including any questions concerning the interpretation of this Agreement, shall be submitted to Hospital's Chief Executive Officer. If the dispute cannot be resolved by the Chief Executive Officer within ninety (90) days of submission, either party may submit the resolution to arbitration pursuant to Section 6.5(b).

(b) Arbitration. With the exception of disputes regarding the quality of care, which shall be resolved according to the provisions of Section 6.5(a), all disputes relating to, arising out of or in connection with the validity, interpretation or performance of this Agreement, including tort claims, shall be resolved by arbitration. The arbitration will proceed in accordance with the commercial rules of arbitration of the American Arbitration Association, as supplemented or modified by this Agreement. Written notice of a claim and demand for arbitration must be given to the other party (the "**Respondent**") not more than one hundred and twenty (120) days after the date of (i) the events giving rise to the claim occur or (ii) the date the claim is

discovered. Response to the demand for arbitration shall be due not later than twenty (20) days after receipt of notice. The claim will be deemed denied if Respondent does not answer the demand within that time period. Not more than twenty (20) days after Respondent answers the demand (or if there is no answer, after the time for answer has elapsed) (the “**Answer Date**”), the Parties shall select a single neutral arbitrator. If the Parties cannot agree upon such arbitrator within twenty (20) days of the Answer Date, then each party shall choose an arbitrator and the two arbitrators together shall select a third arbitrator (the “**Arbitrators**”) and the matter shall be arbitrated by the panel of three Arbitrators. If the two Arbitrators are unable to agree upon a third Arbitrator prior to the thirtieth (30th) day after the Answer Date, then either party may request the American Arbitration Association to select the third Arbitrator. Any Arbitrator selected under this Section shall be a person with business, financial or legal experience in the health care industry of at least five (5) years, who is generally familiar with the issues in dispute. The arbitration shall take place in Truckee, California, or another location mutually agreed upon by the Parties. The Arbitrator(s) may construe or interpret but shall not ignore the terms of this Agreement and shall be bound by California substantive law. The arbitration decision shall include written findings of fact and conclusions of law. The arbitration decision may include equitable relief, but may not include punitive or exemplary damages. The Arbitrator(s) shall not have the power to commit errors of law or legal reasoning and the Arbitrator’s(s’) decision may be vacated or corrected pursuant to California Code of Civil Procedure Sections 1286.2 or 1286.6 for any such error. The prevailing party, as determined by the Arbitrator(s), shall be entitled to reasonable attorneys’ fees and costs. In cases submitted to arbitration, the Parties agree to share equally in the administrative fee, if any, unless otherwise assessed against the non-prevailing party by the Arbitrator(s). The Parties agree that the decision of the Arbitrator(s) shall be final and binding as to each of them, and that the arbitration award may be enforced in any court having jurisdiction thereof, by the filing of a petition to enforce said award.

6.6 Disclosure of Conflicts of Interest. Group agrees to adhere to Hospital’s conflicts of interest policy, as from time to time in effect, and to disclose to Hospital any matter or transaction in which Group is involved that conflicts with the interest of Hospital in Group’s satisfactory performance of Specialty services under this Agreement.

6.7 Assignment and Delegation. Notwithstanding any other provisions of this Agreement, Group shall neither assign rights nor delegate duties under this Agreement without first obtaining Hospital’s written consent. Any attempt at assignment or delegation without Hospital’s prior written consent shall be void. Hospital’s consent to one assignment or delegation shall not be consent to any subsequent assignment or delegation.

6.8 Tax-Exempt Financing. If Hospital intends to seek tax-exempt financing, Hospital and Group shall negotiate in good faith to amend this Agreement to the extent deemed necessary by bond counsel involved in that financing. If Hospital and Group do not agree to the terms of such an amendment, Hospital may terminate this Agreement pursuant to Section 4.2(d) [Termination without cause.]

ARTICLE 7- MISCELLANEOUS PROVISIONS

7.1 No Third Party Beneficiary Rights. The Parties do not intend to confer and this Agreement shall not be construed to confer any rights or benefits to any person, firm, group, corporation or entity other than the Parties.

7.2 Representations. Each party represents with respect to itself that: (a) no representation or promise not expressly contained in this Agreement has been made by any other party or by any Parties’ agents, employees, representatives or attorneys; (b) this Agreement is not being entered into on the basis of, or in

reliance on, any promise or representation, expressed or implied, other than such as are set forth expressly in this Agreement; and (c) party has been represented by legal counsel of party's own choice or has elected not to be represented by legal counsel in this matter.

7.3 Statutes and Regulations. Any reference in this Agreement to any statute, regulation, ruling, or administrative order or decree shall include, and be a reference to any successor statute, regulation, ruling, or administrative order or decree.

7.4 Notice. Written notice required under this Agreement shall be given personally or sent by United States certified mail, return receipt requested, or by private overnight mail service, postage prepaid, and addressed to the Parties at addresses shown with their signatures (or such other address as may hereafter be designated by a party by written notice thereof to the other party). Such notice shall be effective upon delivery, if given personally, or if mailed as provided for above such notice shall be effective upon the date shown on the delivery receipt.

7.5 Governing Law. This Agreement shall be construed in accordance with the laws of the State of California.

7.6 Venue. The venue for any judicial proceeding arising under this Agreement shall be Nevada County, California.

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

7.8 Captions. Any captions to or headings of the articles, sections, subsections, paragraphs or subparagraphs of this Agreement are solely for the convenience of the Parties, are not a part of this Agreement, and shall not be used for the interpretation or determination of validity of this Agreement or any provision hereof.

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

7.10 Waiver of Provision(s). The failure of a party to insist upon strict adherence to or performance of any provision of this Agreement on any occasion shall not be considered a waiver nor shall it deprive that party of the right thereafter to enforce performance of or adherence to that provision or any other provision of this Agreement. Any waiver of any terms and conditions hereof must be in writing, and signed by the Parties.

7.11 Force Majeure. Neither party shall be liable nor deemed to be in default for any delay or failure in performance under the Agreement or other interruption of service or employment deemed resulting, directly or indirectly, from: Acts of God; acts of civil or military authority; acts of public enemy; war; accidents; fires; explosions; earthquakes; floods; failure of transportation, machinery or supplies; vandalism; strikes or other work interruptions by Hospital's employees; or any similar or dissimilar cause beyond the reasonable control of either party. Both Parties shall, however, make good faith efforts to perform under this Agreement in the event of any such circumstance.

7.12 Gender and Number. Whenever the context hereof requires, the gender of all words shall include the masculine, feminine, and neuter, and the number of all words shall include the singular and plural.

MSC-PSA North Lake Pediatrics Medical Group Jan 2015 14 Initials of Group: __ Initials of Hospital: __

7.13 Facilitation. Each party agrees promptly to perform any further acts and to execute, acknowledge and deliver any documents which may be reasonably necessary to carry out the provisions of this Agreement or affect its purposes.

7.14 Entire Agreement; Amendment. This Agreement, together with all exhibits, schedules and attachments, constitutes the entire agreement between the Parties, and shall supersede all other agreements, written or oral by the Parties. There are no representations or warranties by either party that are not set forth herein. This Agreement may be modified only by a written agreement executed by the Parties.

7.15 Successors and Assigns. Subject to the provisions contained in this Agreement on assignment, this Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns.

7.16 Legal Counsel. Each party understands that this Agreement gives rise to certain tax implications and is subject to Medicare and Medi-Cal laws (including laws relating to reimbursement, fraud and abuse and referral of patients). Each party understands the advisability of seeking legal counsel and/or accountants to review the Agreement, and has exercised its own judgment in this regard.

7.17 Facsimile / Electronic signature: Signatures submitted via facsimile or electronic means shall be deemed original signatures of the parties and are valid and binding upon the parties. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

[Signature Page Follows]

EXECUTED at Truckee, California:

HOSPITAL:

TAHOE FOREST HOSPITAL DISTRICT

By: _____

Name: _____

Title: _____

Date: _____

GROUP:

NORTH LAKE PEDIATRICS MEDICAL GROUP, INC.

By: _____

Christopher Arth, MD Date: _____

By: _____

Deborah A. Brown, MD Date: _____

Address for Notice to Hospital:

Tahoe Forest Hospital

10121 Pine Avenue

P.O. Box 759

Truckee, California 96160

Attention: Chief Executive Officer

Phone: (530) 587-6011

Fax: (530) 587-2532

Address for Notices for Group:

North Lake Pediatrics Medical Group

10956 Donner Pass Road, Suite 130

Truckee, CA 96161

Phone: (530) 587-3523

Fax: _____

Attached Exhibits

A - Compensation for Specialty Services; B - Performance Expectations for Specialty Services

C - Names of members of North Lake Pediatrics Medical Group

North Lake Pediatrics Medical Group, Inc.

EXHIBIT A – COMPENSATION FOR SPECIALTY SERVICES

(From Agreement Section 3.3)

1. **Compensation.** Base compensation shall be calculated based on an annual amount of \$186,814 per physician for annual production up to 3,570 Work Relative Value Units (“WRVUs”) per physician, defined as the WRVU Production Target. For annual WRVUs in excess of 3,570 per physician, additional compensation will be paid at a rate of \$43.09 per WRVU. Both the base compensation and the WRVU Production Target are 12 month figures and shall be prorated to reflect the actual duration of the contract

2. **WRVU calculation.** WRVUs shall be calculated based upon 2014 WRVU values as published by the Centers for Medicare and Medicaid Services (CMS). Adjustments shall be made to the actual number of WRVUs generated from clinical services as follows:
 - a. **Extender supervision.** In the event that Medical Group is assigned responsibility for the supervision of one or more physician extenders, Medical Group shall receive a WRVU credit equal to 21.25 WRVUs per month per FTE supervised in the Pediatrics or Incline Village Clinic. In the event that supervision is shared between Medical Group and other physician(s) and/or if the extender is working less than full-time, the WRVU credit will be prorated accordingly.
 - b. **Incline Village Clinic credit.** In the event that one or more of the physicians within the Medical Group is assigned to work in the Incline Village Clinic, Medical Group shall be credited with the greater of the actual WRVUs generated or 23.06 WRVUs per shift worked. For the purpose of this credit, a shift shall be defined as an 8-hour workday, with a minimum of 6 hours of available patient appointment times. If the actual hours worked and available in Incline during any shift are less, the credit shall be prorated accordingly. No additional credit shall be awarded for workdays that may exceed the above figures.

3. **Reimbursed Expenses.** Hospital agrees to reimburse Medical Group for the following expenses for each physician member. In the event that an allowable expense was paid directly by one of the individual physician members of the Medical Group, Hospital may reimburse that physician for the expense incurred rather than reimbursing the Medical Group. If any physician member of the Medical group is regularly scheduled to work less than the 4 days per week expected of a full-time physician for all or part of the year,

the maximum reimbursement for each category for that physician will be prorated based on the physician's full time equivalent (FTE) status.

- a. Medical License (California and, if working in the Incline Village Clinic, Nevada)
 - b. DEA registration
 - c. CMEs, related reasonable travel, lodging and meals, and professional dues up to a combined maximum of \$4,200 per year
 - d. A maximum of two professional journal subscriptions per year (to utilize Medical library first).
4. **Meaningful Use Incentive Payments**. Hospital is seeking to achieve "meaningful use" of electronic health records, as that term is defined under the American Recovery and Reinvestment Act of 2009 ("ARRA") and its accompanying regulations, rules and guidance, and qualify for related incentive funding from Medicaid ("**Medicaid Incentive Payments**"). In consideration for Hospital's provision of electronic health record technology, Medical Group and each of its physician members ("**Group and Members**") hereby assigns to Hospital all rights to apply for and collect Medicaid Incentive Payments on behalf of Group and Members, and Medical Group agrees that all such Incentive Payments received by Group and Members pursuant to this Agreement shall be the sole and exclusive property of Hospital. To the extent that Hospital is in receipt of Medicaid Incentive Payments directly attributable to the satisfaction of applicable meaningful use standards by Group and Members, Hospital shall pay to Group twenty percent (20%) of such Medicaid Incentive Payments.
5. **Payment terms**. Base compensation covering the period from the 16th of the preceding month through the 15th of the current month shall be paid monthly on the 16th day of the month or preceding business day when regular payment dates fall on a weekend or holiday. Production-based incentive compensation shall be calculated following each June 30 fiscal year end. The first settlement shall be for services rendered January 1, 2015 through June 30, 2015, and the second settlement shall be for services rendered July 1, 2015 – June 30, 2016. Payment of production-based incentives shall be made within 120 days of fiscal year end.

EXHIBIT B

PERFORMANCE EXPECTATIONS FOR SPECIALTY SERVICES

To allow for appropriate planning and definition of shared expectations regarding Group's practice, and to promote the operation of a successful medical practice by Group in the Hospital's service area (the "Service Area"), Group and Hospital agree that Group's regular schedule shall be subject to the specific requirements set forth below.

1. **Requirements Relating to Practice.**

(a) **Weeks Worked/Time Off.** All time away from practice for vacation, CME, holidays for which Group has no "on-call" responsibilities, and other leave shall be coordinated with the MSC's Executive Director or designee and other Groups (through interaction with the MSC's Executive Director or designee or Hospital's Medical Staff office) as required by Hospital and/or Medical Staff policies and procedures, and as consistent with appropriate patient care. Group will refrain from taking time away from the practice in excess of such related data in the current publication of the MGMA Group Compensation and Production Survey, as prorated in accordance with Group's full-time equivalent ("FTE") status. For example, if Group works on a part-time, 0.5 FTE basis, then such MGMA standards shall be multiplied by 50% when applied to Group.

(b) **MSC and Hospital Service Schedule.** Group will maintain a regular schedule for the provision of professional services in the MSC and Hospital, including the Incline Village Services if applicable, for no less than four (4) days per week for a 1.0 FTE Group (applied on a pro rata basis to part-time Groups) on an agreed upon schedule to be determined by Hospital through the MSC's Executive Director or designee and Group; provided that the parties may agree that Group may furnish clinical services at locations (*e.g.*, outreach sites, institutions or otherwise) other than the MSC. The MSC Executive Director or designee shall interact with Group to determine appropriate times during which Group shall be expected to be available to see patients and provide out-patient clinic, hospital, and surgical services, as appropriate for the Specialty and as required to meet reasonable patient service needs.

(c) **Group Availability.** If Group is paid a base compensation amount pursuant to Exhibit A, and fails to achieve at least 90% of the prorated WRVU target specified in Exhibit A for any quarterly period during the term of the Agreement, Group may be reviewed by the MSC's Executive Director or designee, together with the Medical Director of the MSC who shall select another Group to review the adequacy of Group's availability to patients; these three (3) individuals ("Reviewers") shall review Group's average weekly hours of scheduled clinical availability and number of weeks worked against community and/or specialty-specific industry norms (pro-rated to Group's FTE status), along with reported incidents in which patients have been unable to obtain requested services in the MSC or inpatient/surgical setting due to Group-imposed restrictions on availability or schedule cancellation. If the majority of the Reviewers determine that Group has failed to provide reasonable availability to patients, then Group's base compensation as set forth in Exhibit A shall cease for the remainder of the current term of the Agreement; such action is solely contractual in nature pursuant to this Agreement and does not constitute disciplinary action or a restriction under the Medical Staff bylaws nor does it entitle Group to a hearing under the Medical

Staff bylaws. For the remainder of such term, Group shall be compensated at the rate per WRVU specified in Exhibit A, adjusted for malpractice and benefits in accordance with the MSC's standard formula for production-based Groups.

(d) Inpatient Care. Group will provide professional services to Hospital inpatients as required.

(e) Call Coverage. If Hospital's Medical Staff and Hospital determine that call coverage is needed in Group's specialty, Group will participate in call coverage and "on-call" responsibilities on nights, weekends and holidays in accordance with the regular call schedule and requirements developed by the Hospital's Medical Staff Office and the Group and as set forth in a separate On Call Coverage Agreement between the Hospital and Group (or the medical group of which Group is a member) (the "**On Call Coverage Agreement**").

(f) Open Practice. Group will maintain an open practice in which Group does not refuse to accept new patients (provided that a practice may be allowed to be closed to new patients after discussion with and written approval of Hospital). Nothing in the foregoing shall require Group to accept any individual patient whose documented medical needs fall outside the scope of Group's Specialty.

(g) Patient Satisfaction. Group's patient satisfaction ratings as they relate directly to the Group's services and performance under this Agreement, shall be evaluated using the Quest method (or comparable method as determined by Hospital), and shall meet minimum patient satisfaction levels as established by Hospital. In the event Group fails to maintain the minimum required patient satisfaction level, Hospital may terminate this Agreement for cause with respect to a Group in accordance with Section 4.3 of this Agreement.

2. Other Requirements. Group shall also comply with the following performance requirements:

(a) Dictation/Medical Record Completion. Groups will complete all MSC medical record entries in a time and manner as directed by the MSC Executive Director or designee. Group shall complete all Hospital medical records pursuant to applicable Hospital Medical Staff bylaws, rules, regulations, policies and procedures. Should a Group delay in completing medical records, Hospital may withhold Group's compensation until the records are complete. If a Group fails to complete medical record entries for services provided pursuant to this Agreement in a timely fashion and Hospital fails to obtain full reimbursement as a result of such delay in documentation, then the WRVUs for such services shall not be counted in the calculation of Group's compensation under the formula set forth in Exhibit A.

(b) Coding. Group is required to participate in Current Procedural Terminology ("CPT") coding training sessions conducted by Hospital. Hospital will make coding experts available to answer Group's coding questions. If Group fails to properly code services provided pursuant to this Agreement and Hospital fails to obtain full reimbursement as a result of such improper coding, then the WRVUs for such services shall be adjusted to those (i) accepted for

reimbursement by the applicable payer and (ii) that correspond to the correct code for purposes of calculating Group's compensation under the formula set forth in Exhibit A.

(c) Practice Performance. Groups shall meet periodically with MSC representatives to review the financial and other performance of Group's practice, to include assessment of practice growth, scheduling, coding, medical records completion and other factors. In addition, Group shall meet with a Hospital compliance representative and/or an individual who is a certified coder as directed by the MSC's Executive Director or designee, to review HIPAA, coding, documentation and related issues.

(d) Practice Support and Assistance. Groups shall serve as active participants on Hospital committees in accordance with the Bylaws of the Hospital and its Medical Staff and shall reasonably assist in recruiting activities. Group shall also assist as may be reasonably requested by Hospital in developing, reviewing and implementing revisions to Hospital's quality assurance, quality improvement, case management and related programs and in connection with Group's practice.

(e) Patient Termination. Group may not terminate patients from Group's practice without the prior consultation and acceptance of the Hospital. Any request to terminate a patient shall be in writing and delivered to the Hospital Risk Manager and MSC Director for final decision, and Group shall be obligated to comply with such final decision.

(f) Compliance. Group shall comply with all Hospital compliance policies. Group shall immediately report to Hospital's Compliance Officer any Medicare or Medicaid, governmental, credentialing or other inquiries from third parties relating to compliance matters.

(g) Absence from Practice. Group shall provide MSC Director with not less than 60 days' advance notice of any expected absence for a period of ten days or more, and no less than 30 days' notice of other expected absences. Group shall immediately notify MSC Director or representative of any illness, emergency or other cause giving rise to unexpected absence or inability to perform medical services or other services under this Agreement.

(h) MSC Group Meetings. Group shall attend at least fifty percent (50%) of the quarterly MSC Group Meetings. Hospital shall impose a fine of Five Hundred Dollars (\$500) for each MSC Group Meeting missed by Group commencing with the third missed meeting, and any such fines shall be deducted from Hospital's payment of year-end WRVU-based bonus compensation under this Agreement. This clause shall not be applicable to any Group who works less than two (2) full days per week in the MSC.

EXHIBIT C – Names of members of the North Tahoe Pediatrics Medical Group

Christopher Arth, MD

Deborah A. Brown, MD

Else Uglum, MD

Oleg Vayner, MD

CONTRACT ROUTING FORM

Email Completed Form to Executive Assistant (pbarrett@tfhd.com) for Processing and Compliance Review

NEW CONTRACT <input checked="" type="checkbox"/> AMENDMENT <input type="checkbox"/> RENEWAL <input type="checkbox"/> EXTENSION <input type="checkbox"/> BAA <input type="checkbox"/>	
ORIGINATING DEPARTMENT: Multi Specialty Clinic (MSC)	CONTACT PERSON: Tim Garcia-Jay, Executive Director of Clinics PHONE: 530-582-6474
RESPONSIBLE ADMINISTRATIVE COUNCIL (AC): CEO <input type="checkbox"/> CFO <input type="checkbox"/> COO <input checked="" type="checkbox"/> CNO <input type="checkbox"/> CIO <input type="checkbox"/> IVCH <input type="checkbox"/>	
REQUIRES BOARD GOVERNANCE COMMITTEE REVIEW? NO <input type="checkbox"/> YES <input checked="" type="checkbox"/> MEETING DATE: Straight to Board COMMITTEE RECOMMENDS: Pending	
TYPE OF CONTRACT:	
Physician Professional Service Agreement (P-PSA) <input checked="" type="checkbox"/> Type: Internal Medicine, Hospitalist and Cardiology PSA MSC	
Physician Medical Director Agreement (MDA) <input type="checkbox"/> Type: _____	
Vendor Professional Service Agreement (V-PSA) <input type="checkbox"/> Type: _____	
Other _____ <input type="checkbox"/> Type: _____	
❖ Business Associated Agreement Required? YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>	
CONTRACTOR/VENDOR DETAILS: <i>If needed, additional instructions and information may be provided on Page 2</i>	
LEGAL NAME OF CONTRACTOR/ VENDOR: Joshua Scholnick, MD	
Purpose of the Contract/Alternatives: Provide Internal Medicine and Cardiology services to the community through the Multi-Specialty Clinics. Continue to provide hospitalist services through a rotation of local physicians practicing in the community. Alternative: Discontinue Joshua Scholnick, M.D.'s Professional Services Agreement and reduce or eliminate the availability of Internal Medicine and Cardiology services in the local community, utilize an outside hospitalist service to care for inpatients, and transfer patients needing cardiology consultations to Reno when the other cardiologist is unavailable.	
Scope of the Contract: Dr. Joshua Scholnick shall provide physician professional services in the specialties of Internal Medicine and Cardiology in the MSC's Internal Medicine / Cardiology and Incline Village clinics. Dr. Scholnick will also perform related cardiology procedures and interpretations at Tahoe Forest Hospital. In addition, Dr. Scholnick will provide hospitalist services to Tahoe Forest Hospital, and may periodically provide cardiology consults.	
DATES OF CONTRACT:	EFFECTIVE DATE: 1/1/2015 END DATE: 6/30/2016
Version History:	Original Effective date: 7/1/2011 Renewal Dates: Amendment Dates: 7/1/12, 7/1/13, 8/1/13, 10/1/13, 7/1/14
PHYSICIAN CONTRACTS: FOR STARK LAW COMPLIANCE, THE TERMS OF THIS CONTRACT CANNOT CHANGE FOR 1 YEAR	
Compensation Structure: <i>Include "other comp" (i.e. education, phone stipend, etc.)</i> Annual base compensation shall be \$293,498 for up to 4,456 WRVUs with WRVUs calculated based upon 2014 WRVU values. For annual RVUs in excess of 4,456, additional compensation will be paid at a rate of \$55.99 per WRVU. Additional compensation shall be paid for each 12-hour hospitalist shift (\$990 non-holiday PM, \$1,470 holiday PM, \$30 plus 29.04 WRVUs non-holiday AM and \$2,190 holiday AM), with a potential bonus of up to 5% on the total hospitalist compensation including monetized value of the WRVUs, a specialty hospital consult activation fee of \$550 per 24 hours, a pro rata share of the meaningful use incentive pool (total pool = 20% of incentive received by hospital), and up to an estimated \$5,863 annually in reimbursed expenses.	
Contract Term: <i>(anything other than Net 30 requires AC approval)</i> Base comp pd semi-monthly (16th and EOM); Hospitalist comp pd monthly (30 days > EOM); Incentive comp pd annually (120 days > FYE).	
Total Cost of Contract:	Total cost over 18 months is projected to be \$623,080.
Compensation Audit Process:	See Policies AGOV-10 and ABD-21
Is Cost of Contract Budgeted?	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
If NOT budgeted or exceeds budgeted amount, identify the offset:	Current terms of contracts have been budgeted. Increases to base compensation taking effect in January will result in a budget variance.
TFHS Primary Responsible Party:	Tim Garcia-Jay, Executive Director of Clinics
TFHS Secondary Responsible Party:	Virginia Razo, COO

ORIGINATING DEPARTMENT: Multi Specialty Clinic (MSC)	CONTACT PERSON: <u>Tim Garcia-Jay, Executive Director of Clinics</u> Phone: 530-582-6474
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LEGAL NAME OF CONTRACTOR/ VENDOR: Joshua Scholnick, MD

REQUIRED COMPLIANCE INFORMATION	
Commercially Reasonable Verified Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/> Fair Market Value Verified Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/>	Compliance Officer Signature: 

CONTRACTOR INFORMATION	
Contractor Representative Name:	Joshua Scholnick, MD
Mailing Address:	10301 Kimque Ct, Truckee, CA 96161
Telephone and Fax Number:	Phone: 206-390-5444 Fax: NA
Email Address of Contact:	
Accounts Receivable Representative:	

REQUIRED FINANCIAL INFORMATION
W-9 and Certificates of Insurance Must Be Submitted with any Contract

ADDITIONAL INFORMATION
<p>Amendment dated July 1, 2014 will expire on December 31, 2014 Management is recommending an 18 month term.</p> <p>ECG has provided us with a fair market value range for FY 14. We have requested projected inflation factors by specialty to apply to the FY 14 fair market values, so that they may be compared to our FY 16 contract projections. ECG has committed to providing this information prior to the board meeting. Management will provide an update of those figures at the board meeting."</p>

Reference:
Policy ABD – 21 Physician and Professional Service Agreements
Policy AGOV – 10 Contract Review Policy
Policy AFIN – 03 Accounts Payable Policy

*W-9s are required for any contract on which we are making payments.
Certificates of Insurance are required for any contract in which any service is being provided.*

THIS SECTION FOR CONTRACTS COORDINATOR USE ONLY:	
W-9 Received? Yes: <input type="checkbox"/> No: <input type="checkbox"/>	Certificate of Insurance Received? Yes: <input type="checkbox"/> No: <input type="checkbox"/>
New Vendor information Sent to Accounts Payable? Yes: <input type="checkbox"/> No: <input type="checkbox"/>	<i>Email a copy of Section D (page 2) of the completed Routing Form to A/P. This is required for A/P to process their payments.</i>

Contracts Review:	_____	_____
Date	Initials	
CFO Review:	_____	_____
Date	Initials	

BOARD ACTION: _____	MEETING DATE: _____
Out for TFHD Signature: _____	Date: _____
Out for Vendor Signature: _____	Date: _____
Uploaded to Contracts System: _____	Date: _____
CONTRACT #: _____	Document Reference: _____
(i.e. 10001)	(i.e. #####.C)
	Trigger dates set: YES <input type="checkbox"/> NO <input type="checkbox"/>

TAHOE FOREST HOSPITAL DISTRICT
PROFESSIONAL SERVICES AGREEMENT – MULTISPECIALTY CLINIC AND
HOSPITALIST SERVICES

This Agreement is made and entered into as of January 1, 2015 (the “**Effective Date**”) by and between TAHOE FOREST HOSPITAL DISTRICT, a California Hospital District organized and operating under the California Health Care District Law and doing business as Tahoe Forest Hospital (“**Hospital**”) and Joshua Scholnick, M.D., an individual (“**Physician**”), (collectively the “**Parties**”) with reference to the following facts:

RECITALS

A. Hospital is the owner and operator of Tahoe Forest Hospital District that is licensed by the State of California to operate as a general acute care hospital (Tahoe Forest Hospital) located at 10121 Pine Avenue, Truckee, California 96161-4835 and other approved outpatient services including various MultiSpecialty Clinics in California (the “**MSC-CA**”). Hospital is also the owner and operator of Incline Village Community Hospital located at 880 Alder Street, Incline Village, NV 89451 that is licensed by the State of Nevada as a Rural Hospital and operates various outpatient MultiSpecialty Clinics in Nevada (the “**MSC – NV**” or “**Incline Village Clinic**”). Unless otherwise specified in this agreement, the term “**MSC**” in this Agreement shall refer collectively to the MSC-NV and MSC-CA and the term “**Hospital**” shall refer to Tahoe Forest Hospital District and shall include both Tahoe Forest Hospital and Incline Village Community Hospital.

B. Physician is licensed to practice medicine in the State of California, and if requested by Hospital has obtained licensure to practice medicine in the State of Nevada. Physician is qualified to practice the medical specialty of Internal Medicine and Cardiology (the “**Specialty**” or “**Specialties**”) and is experienced in the organization and delivery of Specialty services.

C. Hospital desires to obtain professional physician services in the Specialty for patients of the MSC and Hospital.

D. Hospital also desires to have Hospitalist services provided by Physician to Hospital patients (“**Hospitalist Services**”).

E. After careful consideration of the quality of Specialty services and Hospitalist Services provided by Physician, Hospital has determined that an arrangement with Physician for the foregoing services will ensure the availability of Specialty and Hospitalist services to MSC and Hospital patients.

F. Hospital, acting with the approval of its Board of Directors, desires to engage Physician in the foregoing capacities, and Physician desires to be so engaged, in accordance with the terms and conditions of this Agreement.

In consideration of the foregoing promises and the mutual covenants in this Agreement, the Parties agree as follows:

AGREEMENT

ARTICLE 1 - SERVICES

1.1 Professional Services.

(a) Specialty Services. Physician shall provide professional services in the Specialty to patients of the MSC during the MSC's usual business hours and to Hospital patients from time to time. Specialty Services may only be performed at the MSC or the Hospital by a physician who is approved by Hospital and who meets all of the qualifications of Section 1.2 (Qualifications) below.

(b) Performance Expectations for Specialist Services. Physician shall abide by and conform to the Performance Expectations for Specialist Services listed in attached EXHIBIT B, which is incorporated herein by reference.

(c) Hospitalist Services. Physician shall provide Hospitalist Services to Hospital patients, in accordance with a schedule mutually agreed upon by Hospital and Physician, in accordance with Hospital's general five-week hospitalist shift rotation based on 70 shifts. The specific Hospitalist Services and duties to be performed by Physician are set forth in EXHIBIT D, which is attached and incorporated into this Agreement. Quality Metrics associated with the performance of those duties are set forth in EXHIBIT E, which is attached and incorporated into this Agreement.

1.2 Qualifications.

(a) Physician shall maintain on an unrestricted basis:

- (1) California licensure as a physician. Physician also agrees to use reasonable efforts to pursue Nevada licensure if requested by Hospital;
- (2) Membership in good standing on Hospital's medical staff (the "Medical Staff") and appropriate clinical privileges in the Specialty at the Hospital and in the MSC;
- (3) Federal Drug Enforcement Administration registration;
- (4) Professional liability insurance as set forth in Section 5.1 (Professional Liability Insurance Coverage);
- (5) Board certification in the Specialty, as determined by the Hospital; and
- (6) Participation in good standing in the Medicare and Medi-Cal programs.

(b) Physician shall not have been: (i) excluded or suspended from participation in any federal or state health care program, including Medicare, Medi-Cal or CHAMPUS/Tricare; (ii) charged or convicted of a criminal offense related to the delivery of health care services or the neglect or abuse of a patient; or (iii) suspended, excluded, debarred, sanctioned, or otherwise ineligible to participate in any other federal program, including the Food and Drug Administration, the National Institutes of Health, the MSC of Defense or the MSC of Veterans Affairs, or any state equivalent.

(c) For the purposes of this Agreement, a “criminal conviction” means” (i) a judgment of conviction that has been entered against Physician by a federal, state or local court, regardless of whether there is an appeal pending or whether the judgment of conviction or other record relating to criminal conduct has been expunged; (ii) a finding of guilt against Physician that has been accepted by a federal, state or local court; (iii) a plea of *nolo contendere* by Physician that has been accepted by a federal state or local court; or (iv) the entering into participation in a first offender, deferred adjudication or other arrangement or program where judgment of conviction has been withheld.

(d) Physician shall notify Hospital and MSC within twenty-four (24) hours of any material change in status with respect to his or her compliance with Section 1.2 of this Agreement, including, without limitation, the imposition of any integrity agreement, consent decree or settlement agreement with any state or federal agency having jurisdiction over Physician’s practice. Physician shall notify Hospital if any malpractice action against Physician is pending, settled or reaches judgment. Failing to maintain any of the qualifications set forth in Section 1.2 of this Agreement, shall immediately terminate the Physician from providing any services under this Agreement.

(e) Physician shall participate as a member of the Medical Staff, and shall be subject to all rights and obligations of members under the Medical Staff Bylaws, Rules and Regulations, policies and procedures (hereinafter “**Bylaws**”) including those related to peer review, discipline, committee service, continuing medical education (“**CME**”) and the performance of other duties consistent with the practice of medicine on the staff of an accredited general acute care hospital. Except as provided in herein Section 4.6(d) (Effect of Expiration or Termination) the Parties agree that the granting and termination of Medical Staff membership and clinical privileges of Physician shall be governed solely by the Medical Staff Bylaws then in effect.

1.3 Quality of Service.

Physician shall perform Specialty Services and Hospitalist Services in accordance with the Hospital Bylaws and the Bylaws as defined in Section 1.2(e) herein. In addition, Physician shall provide Specialty Services and Hospitalist Services in accordance with the ethical and professional standards of the American Medical Association and the applicable state Medical Association, and shall abide by all rules and regulations applicable to the services provided under this Agreement established by regulatory bodies including, but not limited to, the applicable state Department of Health Services (i.e., CDPH), the American Osteopathic Association’s Bureau of Healthcare Facilities Accreditation Program (“HFAP”), the United States Department of Health and Human Services and all other governmental laws and authorities relating to licensure and practice of the Specialty in the MSC and the provision of Hospitalist Services in hospitals.

1.4 Cooperation.

(a) In providing the Specialty Services and Hospitalist Services required by this Agreement, Physician shall cooperate with Hospital, its staff and the members of the Medical Staff to maintain the integrity of the MSC and Hospital and to achieve Hospital’s mission and operational goals. Physician shall provide input to management regarding all aspects of MSC operations to assure high-quality, cost-effective, customer-oriented service. Physician shall comply with the Bylaws as defined in Section 1.2(e) herein and Hospital policies and procedures designed to prevent and eliminate disruptive physician conduct.

(b) Physician and Hospital agree to cooperate in all reasonable respects necessary to facilitate Hospital’s entry into or maintenance of any third-party payor arrangement during the term of this Agreement.

Hospital and Physician agree to notify one another during the development of contractual arrangements that involve the MSC.

- (1) To enable Hospital and MSC to participate in any third-party payor arrangement, Physician shall, not more than ten (10) days following Hospital's or MSC's request:
 - (i) Initiate enrollment as a provider (if required by the third-party payor), separate from Hospital or MSC, with any third-party payor or intermediate organization (including any independent practice association) (each, a "Managed Care Organization") designated by Hospital or MSC for the provision of professional services to Hospital or MSC patients covered by such Managed Care Organization;
 - (ii) Complete all documents as may be reasonably necessary or appropriate to effectuate enrollment;
 - (iii) Enter into a written agreement with such Managed Care Organization as may be necessary or appropriate for the provision of professional services to Hospital or MSC patients covered by such Managed Care Organization; and/or
 - (iv) Enter into a written agreement with Hospital or MSC regarding global billing, capitation or other payment arrangements as may be necessary or appropriate for the provision of professional services to Hospital patients covered by such Managed Care Organization.

(c) Physician and Hospital agree to cooperate in dealing with any and all applicable regulatory agencies that govern the provision of services in the Hospital and the MSC. Except as required or permitted by law, Physician agrees not to submit information concerning the Hospital or MSC to regulatory agencies without first consulting with and providing the Hospital and MSC an opportunity to review and comment. Physician further agrees to proactively participate and assist in the preparation of any clinical, regulatory, legal or certification surveys or audits required of the MSC and/or the Hospital.

1.5 Compliance Program and Participation in Quality Improvement & Case Management.

Physician has been provided Hospital's Code of Conduct and has received or agrees to receive training with respect to Hospital's Compliance Program and to participate in such program. Physician shall support other compliance-related activities of Hospital, whether voluntarily initiated by Hospital or required by any federal, state or local agency, cooperating with compliance investigations, attendance in compliance education and training, and providing certifications of attendance as requested by Hospital. Physician agrees to actively participate in and comply with Hospital's policies and procedures that include but are not limited to those governing quality improvement, compliance, utilization review, case management activities and administrative services in order to help facilitate Hospital's provision of quality, cost-effective health care services.

1.6 Nondiscrimination.

Physician shall comply with all applicable nondiscrimination laws and all laws, regulations, rules, guidelines, Hospital and medical staff bylaws, and all policies and procedures including but not limited to those applicable to the provision of Specialty services and/or Hospitalist services including providing

MSC-Hospitalist PSA –Joshua Scholnick, M.D. 01/2015 4 Initials of Physician:___ Initials of Hospital:___

emergency services at the Hospital or the MSC. Consistent with applicable laws, Physician agrees to provide services without regard to any individual's race, color, religion, creed, sex, national origin, ancestry, marital status, sexual orientation, physical or mental handicap, disability, or participation in any private or governmental payor program or plan. Per California Health & Safety Code Section 1317, Physician acknowledges that in no event shall Physician's provision of emergency services and care be based upon, or affected by, the person's ethnicity, citizenship, age, preexisting medical condition, insurance status, economic status, ability to pay for medical services, or any other characteristic listed or defined in subdivision (b) or (e) of Section 51 of the California Civil Code, except to the extent that a circumstance such as age, sex, preexisting medical condition, or physical or mental disability is medically significant to the provision of appropriate medical care to the patient.

1.7 Space, Utilities, Services and Supplies.

Physician shall use Hospital and MSC premises solely for the provision of Specialty services or Hospitalist services as specified in this Agreement. No part of Hospital or MSC premises shall be used at any time by Physician as an office for personal use or to conduct a private practice.

1.8 Equipment.

Hospital shall furnish, replace, repair and maintain such equipment as is necessary for the proper operation and conduct of the MSC and the Hospital in accordance with standards of contemporary practice and quality that prevail in the community, at Hospital's own cost and expense and in accordance with Hospital's standard budget process. Physician shall supervise the operation of equipment in the MSC in a proper and safe manner and report to Hospital any malfunction or other problem of which he or she learns regarding the use of that equipment. Physician shall advise and make recommendations regarding equipment to assure safe, quality patient care.

1.9 Support Staff.

All technical and non-physician personnel required for the proper operation of the MSC ("**Support Staff**") shall be employed by Hospital, and Physician shall have no liability for payment of wages, payroll taxes or other employment-related obligations. Hospital shall be responsible for supervising and directing Support Staff, except that Physician shall provide clinical oversight of such Support Staff. Physician shall comply with Hospital and MSC policies regarding gifts and supplemental compensation for Hospital employees.

1.10 MSC Review.

Physician agrees to participate in and cooperate with a review of the operations of the MSC, as requested by Hospital. The review shall encompass all aspects of the MSC's operations including, without limitation, MSC administration and the efficiency, cost-effectiveness, and quality of services rendered in the MSC. The results of such review shall be kept confidential, except to the Physician, the Medical Executive Committee, Hospital Administration and in closed session to the Board of Directors.

1.11 Representations and Warranties by Physician. Physician represents and warrants that: Physician's license to practice medicine in any state has never been suspended, revoked or restricted; (b) Physician has never been reprimanded, sanctioned or disciplined by any licensing board or medical specialty board; (c) Physician has never been excluded or suspended from participation in, or sanctioned by, any state or federally

funded health care program; (d) Physician has never been denied membership and/or reappointment to the medical staff of any hospital or health care facility; (e) Physician's medical staff membership or clinical privileges at any hospital or health care facility have never been suspended, limited or revoked for a medical disciplinary cause or reason; and (f) Physician has never been charged with or convicted of a felony, a misdemeanor involving fraud, dishonesty, controlled substances, or moral turpitude, or any crime relevant to the provision of medical services or the practice of medicine.

1.12 Review of Office of the Inspector General ("OIG") Medicare Compliance Bulletins. The OIG issues periodic Medicare compliance alert bulletins. To the extent applicable to Physician's performance under this Agreement, Physician shall undertake to review, be familiar with and comply with all applicable requirements of such OIG compliance bulletins.

1.13 Continuing Medical Education. Physician shall participate in continuing medical education as necessary to maintain licensure, professional competence and skills commensurate with the standards of the medical community and as otherwise required by the medical profession.

1.14 Compliance with Grant Terms. If this Agreement has been or will be funded with monies received by Hospital pursuant to a contract with the state or federal government or private entity in which Hospital is the grantee, Physician shall comply with all the provisions of said contract, and said provisions shall be deemed a part of this Agreement, as though fully set forth herein. Upon request, Hospital shall deliver a copy of any such contract to Physician at no cost to Physician.

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

ARTICLE 2 - RELATIONSHIP OF THE PARTIES

2.1 Independent Contractors.

(a) In the performance of Physician's work, duties and obligations under this Agreement, it is mutually understood and agreed that Physician is at all times acting and performing as an independent contractor, and nothing in this Agreement is intended nor shall be construed to create between Hospital and Physician an employer/employee relationship, a joint venture relationship, or a lease or landlord/tenant relationship. Hospital shall neither have nor exercise any control or direction over the methods by which Physician shall perform Physician's professional responsibilities hereunder. The sole interest and responsibility of Hospital is to assure that the services covered by this Agreement shall be performed and rendered in a competent, efficient and satisfactory manner. The standards of medical practice and professional duties of Physician shall be determined by the Medical Staff, and all applicable provisions of law

and other rules and regulations of any and all governmental authorities relating to licensure and regulation of physicians and hospitals and to the operation of the MSC shall be fully complied with by all Parties.

(b) Physician agrees that he or she shall be personally responsible for any and all taxes payable by Physician and that he or she will timely file such tax returns and make such payments thereon as are legally required. There shall be no deductions whatsoever from any of the payments made to Physician pursuant to this Agreement, it being agreed and understood that Physician shall be and shall remain an independent contractor and all payments made hereunder shall be in the gross amounts set forth herein. It is acknowledged that the Parties shall report on their respective federal and state income tax returns the payments provided for herein as compensation paid or received, as the case may be, for services rendered.

(c) No person performing services for Physician pursuant to this Agreement, whether said persons be members, partners, employees, subcontractors or otherwise, shall have any claim against Hospital for compensation, overtime, vacation pay, sick-leave, retirement benefits, Social Security, workers' compensation, disability or unemployment insurance benefits or employee benefits of any kind, and Physician shall indemnify Hospital and hold it harmless.

2.2 MSC Scheduling and Standards for Specialty Services

(a) During the term of this Agreement and any extensions thereof, Physician shall have the right to provide Specialty Services in the MSC. Hospital shall be responsible for scheduling patients in the MSC. It is the intent of the Parties to promote and enhance the quality of patient care and delivery of Specialty services at the MSC through the establishment of known standards for MSC operations. Accordingly, Physician agrees not to participate with any other health system, plan, or in other medical activities except through the MSC unless otherwise agreed upon in writing by the Parties.

(b) Notwithstanding the above paragraph, Physician may engage in medico-legal consulting and/or provide expert witness services from time to time, provided that such services are not provided on behalf of a party that is an adverse litigant to Hospital or MSC or another MSC participate, and provided that such services do not substantially interfere with the Physician's obligations under this Agreement.

2.3. Scheduling and Standards for Hospitalist Services. Physician shall provide Hospitalist Services to Hospital patients, in accordance with a schedule mutually agreed upon by Hospital and Physician, in accordance with the Hospital's general five week hospitalist shift rotation based upon 70 shifts. The specific services and duties to be performed by Physician are set forth in **Exhibit D**, attached and made part of this Agreement.

2.4 Limitation on Control. Hospital shall neither have nor exercise any control or direction over Physician's professional medical judgment or the methods by which Physician performs professional medical services; provided, however, that Physician shall be subject to and shall at all times comply with the protocols and the bylaws, guidelines, policies, rules and regulations applicable to members of Hospital's Medical Staff.

2.5 Practice of Medicine. Physician and Hospital acknowledge that Hospital is neither authorized nor qualified to engage in any activity which may be construed or deemed to constitute the practice of medicine. To the extent that any act or service required of, or reserved to, Hospital in this Agreement is construed or deemed to constitute the practice of medicine, the performance of such act or service by Hospital shall be deemed waived or unenforceable, unless this Agreement can be amended to comply with the law, in which case the Parties shall make such amendment.

2.5 Limits on Authority. Neither Physician nor his/her agents shall have authority to engage in direct purchasing or otherwise contract for any liability on behalf of Hospital.

2.7 Master List. The Parties acknowledge and agree that this Agreement, together with any other contracts between Hospital and Physician, will be included on the Master List of physician contracts maintained by Hospital.

ARTICLE 3 - BILLING AND COMPENSATION

3.1 Rates. Hospital shall determine all rates and charges for goods provided and services rendered to MSC and to Hospital patients pursuant to this Agreement, including fee-for-service rates. Professional fees shall be based on prevailing charges for similar services of physicians comparable to the MSC's physicians in experience, education, location and services.

3.2 Assignment of Fees. Physician hereby assigns to Hospital all rights to bill and collect all professional fees from the performance of Specialty and Hospitalist services by Physician under the terms of this Agreement. Hospital or its agent shall bill and collect the charges for all such Specialty and Hospitalist services rendered by Physician. Physician agrees that all charges and accounts receivable for Specialty and Hospitalist services rendered by Physician pursuant to this Agreement shall be the sole and exclusive property of Hospital. Physician shall cooperate with MSC and Hospital in completing promptly any records, reports or claim forms required to be completed in order for MSC and Hospital to bill and be reimbursed by patients or third-party payors, and shall also provide any reasonably requested collection assistance.

3.3 Compensation.

(a) For all of Physician's Specialty services under this Agreement, Hospital shall pay Physician the cash compensation as set forth in **EXHIBIT A "Compensation for Specialty Services."** Exhibit A also sets forth certain other additional terms related to Physician's services under this Agreement.

(b) For all of Physician's Hospitalist services under this Agreement during its term, Hospital shall pay Physician the cash compensation as set forth in **EXHIBIT C "Compensation for Hospitalist Services."**

(c) The Parties acknowledge that the compensation for all services under this Agreement has been set in a manner that provides fair market value compensation to Physician for Physician's Specialty and Hospitalist services. The Parties agree that the compensation may not be modified during the initial term period of this Agreement.

ARTICLE 4 - TERM AND TERMINATION

4.1 Term. This Agreement shall be effective as of the Effective Date, and shall continue thereafter for a **term of eighteen (18) months ("Initial Term")** unless terminated earlier as provided herein.

4.2 Termination Without Cause. Hospital and Physician shall each have the right to terminate this Agreement, without cause, upon giving not less than ninety (90) days' prior written notice to the other Party.

4.3 Termination For Cause. Hospital shall have the right to terminate this Agreement upon failure of Physician to cure a breach of any term hereof which Hospital, at its sole discretion, has given Physician an

opportunity to cure, within thirty (30) calendar days after written notice of said breach and opportunity to cure.

4.4 Immediate Termination by Hospital. Notwithstanding Sections 4.2 and 4.3, Hospital shall have the right, but not the obligation, to terminate this Agreement immediately upon notice to Physician if any of the following events occur:

(a) Physician is excluded, suspended, terminated, or otherwise determined to be ineligible from participation in any state or federally funded healthcare program (each, a “**Government Program Exclusion**”);

(b) Any restriction, suspension or revocation of Physician’s license to practice medicine in any state, without regard to whether such adverse action has been fully adjudicated;

(c) Any restriction, suspension or revocation of Physician’s medical staff privileges at any health care facility, without regard to whether such adverse action had been fully adjudicated;

(d) Any restriction, suspension or revocation of Physician’s federal Drug Enforcement Administration (DEA) number, without regard to whether such adverse action had been fully adjudicated;

(e) Physician engages in conduct which is reasonably determined by the Hospital or the Medical Staff to be contrary to the Hospital’s policies and procedures or the Bylaws as defined in Section 1.2(e) herein.

(f) Physician engages in conduct which is reasonably determined by Hospital to be prejudicial or adverse to the best interest, reputation or welfare of Hospital or its patients;

(g) Physician is investigated or convicted of a criminal offense relating to health care, or is investigated or convicted of any felony or any other crime involving moral turpitude or immoral conduct;

(h) The death of Physician or the inability of Physician to provide services pursuant to this Agreement for a period in excess of thirty (30) days, whether consecutive or not, for any reason other than absence approved in writing by Hospital in advance;

(i) Hospital enters into an agreement for the sale, assignment, lease or other transfer of all or substantially all of Hospital’s assets to another person or entity;

(j) Hospital suffers an appointment of a receiver, custodian, examiner or a trustee for any of its property or assets;

(k) Failure of Physician to comply with the insurance requirements of Section 5.1 of this Agreement.

4.5 Legal Requirements. If either Party’s legal counsel advises such party that this Agreement, or any practices which could be, or are, employed by either party in exercising rights or discharging obligations under this Agreement, pose a material risk of violating any of the legal requirements imposed on or otherwise governing the performance of this Agreement, including without limitation any federal or state anti-kickback or physician self-referral laws, regulations, or guidelines, such party shall promptly notify the other party of such advice. The Parties in good faith shall undertake to revise this Agreement to comply with such legal

requirements. If the Parties are unable to agree upon the revised terms within sixty (60) days after such notice of advice is received by the other party, then either party may terminate this Agreement immediately upon giving written notice to the other party.

4.6 Effect of Expiration or Termination.

(a) Upon the expiration or termination of this Agreement, neither party shall have any further obligation hereunder except for (i) obligations due and owing which arose prior to the date of expiration or termination and (ii) obligations, promises or covenants contained in this Agreement that expressly extend beyond the term hereof.

(b) Upon the expiration or termination of this Agreement, Physician shall promptly deliver and return to Hospital all of Hospital's property, including without limitation all of Hospital's supplies, patient records, and all materials, records and writings of any type (including all copies thereof) in Physician's possession, custody or control that constitute Proprietary Information (as defined in Section 6.2(b)) and/or property of Hospital.

(c) Notwithstanding anything in this Agreement to the contrary, in the event of termination of this Agreement effective during the initial twelve (12) months of its term, the Parties shall not enter into the same or substantially the same arrangement during such initial twelve (12) month period; provided, however, the Parties shall not be prohibited from renegotiating this Agreement if, with the advice of legal counsel, the Parties mutually agree that renegotiation is not prohibited by law.

(d) Termination of this Agreement for any reason or for no reason is not subject to and does not entitle Physician to any notice, hearing, or appeal rights under the Hospital or Medical Staff Bylaws, rules or Regulation or federal or state law, unless such termination results from an action for which a report is required to be filed under Section 805 of the California Business and Professions Code.

ARTICLE 5 - INSURANCE AND ALLOCATION OF LIABILITY

5.1 Professional Liability Insurance Coverage.

(a) Physician shall maintain professional liability coverage covering all services provided under this Agreement in a form acceptable to Hospital with liability limits of not less than One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) aggregate, or such greater amount as may be specified by the Hospital as the minimum professional liability coverage to be maintained by members of the active Medical Staff of Hospital. Hospital shall maintain liability coverage of at least the same level. Failure of either party to maintain such coverage shall be a material breach of this Agreement. Physician shall provide Hospital with certificates evidencing the coverage required under this Section. Each party shall promptly notify the other party of any cancellation, reduction or other material change in the amount or scope of any coverage(s) required under this Section.

(b) If the professional liability coverage procured pursuant to this Section is on a "claims made" rather than "occurrence" basis, Physician shall obtain extended reporting malpractice coverage ("tail" coverage) upon the termination or expiration of this Agreement or any amendment, reduction or other material

change in the then existing professional liability coverage of Physician if such amendment, reduction or other material change will result in a gap in coverage. "Tail" coverage obtained by Physician shall have the same liability limits as other coverage required by Section 5.1(a). Physician shall provide Hospital with certificates evidencing the "tail" coverage required under this Section and providing for not less than twenty (20) calendar days' notice to Hospital of the cancellation of such coverage. Physician shall promptly notify Hospital of any cancellation, reduction or other material change in the amount or scope of any such "tail" coverage.

5.2 Allocation of Liabilities.

Physician and Hospital are each responsible for their own acts and omissions in performing their obligations hereunder and are not responsible for the acts or omissions of the other. Notwithstanding the foregoing sentence, nothing herein shall be construed to preclude a finding of liability on the part of either party to the other, based upon the doctrines of equitable indemnity, comparative negligence, contribution or other common law bases of liability.

ARTICLE 6 - OBLIGATIONS

6.1 Assistance in Litigation.

If requested by Hospital, Physician shall make himself or herself available to testify as a witness in the event of litigation, regulatory proceedings, or other types of actions being brought against Hospital, its directors, officers or employees based upon a claim of negligence, during a regulatory investigation, legal cause of action or other proceeding, except where Physician is potentially an adverse party. Hospital shall compensate Physician for such services at a rate mutually agreed upon in advance between the Parties, provided that such compensation is consistent with the fair market value of such services. If requested by Physician, Hospital shall provide similar assistance to Physician, except where Hospital is potentially an adverse party. Physician shall compensate Hospital for such services at a rate mutually agreed upon in advance between the Parties, provided that such compensation is consistent with the fair market value of such services. Nothing in this clause shall be construed to imply that either party has been paid for their testimony, but rather, only for their time for such services rendered under the circumstances.

6.2 Confidentiality.

(a) This Agreement. The Parties agree that the terms and conditions of this Agreement, including its financial terms, are confidential. Accordingly, each party agrees not to disclose to any other person or entity, any term or condition of this Agreement, or of any other agreement referred to in this Agreement, or of any transaction contemplated by this Agreement, except with the prior written consent of the other party.

(b) Proprietary Information. Each party acknowledges that it and its employees, contractors, representatives and other agents may obtain or have access to proprietary information of the other party, including patient information, confidential financial, operational, business and planning information, and trade secrets ("**Proprietary Information**"). Each party agrees to keep such Proprietary Information confidential and shall not directly or indirectly disclose such Proprietary Information to a third party, except as required to perform its obligations hereunder, or as required by law, or with the prior written consent of the party to whom the Proprietary Information belongs. The foregoing sentence shall not apply to information: (i) provided to voluntary accreditation agencies, government agencies or third-party payors as required by law or consented to by the affected party; (ii) reasonably required by other health care providers involved in a particular patient's case; (iii) which a party can show was known to it prior to disclosure by the other party; or

(iv) which is or becomes public knowledge through no fault of the party to whom the disclosure is made. Each party further agrees not to use any Proprietary Information of the other party in a manner adverse to the interests of the party to whom the Proprietary Information belongs and recognizes that party's right to obtain judicial relief, including injunctive relief and damages, for any violation of this provision.

(c) Medical Records. Physician shall, and shall require his or her employees, subcontractors and agents, to comply with and recognize all confidentiality and nondisclosure requirements that apply to Hospital and MSC, including, but not limited to, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") (45 C.F.R. Part 160, *et seq.*), the Confidentiality of Alcohol and Drug Abuse Patient Records Regulations (45 C.F.R. Part 2) and the Confidentiality of Medical Information Act (California Civil Code §56, *et seq.*), as amended from time to time.

6.3 Third-Party Payor Documentation.

(a) Physician shall cooperate fully with Hospital by maintaining and making available all necessary records, or by executing any agreements, in order to ensure that the Hospital and the MSC will be able to meet all requirements for participation and payment associated with public or private third-party payment programs, including, but not limited to, the Medicare program.

(b) Pursuant to Section 1861(v)(1)(I) of the Social Security Act, until the expiration of four (4) years after termination of this Agreement, Physician shall make available, upon written request of the Secretary of the United States Department of Health and Human Services (the "Secretary") or upon request of the Controller General of the United States General Accounting Office (the "Controller General") or any of their duly authorized representatives, a copy of this Agreement and such books, documents and records as are necessary to certify the nature and extent of the costs of the services provided by Physician under this Agreement. If Physician carries out any of his or her duties under this Agreement through a subcontract with a value or cost of Ten Thousand Dollars (\$10,000) or more over a twelve (12) month period, such subcontract shall contain a provision that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the subcontractor shall make available, upon written request, to the Secretary, the Controller General or any of their duly authorized representatives, a copy of the subcontract and such books, documents and records as are necessary to verify the nature and extent of the costs of providing the services pursuant to the subcontract.

6.4 Compliance with Laws.

(a) In addition to the obligations of the Parties to comply with applicable federal, state and local laws respecting the conduct of their respective businesses and professions, Hospital and Physician each acknowledge that they are subject to certain federal and state laws governing the referral of patients that are in effect or will become effective during the term of this Agreement. These laws include:

- (1) Prohibition on payments for referral or to induce the referral of patients (California Business and Professions Code §650; California Labor Code §3215; and the Medicare/Medicaid Fraud and Abuse Law, § 1128B of the Social Security Act); and
- (2) Prohibition on the referral of patients by a physician for certain designated health care services to an entity with which the physician (or his/her immediate family) has a financial relationship (California Labor Code §§139.3 and 139.31, applicable to referrals for workers' compensation services; California Business and Professions

Code §§650.01 and 650.02, applicable to all other patient referrals within California; and § 1877 of the Social Security Act, applicable to referrals of Medicare and Medi-Cal patients).

(b) Nothing in this Agreement is intended or shall be construed to require either party to violate the California or federal laws described in Section 6.4(a) and, subject to the covenants made by Physician under Section 2.1 (Independent Contractors), this Agreement shall not be interpreted to:

- (1) Require Physician to make referrals to Hospital, be in a position to make or influence referrals to Hospital, or otherwise generate business for Hospital.
- (2) Restrict Physician from establishing staff privileges at, referring any patient to, or from otherwise generating any business for any other entity of Physician's choosing.
- (3) Provide for payments in excess of the fair market value or comparable compensation paid to physicians for Specialty services or Hospitalist services in comparable locations and circumstances.

(c) In the event of any changes in law or regulations implementing or interpreting the California Health Care District Law or the Medicare and Medicaid Patient Protection Act of 1987, including the adoption or amendment of Medicare Fraud and Abuse Safe Harbor Regulations, or to any other federal or state law relating to the subject matter of such Acts, to fraud and abuse, or to payment for patient referral, including the laws referenced in Section 6.4(a), the Parties shall use all reasonable efforts to revise this Agreement to conform and comply with such changes.

6.5 Dispute Resolution.

(a) Informal Resolution Processes. Any questions or disagreements arising under this Agreement regarding the quality of care provided to MSC or Hospital patients shall be addressed pursuant to the Bylaws. Any other questions or disagreements (other than those regarding quality of care) arising under this Agreement, including any questions concerning the interpretation of this Agreement, shall be submitted to Hospital's Chief Executive Officer. If the dispute cannot be resolved by the Chief Executive Officer within ninety (90) days of submission, either party may submit the resolution to arbitration pursuant to Section 6.5(b).

(b) Arbitration. With the exception of disputes regarding the quality of care, which shall be resolved according to the provisions of Section 6.5(a), all disputes relating to, arising out of or in connection with the validity, interpretation or performance of this Agreement, including tort claims, shall be resolved by arbitration. The arbitration will proceed in accordance with the commercial rules of arbitration of the American Arbitration Association, as supplemented or modified by this Agreement. Written notice of a claim and demand for arbitration must be given to the other party (the "**Respondent**") not more than one hundred and twenty (120) days after the date of (i) the events giving rise to the claim occur or (ii) the date the claim is discovered. Response to the demand for arbitration shall be due not later than twenty (20) days after receipt of notice. The claim will be deemed denied if Respondent does not answer the demand within that time period. Not more than twenty (20) days after Respondent answers the demand (or if there is no answer, after the time for answer has elapsed) (the "**Answer Date**"), the Parties shall select a single neutral arbitrator. If the Parties cannot agree upon such arbitrator within twenty (20) days of the Answer Date, then each party shall choose an arbitrator and the two arbitrators together shall select a third arbitrator (the "**Arbitrators**") and

the matter shall be arbitrated by the panel of three Arbitrators. If the two Arbitrators are unable to agree upon a third Arbitrator prior to the thirtieth (30th) day after the Answer Date, then either party may request the American Arbitration Association to select the third Arbitrator. Any Arbitrator selected under this Section shall be a person with business, financial or legal experience in the health care industry of at least five (5) years, who is generally familiar with the issues in dispute. The arbitration shall take place in Truckee, California, or another location mutually agreed upon by the Parties. The Arbitrator(s) may construe or interpret but shall not ignore the terms of this Agreement and shall be bound by California substantive law. The arbitration decision shall include written findings of fact and conclusions of law. The arbitration decision may include equitable relief, but may not include punitive or exemplary damages. The Arbitrator(s) shall not have the power to commit errors of law or legal reasoning and the Arbitrator's(s') decision may be vacated or corrected pursuant to California Code of Civil Procedure Sections 1286.2 or 1286.6 for any such error. The prevailing party, as determined by the Arbitrator(s), shall be entitled to reasonable attorneys' fees and costs. In cases submitted to arbitration, the Parties agree to share equally in the administrative fee, if any, unless otherwise assessed against the non-prevailing party by the Arbitrator(s). The Parties agree that the decision of the Arbitrator(s) shall be final and binding as to each of them, and that the arbitration award may be enforced in any court having jurisdiction thereof, by the filing of a petition to enforce said award.

6.6 Disclosure of Conflicts of Interest. Physician agrees to adhere to Hospital's conflicts of interest policy, as from time to time in effect, and to disclose to Hospital any matter or transaction in which Physician is involved that conflicts with the interest of Hospital in Physician's satisfactory performance of Specialty and/or Hospitalist services under this Agreement.

6.7 Assignment and Delegation. Notwithstanding any other provisions of this Agreement, Physician shall neither assign rights nor delegate duties under this Agreement without first obtaining Hospital's written consent. Any attempt at assignment or delegation without Hospital's prior written consent shall be void. Hospital's consent to one assignment or delegation shall not be consent to any subsequent assignment or delegation.

6.8 Tax-Exempt Financing. If Hospital intends to seek tax-exempt financing, Hospital and Physician shall negotiate in good faith to amend this Agreement to the extent deemed necessary by bond counsel involved in that financing. If Hospital and Physician do not agree to the terms of such an amendment, Hospital may terminate this Agreement pursuant to Section 4.2(d) [Termination without cause.]

ARTICLE 7- MISCELLANEOUS PROVISIONS

7.1 No Third Party Beneficiary Rights. The Parties do not intend to confer and this Agreement shall not be construed to confer any rights or benefits to any person, firm, group, corporation or entity other than the Parties.

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

7.3 Statutes and Regulations. Any reference in this Agreement to any statute, regulation, ruling, or administrative order or decree shall include, and be a reference to any successor statute, regulation, ruling, or administrative order or decree.

7.4 Notice. Written notice required under this Agreement shall be given personally or sent by United States certified mail, return receipt requested, or by private overnight mail service, postage prepaid, and addressed to the Parties at addresses shown with their signatures (or such other address as may hereafter be designated by a party by written notice thereof to the other party). Such notice shall be effective upon delivery, if given personally, or if mailed as provided for above such notice shall be effective upon the date shown on the delivery receipt.

7.5 Governing Law. This Agreement shall be construed in accordance with the laws of the State of California.

7.6 Venue. The venue for any judicial proceeding arising under this Agreement shall be Nevada County, California.

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

7.8 Captions. Any captions to or headings of the articles, sections, subsections, paragraphs or subparagraphs of this Agreement are solely for the convenience of the Parties, are not a part of this Agreement, and shall not be used for the interpretation or determination of validity of this Agreement or any provision hereof.

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

7.10 Waiver of Provision(s). The failure of a party to insist upon strict adherence to or performance of any provision of this Agreement on any occasion shall not be considered a waiver nor shall it deprive that party of the right thereafter to enforce performance of or adherence to that provision or any other provision of this Agreement. Any waiver of any terms and conditions hereof must be in writing, and signed by the Parties.

7.11 Force Majeure. Neither party shall be liable nor deemed to be in default for any delay or failure in performance under the Agreement or other interruption of service or employment deemed resulting, directly or indirectly, from: Acts of God; acts of civil or military authority; acts of public enemy; war; accidents; fires; explosions; earthquakes; floods; failure of transportation, machinery or supplies; vandalism; strikes or other work interruptions by Hospital's employees; or any similar or dissimilar cause beyond the reasonable control of either party. Both Parties shall, however, make good faith efforts to perform under this Agreement in the event of any such circumstance.

7.12 Gender and Number. Whenever the context hereof requires, the gender of all words shall include the masculine, feminine, and neuter, and the number of all words shall include the singular and plural.

7.13 Facilitation. Each party agrees promptly to perform any further acts and to execute, acknowledge and deliver any documents which may be reasonably necessary to carry out the provisions of this Agreement or affect its purposes.

7.14 Entire Agreement; Amendment. This Agreement, together with all exhibits, schedules and attachments, constitutes the entire agreement between the Parties, and shall supersede all other agreements, written or oral by the Parties. There are no representations or warranties by either party that are not set forth herein. This Agreement may be modified only by a written agreement executed by the Parties.

7.15 Successors and Assigns. Subject to the provisions contained in this Agreement on assignment, this Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns.

7.16 Legal Counsel. Each party understands that this Agreement gives rise to certain tax implications and is subject to Medicare and Medi-Cal laws (including laws relating to reimbursement, fraud and abuse and referral of patients). Each party understands the advisability of seeking legal counsel and/or accountants to review the Agreement, and has exercised its own judgment in this regard.

7.17 Facsimile / Electronic signature: Signatures submitted via facsimile or electronic means shall be deemed original signatures of the parties and are valid and binding upon the parties. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

[Signature Page Follows]

EXECUTED at Truckee, California:

HOSPITAL:

PHYSICIAN:

TAHOE FOREST HOSPITAL DISTRICT

JOSHUA SCHOLNICK, M.D.

By: _____

Name: _____

Title: _____

Date: _____

Date: _____

Address for Notice to Hospital:

Address for Notices for Physician:

Tahoe Forest Hospital

10121 Pine Avenue

P.O. Box 759

Phone: (_____) _____

Truckee, California 96160

Fax: _____

Attention: Chief Executive Officer

Phone: (530) 587-6011

Fax: (530) 587-2532 _____

Attached Exhibit

- A - Compensation for Specialty Services
- B - Performance Expectations for Specialty Services
- C - Compensation for Hospitalist Services
- D - Performance Expectations for Hospitalist Services
- E - Quality Metrics for Hospitalist Services

MSC- Hospitalist PSA – Joshua Scholnick, M.D. 01/2015
Hospital: _____

17 Initials of Physician: __ Initials of

Joshua Scholnick, M.D.

EXHIBIT A

COMPENSATION FOR SPECIALTY SERVICES

(From Agreement Section 3.3)

1. **Compensation.** Base compensation shall be calculated based on an annual amount of \$293,498 for annual production up to 4,456 Work Relative Value Units (“WRVUs”), defined as the WRVU Production Target. For annual WRVUs in excess of 4,456, additional compensation will be paid at a rate of \$55.99 per WRVU. Both the base compensation and the WRVU Production Target are 12 month figures and shall be prorated to reflect the actual duration of the contract.

2. **WRVU calculation.** WRVUs shall be calculated based upon 2014 WRVU values as published by the Centers for Medicare and Medicaid Services (CMS). Adjustments shall be made to the actual number of WRVUs generated from clinical services as follows:
 - a. **Hospitalist services.** In lieu of the actual WRVUs generated during non-holiday daytime hospitalist shifts (defined as the 12 hour period from 6:00 AM to 6:00 PM), Physician shall receive a WRVU credit of 29.04 WRVUs per 12-hour shift. The WRVU credit for any partial shift shall be prorated accordingly. For the purpose of this paragraph, holidays included these nine (9) days: New Year’s Day, Memorial Day, July 4th, Labor Day, Thanksgiving Day, Christmas Eve Day, Christmas Day and New Year’s Day.
 - b. **Extender supervision.** In the event that Physician is assigned responsibility for the supervision of one or more physician extenders, Physician shall receive a WRVU credit equal to 21.84 WRVUs per month per FTE supervised in the Internal Medicine / Cardiology or Incline Village Clinic. In the event that supervision is shared between Physician and other physician(s) and/or if the extender is working less than full-time, the WRVU credit will be prorated accordingly.
 - c. **Incline Village Clinic credit.** In the event that Physician is assigned to work in the Incline Village Clinic, Physician shall be credited with the greater of the actual WRVUs generated or 27.88 WRVUs per shift worked. For the purpose of this credit, a shift shall be defined as an 8-hour workday, with a minimum of 6 hours of available patient appointment times. If the actual hours worked and available in Incline during any shift are less, the credit shall be prorated accordingly. No additional credit shall be awarded for workdays that may exceed the above figures.

3. **Reimbursed Expenses.** Hospital agrees to reimburse Physician for the following expenses. If Physician is regularly scheduled to work less than the 4 days per week expected of a full-time physician for all or part of the year, the maximum reimbursement for each category for that physician will be prorated based on the physician's full time equivalent (FTE) status.
- a. Medical License (California and, if working in the Incline Village Clinic, Nevada)
 - b. DEA registration
 - c. CMEs, related reasonable travel, lodging and meals, and professional dues up to a combined maximum of \$4,200 per year
 - d. A maximum of two professional journal subscriptions per year (to utilize Medical library first).
4. **Meaningful Use Incentive Payments.** Hospital is seeking to achieve "meaningful use" of electronic health records, as that term is defined under the American Recovery and Reinvestment Act of 2009 ("ARRA") and its accompanying regulations, rules and guidance, and qualify for related incentive funding from Medicare ("**Medicare Incentive Payments**"). In consideration for Hospital's provision of electronic health record technology, Physician hereby assigns to Hospital all rights to apply for and collect Medicare Incentive Payments on behalf of Physician, and Physician agrees that all such Incentive Payments received by Physician pursuant to this Agreement shall be the sole and exclusive property of Hospital. Physician further agrees that Hospital may not receive Medicare Incentive Payments for some physicians providing services in the MultiSpecialty Clinic ("MSC") who qualify for such payments through no fault of those physicians. Accordingly, Physician agrees that to the extent that Hospital is in receipt of Medicare Incentive Payments directly attributable to the satisfaction of applicable meaningful use standards by Physician or any other physicians using Epic/OCHIN and providing services in the MSC ("**MSC Physicians**"), Hospital shall distribute twenty percent (20%) of total Medicare Incentive Payments received in equal shares per physician, to all MSC Groups and Physicians submitting data through Epic/OCHIN to Medicare under the EHR program. This provision supersedes any and all prior agreements or understandings between Hospital and Physician regarding Incentive Payments, and Physician waives any right Physician may have under any such prior agreements or understandings to any Medicare Incentive Payments.
5. **Payment terms.** Base compensation shall be paid semi-monthly on the 16th and last day of the month or preceding business day when regular payment dates fall on a weekend or holiday. Production-based incentive compensation shall be calculated following each June 30 fiscal year end. The first settlement shall be for services rendered January 1, 2015 through June 30, 2015, and the second settlement shall be for services rendered July 1, 2015 – June 30, 2016. Payment of production-based incentives shall be made within 120 days of fiscal year end.

EXHIBIT B

PERFORMANCE EXPECTATIONS FOR SPECIALTY SERVICES

To allow for appropriate planning and definition of shared expectations regarding Physician's practice, and to promote the operation of a successful medical practice by Physician in the Hospital's service area (the "Service Area"), Physician and Hospital agree that Physician's regular schedule shall be subject to the specific requirements set forth below.

1. Requirements Relating to Practice.

(a) Weeks Worked/Time Off. All time away from practice for vacation, CME, holidays for which Physician has no "on-call" responsibilities, and other leave shall be coordinated with the MSC Executive Director or designee and other physicians (through interaction with the MSC Executive Director or designee or Hospital's Medical Staff office) as required by Hospital and/or Medical Staff policies and procedures, and as consistent with appropriate patient care. Physician will refrain from taking time away from the practice in excess of such related data in the current publication of the MGMA Physician Compensation and Production Survey, as prorated in accordance with Physician's full-time equivalent ("FTE") status. For example, if Physician works on a part-time, 0.5 FTE basis, then such MGMA standards shall be multiplied by 50% when applied to Physician.

(b) MSC and Hospital Service Schedule. Physician will maintain a regular schedule for the provision of professional services in the MSC and Hospital, including the Incline Village Services if applicable, for no less than four (4) days per week for a 1.0 FTE physician (applied on a pro rata basis to part-time physicians) on an agreed upon schedule to be determined by Hospital through the MSC's Executive Director or designee and Physician; provided that the parties may agree that Physician may furnish clinical services at locations (e.g., outreach sites, institutions or otherwise) other than the MSC. The MSC Executive Director or designee shall interact with Physician to determine appropriate times during which Physician shall be expected to be available to see patients and provide out-patient clinic, hospital, and surgical services, as appropriate for the Specialty and as required to meet reasonable patient service needs.

(c) Physician Availability. If Physician is paid a base compensation amount pursuant to Exhibit A, and fails to achieve at least 90% of the prorated WRVU target specified in Exhibit A for any quarterly period during the term of the Agreement, Physician may be reviewed by the MSC Executive Director or designee, together with the Medical Director of the MSC who shall select another physician to review the adequacy of Physician's availability to patients; these three (3) individuals ("Reviewers") shall review Physician's average weekly hours of scheduled clinical availability and number of weeks worked against community and/or specialty-specific industry norms (pro-rated to Physician's FTE status), along with reported incidents in which patients have been unable to obtain requested services in the MSC or inpatient/surgical setting due to Physician-imposed restrictions on availability or schedule cancellation. If the majority of the Reviewers determine that Physician has failed to provide reasonable availability to patients, then Physician's base compensation as set forth in Exhibit A shall cease for the remainder of the current term of the Agreement; such action is solely contractual in nature pursuant to this Agreement and does not

constitute disciplinary action or a restriction under the Medical Staff bylaws nor does it entitle Physician to a hearing under the Medical Staff bylaws. For the remainder of such term, Physician shall be compensated at the rate per WRVU specified in Exhibit A, adjusted for malpractice and benefits in accordance with the MSC's standard formula for production-based physicians.

(d) Inpatient Care. Physician will provide professional services to Hospital inpatients as required.

(e) Call Coverage. If Hospital's Medical Staff and Hospital determine that call coverage is needed in Physician's specialty, Physician will participate in call coverage and "on-call" responsibilities on nights, weekends and holidays in accordance with the regular call schedule and requirements developed by the Hospital's Medical Staff Office and the Physician and as set forth in a separate On Call Coverage Agreement between the Hospital and Physician (or the medical group of which Physician is a member) (the "**On Call Coverage Agreement**").

(f) Open Practice. Physician will maintain an open practice in which Physician does not refuse to accept new patients (provided that a practice may be allowed to be closed to new patients after discussion with and written approval of Hospital). Nothing in the foregoing shall require Physician to accept any individual patient whose documented medical needs fall outside the scope of Physician's Specialty.

(g) Patient Satisfaction. Physician's patient satisfaction ratings as they relate directly to the Physician's services and performance under this Agreement, shall be evaluated using the Quest method (or comparable method as determined by Hospital), and shall meet minimum patient satisfaction levels as established by Hospital. In the event Physician fails to maintain the minimum required patient satisfaction level, Hospital may terminate this Agreement for cause with respect to a Physician in accordance with Section 4.3 of this Agreement.

2. Other Requirements. Physician shall also comply with the following performance requirements:

(a) Dictation/Medical Record Completion. Physicians will complete all MSC medical record entries in a time and manner as directed by the MSC Executive Director or designee. Physician shall complete all Hospital medical records pursuant to applicable Hospital Medical Staff bylaws, rules, regulations, policies and procedures. Should a Physician delay in completing medical records, Hospital may withhold Physician's compensation until the records are complete. If a Physician fails to complete medical record entries for services provided pursuant to this Agreement in a timely fashion and Hospital fails to obtain full reimbursement as a result of such delay in documentation, then the WRVUs for such services shall not be counted in the calculation of Physician's compensation under the formula set forth in Exhibit A.

(b) Coding. Physician is required to participate in Current Procedural Terminology ("CPT") coding training sessions conducted by Hospital. Hospital will make coding experts available to answer Physician's coding questions. If Physician fails to properly code services provided pursuant to this Agreement and Hospital fails to obtain full reimbursement as a result of such improper coding, then the WRVUs for such services shall be adjusted to those (i) accepted for

reimbursement by the applicable payer and (ii) that correspond to the correct code for purposes of calculating Physician's compensation under the formula set forth in Exhibit A.

(c) Practice Performance. Physicians shall meet periodically with MSC representatives to review the financial and other performance of Physician's practice, to include assessment of practice growth, scheduling, coding, medical records completion and other factors. In addition, Physician shall meet with a Hospital compliance representative and/or an individual who is a certified coder as directed by the MSC's Executive Director or designee, to review HIPAA, coding, documentation and related issues.

(d) Practice Support and Assistance. Physicians shall serve as active participants on Hospital committees in accordance with the Bylaws of the Hospital and its Medical Staff and shall reasonably assist in recruiting activities. Physician shall also assist as may be reasonably requested by Hospital in developing, reviewing and implementing revisions to Hospital's quality assurance, quality improvement, case management and related programs and in connection with Physician's practice.

(e) Patient Termination. Physician may not terminate patients from Physician's practice without the prior consultation and acceptance of the Hospital. Any request to terminate a patient shall be in writing and delivered to the Hospital Risk Manager and MSC Director for final decision, and Physician shall be obligated to comply with such final decision.

(f) Compliance. Physician shall comply with all Hospital compliance policies. Physician shall immediately report to Hospital's Compliance Officer any Medicare or Medicaid, governmental, credentialing or other inquiries from third parties relating to compliance matters.

(g) Absence from Practice. Physician shall provide MSC Director with not less than 60 days' advance notice of any expected absence for a period of ten days or more, and no less than 30 days' notice of other expected absences. Physician shall immediately notify MSC Director or representative of any illness, emergency or other cause giving rise to unexpected absence or inability to perform medical services or other services under this Agreement.

(h) MSC Physician Meetings. Physician shall attend at least fifty percent (50%) of the quarterly MSC Physician Meetings. Hospital shall impose a fine of Five Hundred Dollars (\$500) for each MSC Physician Meeting missed by Physician commencing with the third missed meeting, and any such fines shall be deducted from Hospital's payment of year-end WRVU-based bonus compensation under this Agreement. This clause shall not be applicable to any physician who works less than two (2) full days per week in the MSC.

EXHIBIT C – COMPENSATION FOR HOSPITALIST SERVICES

In consideration of Physician's availability and provision of Hospitalist Services and Hospital's billing and collection services on behalf of Physician pursuant to this Agreement, Hospital shall compensate Physician as follows:

1. Night Shift: Eighty Dollars (\$80.) per hour for shifts during the hours of 6:00 pm. to 6:00 a.m. for Physician's provision of Hospitalist Services at Hospital, as requested by Hospital.
2. Day Shift: For shifts during the hours of 6:00AM to 6:00PM Hospital shall compensate Physician by establishing values for such services as RVUs, in accordance with a formula established by Hospital, and counting such RVUs in calculating Physicians compensation in accordance with the methodology set forth Exhibit A of the Agreement to which this Exhibit C is incorporated by reference.
3. Holiday Shifts: Hospital shall pay Physician for Hospitalist Services provided on Holidays at the rate of One Hundred Twenty Dollars (\$120) per hour for shifts during the hours of 6:00PM to 6:00AM and One Hundred Eighty Dollars (\$180) per hour for shifts during the hours of 6:00 AM to 6:00 PM . For purposes of this Section, "Holidays" shall be defined as President's Day, Memorial Day, July 4th, Labor Day, Thanksgiving Day, Christmas Eve, Christmas Day, New Year's Eve and New Year's Day. Each Holiday shall commence at 12:00 a.m. on the day of the Holiday and end at 11:59 p.m. on the night of the Holiday.
4. Bonus Compensation. Physician also shall be eligible for bonus compensation equal to a maximum of Five Percent (5%) of Physician's Base Pay, with Bonus Compensation of One Percent (1%) of Physician's Base Pay earned for each of the quality/service indicators set forth in **Exhibit D** that are satisfied. Bonus Compensation shall be paid by Hospital only if Hospital meets its budget target for the applicable tax year. Any Bonus Compensation shall be paid annually, after completion of the Hospital's fiscal year financial report audit and paid to Physician no later than November 15.
5. Base Pay for Hospitalist Services. For the purpose of calculating the hospitalist bonus compensation, the Base Pay for Hospitalist Services shall be the sum of: (a) actual payments made for night shifts and holiday shifts worked during the preceding fiscal year (July 1 – June 30); and (b) the imputed value of non-holiday day shifts worked during the preceding fiscal year, using actual hours multiplied by an hourly rate of \$120.
6. Stipend for Professional Liability Insurance Coverage: Hospital shall pay Physician a stipend of Thirty Dollars (\$30) per 12 hour shift to help defray the cost to Physician of the premiums for professional liability insurance associated with Physician's provision of Hospitalist services under this Agreement.
7. Specialty Consult Activation Fee. In the event that Physician is called in to the hospital for a specialty consultation during hours in which Physician is not scheduled for either a hospitalist shift or for Clinic work, physician shall receive an activation fee of Five

Hundred Fifty Dollars (\$550) . No more than one activation fee shall be paid per 24 hours.

8. Payment Terms. Hospitalist compensation for Night Shifts, Holiday Shifts, Specialty Consult Activation, and the Stipend for Professional Liability Insurance Coverage will be paid monthly no later than 30 days following the end of the month in which services were rendered.

EXHIBIT D – PERFORMANCE EXPECTATIONS FOR HOSPITALIST SERVICES

The specific Hospitalist Services and duties to be performed by Physician include the following:

1. Physician shall provide Hospitalist Services to Hospital patients in accordance with a schedule mutually agreed upon by Hospital and Physician, in accordance with the Hospital's general five-week (5) hospitalists shift rotation based upon seventy (70) shifts.
2. Physician shall accept patient referrals, and coordinate all aspects of care for Hospital patients, referred by medical staff members, especially in the Family Practice and Internal Medicine specialties, including:
 - a. Provide admission and management of all medical and medicine patients as requested;
 - b. Appropriate placement within the Hospital according to nationally recognized admission criteria;
 - c. Discussion of end of life preferences with patients, family and others who are entitled and need to know;
 - d. Consultations with sub-specialists;
 - e. Performing timely and proactive discharge planning;
 - f. Coordination of care with primary care physicians;
 - g. Discharge including ensuring appropriate follow up is arranged;
 - h. Respond to Code Blue and other emergency calls for inpatient and observation patients by request of medical staff or nursing management;
 - i. Perform daily bed side multidisciplinary rounding on all patients on the Medicine service; and
 - j. Serve as the physician on-call for residents in the ECC during evening and weekend hours.
3. Function as the Medicine Consultant to all areas of the Hospital, including timely consultations to the Emergency Department, surgeon and other Medical Staff members on request.
4. Along with other members of the Inpatient Team, provide on call coverage for shifts assigned, onsite or offsite by telephone, responding within time frames established by the Medical Staff for emergency, urgent and routine requests. The parties acknowledge and agree that the duties set forth in this item constitute one of the essential functions of Physician's duties as a Hospitalist.

5. Physician, along with the other Hospitalists, shall periodically meet to confer upon and set schedules for each shift, days-on, days-on with call and days-off. "Days-on" mean Physician shall be at the Hospital during normal patient care hours and available to provide call coverage for shifts assigned
6. Participate in appropriate Medical Staff meetings.
7. Work with nursing leadership on development and implementation of clinical pathways, protocols, and other clinical effectiveness projects.
8. Work with hospital staff to ensure full compliance with CMS clinical performance indicators.
9. Work with hospital staff to ensure optimal patient satisfaction as indicated on patient satisfaction surveys identified by Hospital.
10. Participate with Hospital's Discharge Planners and staff in maintaining effective utilization and resource management, medical record appropriateness and appropriate discharge planning.
11. Maintain excellent working relationships with and participate in the implementation and improvement of systems to provide excellent service to patients, physicians, and other colleagues and Hospital staff. Participate in the resolution of patient and provider complaints and enhancement of patient and provider satisfaction as measured by periodic surveys.
12. Complete and maintain adequate and proper medical records with respect to all patients examined or treated in accordance with all legal, accreditation, regulatory and third party payor requirements.
13. Complete and maintain adequate documentation of shifts worked and codes necessary to allow the hospital to bill for professional fees. Documentation should include:
 - a. Face sheet
 - b. Type of admission (e.g, Inpatient, ICU, OB, etc.)
 - c. Levels of consult, admission
 - d. Date of service(s)
 - e. Time spent with patient
 - f. CPT code
 - g. Modifier (if applicable)
 - h. Diagnoses
 - i. If an injury, cause/mechanism, and
 - j. Laterality (if applicable).
14. Comply with all Medical Staff Bylaws, rules and regulations, guidelines and policies as well as applicable Hospital bylaws, policies and procedures.

EXHIBIT E – QUALITY METRICS FOR HOSPITALIST SERVICES

Data for each metric will be collected and reported to participating Hospitalists according to the following schedule:

1. Data for January, February and March will be reported in April
2. Data for April, May and June will be reported in July
3. Data for July, August, September will be reported in October
4. Data for October, November, December will be reported in January

Although data will be shared quarterly, metrics will only be eligible for bonus payment if the goal has been met for the year AND ONLY if the Hospital meets its EBITDA budget targets for the fiscal year.

1. Satisfaction of medical staff and nursing staff will improve to a 90% satisfaction related to communication and continuity of care between hospitalists, response to the ED in a timely manner, maintaining a positive relationship with other hospitalists and that hospitalists readily accept requests for consultations and admittance from other members of the medical staff
2. 95% of all hospitalists requesting a specialty consult will include an order with the indication for the consult.
3. 98% of all medication orders will be complete, including:
 - a. Drug name / strength
 - b. Dose to be administered
 - c. Route of administration
 - d. Frequency
 - e. PRN orders clearly state an indication
 - f. Dated
 - g. Signed
 - h. Legible
 - i. Free from unapproved abbreviations
4. 30 day readmission rate is below national average
5. Hospitalists will complete CAH Certification prior to discharge 100% of the time.

CONTRACT ROUTING FORM

Email Completed Form to Executive Assistant (pbarrett@tfhd.com) for Processing and Compliance Review

NEW CONTRACT <input checked="" type="checkbox"/>			AMENDMENT <input type="checkbox"/>			RENEWAL <input type="checkbox"/>			EXTENSION <input type="checkbox"/>			BAA <input type="checkbox"/>																	
ORIGINATING DEPARTMENT: Multi Specialty Clinic (MSC)						CONTACT PERSON: Tim Garcia-Jay, Executive Director of Clinics																							
						PHONE: 530-582-6474																							
RESPONSIBLE ADMINISTRATIVE COUNCIL (AC):												CEO <input type="checkbox"/>			CFO <input type="checkbox"/>			COO <input checked="" type="checkbox"/>			CNO <input type="checkbox"/>			CIO <input type="checkbox"/>			IVCH <input type="checkbox"/>		
REQUIRES BOARD GOVERNANCE COMMITTEE REVIEW?												NO <input type="checkbox"/>			YES <input checked="" type="checkbox"/>			MEETING DATE: Straight to Board			COMMITTEE RECOMMENDS: Pending								
TYPE OF CONTRACT:																													
Physician Professional Service Agreement (P-PSA)						<input checked="" type="checkbox"/>						Type: Cardiology - PSA / MSC																	
Physician Medical Director Agreement (MDA)						<input type="checkbox"/>						Type: _____																	
Vendor Professional Service Agreement (V-PSA)						<input type="checkbox"/>						Type: _____																	
Other _____						<input type="checkbox"/>						Type: _____																	
Business Associated Agreement Required?						YES <input type="checkbox"/>						NO <input checked="" type="checkbox"/>																	
CONTRACTOR/VENDOR DETAILS: <i>If needed, additional instructions and information may be provided on Page 2</i>																													
LEGAL NAME OF CONTRACTOR/ VENDOR: Sierra Multispecialty Medical Group, Inc.; Timothy Lombard, MD																													
Purpose of the Contract/Alternatives: Provide Internal Medicine, Cardiology and Endocardiography services to the community through the Multi-Specialty Clinics. Continue to provide hospitalist services through a rotation of local physicians practicing in the community. Alternative: Reduce or eliminate the availability of Internal Medicine, Cardiology and Endocardiography services in the local community, utilize an outside hospitalist service to care for inpatients, and transfer patients needing cardiology consultations to Reno when the other cardiologist is unavailable.																													
Scope of the Contract: Group shall provide physician professional services through Dr. J. Timothy Lombard, practicing as an Internal Medicine, Cardiology and Endocardiography specialist in the MSC's Internal Medicine / Cardiology clinic. Dr. Lombard will also perform related cardiology procedures and interpretations at Tahoe Forest Hospital. In addition, Dr. Lombard will provide hospitalist services to Tahoe Forest Hospital, and may periodically provide cardiology consults.																													
DATES OF CONTRACT:					EFFECTIVE DATE: 1/1/2015					END DATE: 6/30/2016																			
Version History:					Original Effective date: 7/1/2011 Renewal Dates: Amendment Dates: 7/1/12, 7/1/13, 8/1/13, 11/1/13, 7/1/14																								
PHYSICIAN CONTRACTS: FOR STARK LAW COMPLIANCE, THE TERMS OF THIS CONTRACT CANNOT CHANGE FOR 1 YEAR																													
Compensation Structure: <i>Include "other comp" (i.e. education, phone stipend, etc.)</i> Annual base compensation shall be \$298,498 for up to 4,456 WRVUs with WRVUs calculated based upon 2014 WRVU values. For annual RVUs in excess of 4,456, additional compensation will be paid at a rate of \$55.99 per WRVU. Additional compensation shall be paid for each 12-hour hospitalist shift (\$990 non-holiday PM, \$1,470 holiday PM, \$30 plus 29.04 WRVUs non-holiday AM and \$2,190 holiday AM), with a potential bonus of up to 5% on the total hospitalist compensation including monetized value of the WRVUs, a specialty hospital consult activation fee of \$550 per 24 hours, a pro rata share of the meaningful use incentive pool (total pool = 20% of incentive received by hospital), and up to an estimated \$5,048 annually in reimbursed expenses.																													
Contract Term: <i>(anything other than Net 30 requires AC approval)</i> Base comp pd semi-monthly (16th and EOM); Hospitalist comp pd monthly (30 days > EOM); Incentive comp pd annually (120 days > FYE).																													
Total Cost of Contract:					Total cost over 18 months is projected to be \$600,824.																								
Compensation Audit Process:					See Policies AGOV-10 and ABD-21																								
Is Cost of Contract Budgeted?					YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>																								
If NOT budgeted or exceeds budgeted amount, identify the offset:																													
TFHS Primary Responsible Party:					Tim Garcia-Jay, Executive Director of Clinics																								
TFHS Secondary Responsible Party:					Virginia Razo, COO																								

ORIGINATING DEPARTMENT: Multi Specialty Clinic (MSC)	CONTACT PERSON: Tim Garcia-Jay, Executive Director of Clinics Phone: 530-582-6474
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LEGAL NAME OF CONTRACTOR/ VENDOR: Sierra Multispecialty Medical Group, Inc.; Timothy Lombard, MD

REQUIRED COMPLIANCE INFORMATION	
Commercially Reasonable Verified Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/>	Compliance Officer Signature: 
Fair Market Value Verified Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/>	

CONTRACTOR INFORMATION	
Contractor Representative Name:	Sierra multispecialty Group, Inc. Attn: Timothy Lomard, MD
Mailing Address:	10978 Donner Pass Road, Suite 260, Truckee, CA 96161
Telephone and Fax Number:	Phone: 530-582-1212 Fax: NA
Email Address of Contact:	
Accounts Receivable Representative:	

REQUIRED FINANCIAL INFORMATION	
W-9 and Certificates of Insurance Must Be Submitted with any Contract	

ADDITIONAL INFORMATION	
<p>Amendment dated July 1, 2014 will expire on December 31, 2014 Management is recommending an 18 month term.</p> <p>ECG has provided us with a fair market value range for FY 14. We have requested projected inflation factors by specialty to apply to the FY 14 fair market values, so that they may be compared to our FY 16 contract projections. ECG has committed to providing this information prior to the board meeting. Management will provide an update of those figures at the board meeting."</p>	

Reference:
 Policy ABD – 21 Physician and Professional Service Agreements
 Policy AGOV – 10 Contract Review Policy
 Policy AFIN – 03 Accounts Payable Policy

*W-9s are required for any contract on which we are making payments.
 Certificates of Insurance are required for any contract in which any service is being provided.*

THIS SECTION FOR CONTRACTS COORDINATOR USE ONLY:			
W-9 Received?	Yes: <input type="checkbox"/> No: <input type="checkbox"/>	Certificate of Insurance Received?	Yes: <input type="checkbox"/> No: <input type="checkbox"/>
New Vendor information Sent to Accounts Payable?	Yes: <input type="checkbox"/> No: <input type="checkbox"/>	Email a copy of Section D (page 2) of the completed Routing Form to A/P. This is required for A/P to process their payments.	

Contracts Review:	Date	Initials
CFO Review:	Date	Initials

BOARD ACTION:	MEETING DATE:
Out for TFHD Signature: _____ Date: _____	Receive Date: _____
Out for Vendor Signature: _____ Date: _____	Receive Date: _____
Uploaded to Contracts System: _____ Date: _____	Trigger dates set: YES <input type="checkbox"/> NO <input type="checkbox"/>
CONTRACT #: _____ (i.e. 10001)	Document Reference: _____ (i.e. #####.C)

TAHOE FOREST HOSPITAL DISTRICT

**PROFESSIONAL SERVICES AGREEMENT – MULTISPECIALTY CLINIC AND
HOSPITALIST SERVICES**

This Agreement is made and entered into as of January 1, 2015 (the “**Effective Date**”) by and between TAHOE FOREST HOSPITAL DISTRICT, a California Hospital District organized and operating under the California Health Care District Law and doing business as Tahoe Forest Hospital (“**HOSPITAL**”) and J. Timothy Lombard, M.D. (“**Physician**”) who is doing business as **SIERRA MULTISPECIALTY MEDICAL GROUP, INC.**, a medical group (“**GROUP**”), (collectively the “**Parties**”) with reference to the following facts:

RECITALS

A. HOSPITAL is the owner and operator of Tahoe Forest Hospital District that is licensed by the State of California to operate as a general acute care hospital (Tahoe Forest HOSPITAL) located at 10121 Pine Avenue, Truckee, California 96161-4835 and other approved outpatient services including various MultiSpecialty Clinics in California (the “**MSC-CA**”). HOSPITAL is also the owner and operator of Incline Village Community Hospital located at 880 Alder Street, Incline Village, NV 89451 that is licensed by the State of Nevada as a Rural Hospital and operates various outpatient MultiSpecialty Clinics in Nevada (the “**MSC – NV**” or “**Incline Village Clinic**”). Unless otherwise specified in this agreement, the term “**MSC**” in this Agreement shall refer collectively to the MSC-NV and MSC-CA and the term “**HOSPITAL**” shall refer to Tahoe Forest Hospital District and shall include both Tahoe Forest Hospital and Incline Village Community Hospital.

B. GROUP is composed of one or more physicians including Dr. J. Timothy Lombard, licensed to practice medicine in the State of California. The members of GROUP are qualified to practice the medical specialties of Internal Medicine, Cardiology and Adult Transthoracic & Stress Echocardiography (the “**Specialty**” or “**Specialties**”) and who are experienced in the organization and delivery of Specialty Services.

C. HOSPITAL desires to obtain Specialty Services for patients of the MSC and HOSPITAL.

D. HOSPITAL also desires to have Hospitalist services provided by qualified members of GROUP to HOSPITAL patients (“**Hospitalist Services**”).

E. After careful consideration of the quality of Specialty Services and Hospitalist Services provided by GROUP, HOSPITAL has determined that an arrangement with GROUP for the foregoing services will ensure the availability of Specialty and Hospitalist Services to MSC and HOSPITAL patients.

F. HOSPITAL, acting with the approval of its Board of Directors, desires to engage GROUP in the foregoing capacities, and GROUP desires to be so engaged, in accordance with the terms and conditions of this Agreement.

In consideration of the foregoing promises and the mutual covenants in this Agreement, the Parties agree as follows:

MSC- HOSPITALIST PSA January 2015
Sierra MultiSpecialty Medical Group, Inc.

Initials of GROUP:___ Initials of HOSPITAL:___

AGREEMENT

ARTICLE 1 - SERVICES

1.1 Professional Services.

(a) Specialty Services. GROUP shall provide professional services in the Specialty to patients of the MSC during the MSC's usual business hours and to HOSPITAL patients from time to time. Specialty Services may only be performed at the MSC or the HOSPITAL by a GROUP physician member who is individually approved by HOSPITAL and who meets all of the qualifications of Section 1.2 (Qualifications) below.

(b) Performance Expectations for Specialist Services. Each individual physician member of GROUP shall abide by and conform to the Performance Expectations for Specialist Services listed in attached **EXHIBIT B**, which is incorporated herein by reference.

(c) Hospitalist Services. GROUP shall provide Hospitalist Services to HOSPITAL patients, in accordance with a schedule mutually agreed upon by HOSPITAL and GROUP, in accordance with HOSPITAL's general five-week Hospitalist shift rotation based on 70 shifts. The specific Hospitalist Services and duties to be performed by GROUP are set forth in **EXHIBIT D**, which is attached and incorporated into this Agreement. Quality Metrics associated with the performance of those duties are set forth in **EXHIBIT E**, which is attached and incorporated into this Agreement.

1.2 Qualifications.

(a) The individual physician member of GROUP performing Specialty and Hospitalist Services under this Agreement shall maintain on an unrestricted basis:

- (1) California licensure as a physician. Physician member of the GROUP also agrees to use reasonable efforts to pursue Nevada licensure if requested by HOSPITAL;
- (2) Membership in good standing on HOSPITAL's medical staff (the "Medical Staff") and appropriate clinical privileges in the Specialty at the HOSPITAL and in the MSC;
- (3) Federal Drug Enforcement Administration registration;
- (4) Professional liability insurance as set forth in Section 5.1 (Professional Liability Insurance Coverage);
- (5) Board certification in the Specialties, as determined by the HOSPITAL; and
- (6) Participation in good standing in the Medicare and Medi-Cal programs.

(b) Neither GROUP nor the individual physician GROUP member performing Specialty and Hospitalist Services under this Agreement, shall have been: (i) excluded or suspended from participation in any federal or state health care program, including Medicare, Medi-Cal or CHAMPUS/Tricare; (ii) charged or convicted of a criminal offense related to the delivery of health care services or the neglect or abuse of a

patient; or (iii) suspended, excluded, debarred, sanctioned, or otherwise ineligible to participate in any other federal program, including the Food and Drug Administration, the National Institutes of Health, the MSC of Defense or the MSC of Veterans Affairs, or any state equivalent.

(c) For the purposes of this Agreement, a “criminal conviction” means” (i) a judgment of conviction that has been entered against a physician by a federal, state or local court, regardless of whether there is an appeal pending or whether the judgment of conviction or other record relating to criminal conduct has been expunged; (ii) a finding of guilt against the physician member of GROUP that has been accepted by a federal, state or local court; (iii) a plea of *nolo contendere* by the physician member of GROUP that has been accepted by a federal state or local court; or (iv) the entering into participation in a first offender, deferred adjudication or other arrangement or program where judgment of conviction has been withheld.

(d) GROUP shall notify HOSPITAL and MSC within twenty-four (24) hours of any material change in status with respect to his compliance with Section 1.2 of this Agreement, including, without limitation, the imposition of any integrity agreement, consent decree or settlement agreement with any state or federal agency having jurisdiction over GROUP’s practice. GROUP shall notify HOSPITAL if any malpractice action against Physician is pending, settled or reaches judgment. Failing to maintain any of the qualifications set forth in Section 1.2 of this Agreement, shall immediately terminate the GROUP from providing any services under this Agreement.

(e) Physician shall participate as a member of the Medical Staff, and shall be subject to all rights and obligations of members under the Medical Staff Bylaws, Rules and Regulations, policies and procedures (hereinafter “Bylaws”) including those related to peer review, discipline, committee service, continuing medical education (“CME”) and the performance of other duties consistent with the practice of medicine on the staff of an accredited general acute care HOSPITAL. Except as provided in herein Section 4.6(d) (Effect of Expiration or Termination) the Parties agree that the granting and termination of Medical Staff membership and clinical privileges of Physician shall be governed solely by the Medical Staff Bylaws then in effect.

1.3 Quality of Service.

Physician on behalf of GROUP shall perform Specialty Services and Hospitalist Services in accordance with the HOSPITAL Bylaws and the Bylaws as defined in Section 1.2(e) herein. In addition, Physician shall provide Specialty Services and Hospitalist Services in accordance with the ethical and professional standards of the American Medical Association and the applicable state Medical Association, and shall abide by all rules and regulations applicable to the services provided under this Agreement established by regulatory bodies including, but not limited to, the applicable state Department of Health Services (i.e., CDPH), the American Osteopathic Association’s Bureau of Healthcare Facilities Accreditation Program (“HFAP”), the United States Department of Health and Human Services and all other governmental laws and authorities relating to licensure and practice of the Specialty in the MSC and the provision of Hospitalist Services in hospitals.

1.4 Cooperation.

(a) In providing the Specialty Services and Hospitalist Services required by this Agreement, Physician shall cooperate with HOSPITAL, its staff and the members of the Medical Staff to maintain the integrity of the MSC and HOSPITAL and to achieve HOSPITAL’s mission and operational goals. Physician

shall provide input to management regarding all aspects of MSC operations to assure high-quality, cost-effective, customer-oriented service. Physician shall comply with the Bylaws as defined in Section 1.2(e) herein and HOSPITAL policies and procedures designed to prevent and eliminate disruptive physician conduct.

(b) GROUP and HOSPITAL agree to cooperate in all reasonable respects necessary to facilitate HOSPITAL's entry into or maintenance of any third-party payor arrangement during the term of this Agreement. HOSPITAL and GROUP agree to notify one another during the development of contractual arrangements that involve the MSC.

- (1) To enable HOSPITAL and MSC to participate in any third-party payor arrangement, GROUP shall, not more than ten (10) days following HOSPITAL's or MSC's request:
 - (i) Initiate enrollment as a provider (if required by the third-party payor), separate from HOSPITAL or MSC, with any third-party payor or intermediate organization (including any independent practice association) (each, a "**Managed Care Organization**") designated by HOSPITAL or MSC for the provision of professional services to HOSPITAL or MSC patients covered by such Managed Care Organization;
 - (ii) Complete all documents as may be reasonably necessary or appropriate to effectuate enrollment;
 - (iii) Enter into a written agreement with such Managed Care Organization as may be necessary or appropriate for the provision of professional services to HOSPITAL or MSC patients covered by such Managed Care Organization; and/or
 - (iv) Enter into a written agreement with HOSPITAL or MSC regarding global billing, capitation or other payment arrangements as may be necessary or appropriate for the provision of professional services to HOSPITAL patients covered by such Managed Care Organization.

(c) GROUP and HOSPITAL agree to cooperate in dealing with any and all applicable regulatory agencies that govern the provision of services in the HOSPITAL and the MSC. Except as required or permitted by law, GROUP agrees not to submit information concerning the HOSPITAL or MSC to regulatory agencies without first consulting with and providing the HOSPITAL and MSC an opportunity to review and comment. GROUP further agrees to proactively participate and assist in the preparation of any clinical, regulatory, legal or certification surveys or audits required of the MSC and/or the HOSPITAL.

1.5 Compliance Program and Participation in Quality Improvement & Case Management.

GROUP has been provided HOSPITAL's Code of Conduct and has received or agrees to receive training with respect to HOSPITAL's Compliance Program and to participate in such program. GROUP shall support other compliance-related activities of HOSPITAL, whether voluntarily initiated by HOSPITAL or required by any federal, state or local agency, cooperating with compliance investigations, attendance in compliance education and training, and providing certifications of attendance as requested by HOSPITAL. GROUP agrees to actively participate in and comply with HOSPITAL's policies and procedures that include

but are not limited to those governing quality improvement, compliance, utilization review, case management activities and administrative services in order to help facilitate HOSPITAL's provision of quality, cost-effective health care services.

1.6 Nondiscrimination.

GROUP shall comply with all applicable nondiscrimination laws and all laws, regulations, rules, guidelines, HOSPITAL and medical staff bylaws, and all policies and procedures including but not limited to those applicable to the provision of Specialty Services and/or Hospitalist Services including providing emergency services at the HOSPITAL or the MSC. Consistent with applicable laws, GROUP agrees to provide services without regard to any individual's race, color, religion, creed, sex, national origin, ancestry, marital status, sexual orientation, physical or mental handicap, disability, or participation in any private or governmental payor program or plan. Per California Health & Safety Code Section 1317, GROUP acknowledges that in no event shall GROUP's provision of emergency services and care be based upon, or affected by, the person's ethnicity, citizenship, age, preexisting medical condition, insurance status, economic status, ability to pay for medical services, or any other characteristic listed or defined in subdivision (b) or (e) of Section 51 of the California Civil Code, except to the extent that a circumstance such as age, sex, preexisting medical condition, or physical or mental disability is medically significant to the provision of appropriate medical care to the patient.

1.7 Space, Utilities, Services and Supplies.

GROUP shall use HOSPITAL and MSC premises solely for the provision of Specialty Services or Hospitalist Services as specified in this Agreement. No part of HOSPITAL or MSC premises shall be used at any time by GROUP as an office for personal use or to conduct a private practice.

1.8 Equipment.

HOSPITAL shall furnish, replace, repair and maintain such equipment as is necessary for the proper operation and conduct of the MSC and the HOSPITAL in accordance with standards of contemporary practice and quality that prevail in the community, at HOSPITAL's own cost and expense and in accordance with HOSPITAL's standard budget process. GROUP shall supervise the operation of equipment in the MSC in a proper and safe manner and report to HOSPITAL any malfunction or other problem of which he or she learns regarding the use of that equipment. GROUP shall advise and make recommendations regarding equipment to assure safe, quality patient care.

1.9 Support Staff.

All technical and non-GROUP personnel required for the proper operation of the MSC ("**Support Staff**") shall be employed by HOSPITAL, and GROUP shall have no liability for payment of wages, payroll taxes or other employment-related obligations. HOSPITAL shall be responsible for supervising and directing Support Staff, except that GROUP shall provide clinical oversight of such Support Staff. GROUP shall comply with HOSPITAL and MSC policies regarding gifts and supplemental compensation for HOSPITAL employees.

1.10 MSC Review.

GROUP agrees to participate in and cooperate with a review of the operations of the MSC, as requested by HOSPITAL. The review shall encompass all aspects of the MSC's operations including, without limitation, MSC administration and the efficiency, cost-effectiveness, and quality of services rendered in the MSC. The results of such review shall be kept confidential, except to the GROUP, the Medical Executive Committee, HOSPITAL Administration and in closed session to the Board of Directors.

1.11 Representations and Warranties by GROUP. GROUP represents and warrants that Physician (a) has never had his license to practice medicine in any state suspended, revoked or restricted; (b) has never been reprimanded, sanctioned or disciplined by any licensing board or medical specialty board; (c) has never been excluded or suspended from participation in, or sanctioned by, any state or federally funded health care program; (d) has never been denied membership and/or reappointment to the medical staff of any HOSPITAL or health care facility; (e) has never had his medical staff membership or clinical privileges at any HOSPITAL or health care facility suspended, limited or revoked for a medical disciplinary cause or reason; and (f) he has never been charged with or convicted of a felony, a misdemeanor involving fraud, dishonesty, controlled substances, or moral turpitude, or any crime relevant to the provision of medical services or the practice of medicine.

1.12 Review of Office of the Inspector General ("OIG") Medicare Compliance Bulletins. The OIG issues periodic Medicare compliance alert bulletins. To the extent applicable to GROUP's performance under this Agreement, GROUP shall undertake to review, be familiar with and comply with all applicable requirements of such OIG compliance bulletins.

1.13 Continuing Medical Education. Physician shall participate in continuing medical education as necessary to maintain licensure, professional competence and skills commensurate with the standards of the medical community and as otherwise required by the medical profession.

1.14 Compliance with Grant Terms. If this Agreement has been or will be funded with monies received by HOSPITAL pursuant to a contract with the state or federal government or private entity in which HOSPITAL is the grantee, GROUP shall comply with all the provisions of said contract, and said provisions shall be deemed a part of this Agreement, as though fully set forth herein. Upon request, HOSPITAL shall deliver a copy of any such contract to GROUP at no cost to GROUP.

~~1.15 No Conflicting Obligations. GROUP represents and warrants that the execution and delivery of this Agreement and the performance of its obligations hereunder do not and will not: (a) present a conflict of interest or materially interfere with the performance of GROUP's duties under any other agreement or arrangement; or (b) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice and/or lapse of time, would constitute a default) under, terminate, accelerate the performance required by, or result in a right of termination or acceleration under any of the terms, conditions or provisions of any other agreement, indebtedness, note, bond, indenture, security or pledge agreement, license, franchise, permit, or other instrument or obligation to which GROUP or Physician is a party or is bound. GROUP shall immediately inform HOSPITAL of any other agreements to which GROUP or Physician is a party that may present a conflict of interest or materially interfere with performance of GROUP's duties under this Agreement.~~

ARTICLE 2 - RELATIONSHIP OF THE PARTIES

2.1 Independent Contractors.

(a) In the performance of GROUP's work, duties and obligations under this Agreement, it is mutually understood and agreed that GROUP is at all times acting and performing as an independent contractor, and nothing in this Agreement is intended nor shall be construed to create between HOSPITAL and GROUP an employer/employee relationship, a joint venture relationship, or a lease or landlord/tenant relationship. HOSPITAL shall neither have nor exercise any control or direction over the methods by which GROUP shall perform GROUP's professional responsibilities hereunder. The sole interest and responsibility of HOSPITAL is to assure that the services covered by this Agreement shall be performed and rendered in a competent, efficient and satisfactory manner. The standards of medical practice and professional duties of GROUP shall be determined by the Medical Staff, and all applicable provisions of law and other rules and regulations of any and all governmental authorities relating to licensure and regulation of GROUP and HOSPITAL and to the operation of the MSC shall be fully complied with by all Parties.

(b) GROUP agrees that it shall be personally responsible for any and all taxes payable by GROUP and that it will timely file such tax returns and make such payments thereon as are legally required. There shall be no deductions whatsoever from any of the payments made to GROUP pursuant to this Agreement, it being agreed and understood that GROUP shall be and shall remain an independent contractor and all payments made hereunder shall be in the gross amounts set forth herein. It is acknowledged that the Parties shall report on their respective federal and state income tax returns the payments provided for herein as compensation paid or received, as the case may be, for services rendered.

(c) No person performing services for GROUP pursuant to this Agreement, whether said persons be members, partners, employees, subcontractors or otherwise, shall have any claim against HOSPITAL for compensation, overtime, vacation pay, sick-leave, retirement benefits, Social Security, workers' compensation, disability or unemployment insurance benefits or employee benefits of any kind, and GROUP shall indemnify HOSPITAL and hold it harmless.

2.2 MSC Scheduling and Standards for Specialty Services

(a) During the term of this Agreement and any extensions thereof, GROUP shall have the right to provide Specialty Services in the MSC. HOSPITAL shall be responsible for scheduling patients in the MSC, subject to GROUP's instructions regarding the volume and frequency of patient visits. It is the intent of the Parties to promote and enhance the quality of patient care and delivery of Specialty Services at the MSC through the establishment of known standards for MSC operations. Accordingly, GROUP agrees not to participate with any other health system, plan, or in other medical activities except through the MSC unless otherwise agreed upon in writing by the Parties.

(b) Notwithstanding the above paragraph, Physician may engage in medico-legal consulting and/or provide expert witness services from time to time, provided that such services are not provided on behalf of a party that is an adverse litigant to HOSPITAL or MSC or another MSC participate, and provided that such services do not substantially interfere with the GROUP's obligations under this Agreement.

2.3. Scheduling and Standards for Hospitalist Services. GROUP shall provide Hospitalist Services to HOSPITAL patients, in accordance with a schedule mutually agreed upon by HOSPITAL and GROUP, in accordance with the HOSPITAL's general five week Hospitalist shift rotation based upon 70 shifts. The specific services and duties to be performed by GROUP are set forth in Exhibit D, attached and made part of this Agreement.

2.4 Limitation on Control. HOSPITAL shall neither have nor exercise any control or direction over Dr Timothy Lombard's professional medical judgment or the methods by which Physician performs professional medical services; provided, however, Physician shall be subject to and shall at all times comply with the protocols and the bylaws, guidelines, policies, rules and regulations applicable to members of HOSPITAL's Medical Staff.

2.5 Practice of Medicine. GROUP and HOSPITAL acknowledge that HOSPITAL is neither authorized nor qualified to engage in any activity which may be construed or deemed to constitute the practice of medicine. To the extent that any act or service required of, or reserved to, HOSPITAL in this Agreement is construed or deemed to constitute the practice of medicine, the performance of such act or service by HOSPITAL shall be deemed waived or unenforceable, unless this Agreement can be amended to comply with the law, in which case the Parties shall make such amendment.

2.5 Limits on Authority. Neither GROUP nor its agents shall have authority to engage in direct purchasing or otherwise contract for any liability on behalf of HOSPITAL.

2.7 Master List. The Parties acknowledge and agree that this Agreement, together with any other contracts between HOSPITAL and GROUP, will be included on the Master List of GROUP contracts maintained by HOSPITAL.

ARTICLE 3 - BILLING AND COMPENSATION

3.1 Rates. HOSPITAL shall determine all rates and charges for goods provided and services rendered to MSC and to HOSPITAL patients pursuant to this Agreement, including fee-for-service rates. Professional fees shall be based on prevailing charges for similar services of GROUP comparable to the MSC's physicians in experience, education, location and services.

3.2 Assignment of Fees. GROUP hereby assigns to HOSPITAL all rights to bill and collect all professional fees from the performance of Specialty and Hospitalist Services by GROUP under the terms of this Agreement. HOSPITAL or its agent shall bill and collect the charges for all such Specialty and Hospitalist Services rendered by GROUP. GROUP agrees that all charges and accounts receivable for Specialty and Hospitalist Services rendered by GROUP pursuant to this Agreement shall be the sole and exclusive property of HOSPITAL. GROUP shall cooperate with MSC and HOSPITAL in completing promptly any records, reports or claim forms required to be completed in order for MSC and HOSPITAL to bill and be reimbursed by patients or third-party payors, and shall also provide any reasonably requested collection assistance.

3.3 Compensation.

(a) For all of GROUP's Specialty Services under this Agreement, HOSPITAL shall pay GROUP the cash compensation as set forth in **EXHIBIT A "Compensation for Specialty Services."** Exhibit A also sets forth certain other additional terms related to GROUP's services under this Agreement.

(b) For all of GROUP's Hospitalist Services under this Agreement during its term, HOSPITAL shall pay GROUP the cash compensation as set forth in **EXHIBIT C "Compensation for Hospitalist Services."**

(c) The Parties acknowledge that the compensation for all services under this Agreement has been set in a manner that provides fair market value compensation to GROUP for GROUP's Specialty and Hospitalist Services. The Parties agree that the compensation may not be modified during the initial term period of this Agreement. Any fixed base compensation shall be paid in two-week installments.

ARTICLE 4 - TERM AND TERMINATION

4.1 **Term.** This Agreement shall be effective as of the Effective Date, and shall continue thereafter for a **term of eighteen (18) months ("Initial Term")** unless terminated earlier as provided herein.

4.2 **Termination Without Cause.** HOSPITAL and GROUP shall each have the right to terminate this Agreement, without cause, upon giving not less than ninety (90) days' prior written notice to the other Party.

4.3 **Termination For Cause.** HOSPITAL shall have the right to terminate this Agreement upon failure of GROUP to cure a breach of any term hereof which HOSPITAL, at its sole discretion, has given GROUP an opportunity to cure, within thirty (30) calendar days after written notice of said breach and opportunity to cure.

4.4 **Immediate Termination by HOSPITAL.** Notwithstanding Sections 4.2 and 4.3, HOSPITAL shall have the right, but not the obligation, to terminate this Agreement immediately upon notice to GROUP if any of the following events occur:

(a) Physician or GROUP is excluded, suspended, terminated, or otherwise determined to be ineligible from participation in any state or federally funded healthcare program (each, a **"Government Program Exclusion"**);

(b) Any restriction, suspension or revocation of Physician's license to practice medicine in any state, without regard to whether such adverse action has been fully adjudicated;

(c) Any restriction, suspension or revocation of Physician's medical staff privileges at any health care facility, without regard to whether such adverse action had been fully adjudicated;

(d) Any restriction, suspension or revocation of Physician's federal Drug Enforcement Administration (DEA) number, without regard to whether such adverse action had been fully adjudicated;

(e) Physician engages in conduct which is reasonably determined by the HOSPITAL or the Medical Staff to be contrary to the HOSPITAL's policies and procedures or the Bylaws as defined in Section 1.2(e) herein.

(f) Physician engages in conduct which is reasonably determined by HOSPITAL to be prejudicial or adverse to the best interest, reputation or welfare of HOSPITAL or its patients;

(g) Physician or GROUP is investigated or convicted of a criminal offense relating to health care, or is investigated or convicted of any felony or any other crime involving moral turpitude or immoral conduct;

(h) The death of Physician or the inability of GROUP to provide services pursuant to this Agreement for a period in excess of thirty (30) days, whether consecutive or not, for any reason other than absence approved in writing by HOSPITAL in advance;

(i) HOSPITAL enters into an agreement for the sale, assignment, lease or other transfer of all or substantially all of HOSPITAL's assets to another person or entity;

(j) HOSPITAL suffers an appointment of a receiver, custodian, examiner or a trustee for any of its property or assets;

(k) Failure of GROUP to comply with the insurance requirements of Section 5.1 of this Agreement.

4.5 Legal Requirements. If either Party's legal counsel advises such party that this Agreement, or any practices which could be, or are, employed by either party in exercising rights or discharging obligations under this Agreement, pose a material risk of violating any of the legal requirements imposed on or otherwise governing the performance of this Agreement, including without limitation any federal or state anti-kickback or GROUP self-referral laws, regulations, or guidelines, such party shall promptly notify the other party of such advice. The Parties in good faith shall undertake to revise this Agreement to comply with such legal requirements. If the Parties are unable to agree upon the revised terms within sixty (60) days after such notice of advice is received by the other party, then either party may terminate this Agreement immediately upon giving written notice to the other party.

4.6 Effect of Expiration or Termination.

(a) Upon the expiration or termination of this Agreement, neither party shall have any further obligation hereunder except for (i) obligations due and owing which arose prior to the date of expiration or termination and (ii) obligations, promises or covenants contained in this Agreement that expressly extend beyond the term hereof.

(b) Upon the expiration or termination of this Agreement, GROUP shall promptly deliver and return to HOSPITAL all of HOSPITAL's property, including without limitation all of HOSPITAL's supplies, patient records, and all materials, records and writings of any type (including all copies thereof) in GROUP's possession, custody or control that constitute Proprietary Information (as defined in Section 6.2(b)) and/or property of HOSPITAL.

(c) Notwithstanding anything in this Agreement to the contrary, in the event of termination of this Agreement effective during the initial twelve (12) months of its term, the Parties shall not enter into the same

or substantially the same arrangement during such initial twelve (12) month period; provided, however, the Parties shall not be prohibited from renegotiating this Agreement if, with the advice of legal counsel, the Parties mutually agree that renegotiation is not prohibited by law.

(d) Termination of this Agreement for any reason or for no reason is not subject to and does not entitle GROUP to any notice, hearing, or appeal rights under the HOSPITAL or Medical Staff Bylaws, rules or Regulation or federal or state law, unless such termination results from an action for which a report is required to be filed under Section 805 of the California Business and Professions Code.

ARTICLE 5 - INSURANCE AND ALLOCATION OF LIABILITY

5.1 Professional Liability Insurance Coverage.

(a) GROUP shall maintain professional liability coverage covering all services provided under this Agreement in a form acceptable to HOSPITAL with liability limits of not less than One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) aggregate, or such greater amount as may be specified by the HOSPITAL as the minimum professional liability coverage to be maintained by members of the active Medical Staff of HOSPITAL. HOSPITAL shall maintain liability coverage of at least the same level. Failure of either party to maintain such coverage shall be a material breach of this Agreement. GROUP shall provide HOSPITAL with certificates evidencing the coverage required under this Section. Each party shall promptly notify the other party of any cancellation, reduction or other material change in the amount or scope of any coverage(s) required under this Section.

(b) If the professional liability coverage procured pursuant to this Section is on a “claims made” rather than “occurrence” basis, GROUP shall obtain extended reporting malpractice coverage (“tail” coverage) upon the termination or expiration of this Agreement or any amendment, reduction or other material change in the then existing professional liability coverage of GROUP if such amendment, reduction or other material change will result in a gap in coverage. “Tail” coverage obtained by GROUP shall have the same liability limits as other coverage required by Section 5.1(a). GROUP shall provide HOSPITAL with certificates evidencing the “tail” coverage required under this Section and providing for not less than twenty (20) calendar days’ notice to HOSPITAL of the cancellation of such coverage. GROUP shall promptly notify HOSPITAL of any cancellation, reduction or other material change in the amount or scope of any such “tail” coverage.

5.2 Allocation of Liabilities.

GROUP and HOSPITAL are each responsible for their own acts and omissions in performing their obligations hereunder and are not responsible for the acts or omissions of the other. Notwithstanding the foregoing sentence, nothing herein shall be construed to preclude a finding of liability on the part of either party to the other, based upon the doctrines of equitable indemnity, comparative negligence, contribution or other common law bases of liability.

ARTICLE 6 - OBLIGATIONS

6.1 Assistance in Litigation.

If requested by HOSPITAL, Physician shall make himself or herself available to testify as a witness in the event of litigation, regulatory proceedings, or other types of actions being brought against HOSPITAL, its directors, officers or employees based upon a claim of negligence, during a regulatory investigation, legal cause of action or other proceeding, except where Physician and/or GROUP is potentially an adverse party. HOSPITAL shall compensate GROUP for such services at a rate mutually agreed upon in advance between the Parties, provided that such compensation is consistent with the fair market value of such services. If requested by GROUP, HOSPITAL shall provide similar assistance to GROUP, except where HOSPITAL is potentially an adverse party. GROUP shall compensate HOSPITAL for such services at a rate mutually agreed upon in advance between the Parties, provided that such compensation is consistent with the fair market value of such services. Nothing in this clause shall be construed to imply that either party has been paid for their testimony, but rather, only for their time for such services rendered under the circumstances.

6.2 Confidentiality.

(a) This Agreement. The Parties agree that the terms and conditions of this Agreement, including its financial terms, are confidential. Accordingly, each party agrees not to disclose to any other person or entity, any term or condition of this Agreement, or of any other agreement referred to in this Agreement, or of any transaction contemplated by this Agreement, except with the prior written consent of the other party.

(b) Proprietary Information. Each party acknowledges that it and its employees, contractors, representatives and other agents may obtain or have access to proprietary information of the other party, including patient information, confidential financial, operational, business and planning information, and trade secrets ("**Proprietary Information**"). Each party agrees to keep such Proprietary Information confidential and shall not directly or indirectly disclose such Proprietary Information to a third party, except as required to perform its obligations hereunder, or as required by law, or with the prior written consent of the party to whom the Proprietary Information belongs. The foregoing sentence shall not apply to information: (i) provided to voluntary accreditation agencies, government agencies or third-party payors as required by law or consented to by the affected party; (ii) reasonably required by other health care providers involved in a particular patient's case; (iii) which a party can show was known to it prior to disclosure by the other party; or (iv) which is or becomes public knowledge through no fault of the party to whom the disclosure is made. Each party further agrees not to use any Proprietary Information of the other party in a manner adverse to the interests of the party to whom the Proprietary Information belongs and recognizes that party's right to obtain judicial relief, including injunctive relief and damages, for any violation of this provision.

(c) Medical Records. GROUP shall, and shall require its employees, subcontractors and agents, to comply with and recognize all confidentiality and nondisclosure requirements that apply to HOSPITAL and MSC, including, but not limited to, the Health Insurance Portability and Accountability Act of 1996 ("**HIPAA**") (45 C.F.R. Part 160, *et seq.*), the Confidentiality of Alcohol and Drug Abuse Patient Records Regulations (45 C.F.R. Part 2) and the Confidentiality of Medical Information Act (California Civil Code §56, *et seq.*), as amended from time to time.

6.3 Third-Party Payor Documentation.

(a) GROUP shall cooperate fully with HOSPITAL by maintaining and making available all necessary records, or by executing any agreements, in order to ensure that the HOSPITAL and the MSC will

be able to meet all requirements for participation and payment associated with public or private third-party payment programs, including, but not limited to, the Medicare program.

(b) Pursuant to Section 1861(v)(1)(I) of the Social Security Act, until the expiration of four (4) years after termination of this Agreement, GROUP shall make available, upon written request of the Secretary of the United States Department of Health and Human Services (the “**Secretary**”) or upon request of the Controller General of the United States General Accounting Office (the “**Controller General**”) or any of their duly authorized representatives, a copy of this Agreement and such books, documents and records as are necessary to certify the nature and extent of the costs of the services provided by GROUP under this Agreement. If GROUP carries out any of his or her duties under this Agreement through a subcontract with a value or cost of Ten Thousand Dollars (\$10,000) or more over a twelve (12) month period, such subcontract shall contain a provision that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the subcontractor shall make available, upon written request, to the Secretary, the Controller General or any of their duly authorized representatives, a copy of the subcontract and such books, documents and records as are necessary to verify the nature and extent of the costs of providing the services pursuant to the subcontract.

6.4 Compliance with Laws.

(a) In addition to the obligations of the Parties to comply with applicable federal, state and local laws respecting the conduct of their respective businesses and professions, HOSPITAL and GROUP each acknowledge that they are subject to certain federal and state laws governing the referral of patients that are in effect or will become effective during the term of this Agreement. These laws include:

- (1) Prohibition on payments for referral or to induce the referral of patients (California Business and Professions Code §650; California Labor Code §3215; and the Medicare/Medicaid Fraud and Abuse Law, § 1128B of the Social Security Act); and
- (2) Prohibition on the referral of patients by a physician for certain designated health care services to an entity with which the GROUP (or his/her immediate family) has a financial relationship (California Labor Code §§139.3 and 139.31, applicable to referrals for workers’ compensation services; California Business and Professions Code §§650.01 and 650.02, applicable to all other patient referrals within California; and § 1877 of the Social Security Act, applicable to referrals of Medicare and Medi-Cal patients).

(b) Nothing in this Agreement is intended or shall be construed to require either party to violate the California or federal laws described in Section 6.4(a) and, subject to the covenants made by GROUP under Section 2.1 (Independent Contractors), this Agreement shall not be interpreted to:

- (1) Require Physician and/or GROUP to make referrals to HOSPITAL, be in a position to make or influence referrals to HOSPITAL, or otherwise generate business for HOSPITAL.
- (2) Restrict Physician from establishing staff privileges at, referring any patient to, or from otherwise generating any business for any other entity of GROUP’s choosing.

- (3) Provide for payments in excess of the fair market value or comparable compensation paid to physicians for Specialty Services or Hospitalist Services in comparable locations and circumstances.

(c) In the event of any changes in law or regulations implementing or interpreting the California Health Care District Law or the Medicare and Medicaid Patient Protection Act of 1987, including the adoption or amendment of Medicare Fraud and Abuse Safe Harbor Regulations, or to any other federal or state law relating to the subject matter of such Acts, to fraud and abuse, or to payment for patient referral, including the laws referenced in Section 6.4(a), the Parties shall use all reasonable efforts to revise this Agreement to conform and comply with such changes.

6.5 Dispute Resolution.

(a) Informal Resolution Processes. Any questions or disagreements arising under this Agreement regarding the quality of care provided to MSC or HOSPITAL patients shall be addressed pursuant to the Bylaws. Any other questions or disagreements (other than those regarding quality of care) arising under this Agreement, including any questions concerning the interpretation of this Agreement, shall be submitted to HOSPITAL's Chief Executive Officer. If the dispute cannot be resolved by the Chief Executive Officer within ninety (90) days of submission, either party may submit the resolution to arbitration pursuant to Section 6.5(b).

(b) Arbitration. With the exception of disputes regarding the quality of care, which shall be resolved according to the provisions of Section 6.5(a), all disputes relating to, arising out of or in connection with the validity, interpretation or performance of this Agreement, including tort claims, shall be resolved by arbitration. The arbitration will proceed in accordance with the commercial rules of arbitration of the American Arbitration Association, as supplemented or modified by this Agreement. Written notice of a claim and demand for arbitration must be given to the other party (the "**Respondent**") not more than one hundred and twenty (120) days after the date of (i) the events giving rise to the claim occur or (ii) the date the claim is discovered. Response to the demand for arbitration shall be due not later than twenty (20) days after receipt of notice. The claim will be deemed denied if Respondent does not answer the demand within that time period. Not more than twenty (20) days after Respondent answers the demand (or if there is no answer, after the time for answer has elapsed) (the "**Answer Date**"), the Parties shall select a single neutral arbitrator. ~~If the Parties cannot agree upon such arbitrator within twenty (20) days of the Answer Date, then each party shall choose an arbitrator and the two arbitrators together shall select a third arbitrator (the "**Arbitrators**") and the matter shall be arbitrated by the panel of three Arbitrators.~~ If the two Arbitrators are unable to agree upon a third Arbitrator prior to the thirtieth (30th) day after the Answer Date, then either party may request the American Arbitration Association to select the third Arbitrator. Any Arbitrator selected under this Section shall be a person with business, financial or legal experience in the health care industry of at least five (5) years, who is generally familiar with the issues in dispute. The arbitration shall take place in Truckee, California, or another location mutually agreed upon by the Parties. The Arbitrator(s) may construe or interpret but shall not ignore the terms of this Agreement and shall be bound by California substantive law. The arbitration decision shall include written findings of fact and conclusions of law. The arbitration decision may include equitable relief, but may not include punitive or exemplary damages. The Arbitrator(s) shall not have the power to commit errors of law or legal reasoning and the Arbitrator's(s') decision may be vacated or corrected pursuant to California Code of Civil Procedure Sections 1286.2 or 1286.6 for any such error. The prevailing party, as determined by the Arbitrator(s), shall be entitled to reasonable attorneys' fees and costs.

In cases submitted to arbitration, the Parties agree to share equally in the administrative fee, if any, unless otherwise assessed against the non-prevailing party by the Arbitrator(s). The Parties agree that the decision of the Arbitrator(s) shall be final and binding as to each of them, and that the arbitration award may be enforced in any court having jurisdiction thereof, by the filing of a petition to enforce said award.

6.6 Disclosure of Conflicts of Interest. Physician and GROUP agree to adhere to HOSPITAL's conflicts of interest policy, as from time to time in effect, and to disclose to HOSPITAL any matter or transaction in which Physician or GROUP is involved that conflicts with the interest of HOSPITAL in GROUP's satisfactory performance of Specialty and/or Hospitalist Services under this Agreement.

6.7 Assignment and Delegation. Notwithstanding any other provisions of this Agreement, GROUP shall neither assign rights nor delegate duties under this Agreement without first obtaining HOSPITAL's written consent. Any attempt at assignment or delegation without HOSPITAL's prior written consent shall be void. HOSPITAL's consent to one assignment or delegation shall not be consent to any subsequent assignment or delegation.

6.8 Tax-Exempt Financing. If HOSPITAL intends to seek tax-exempt financing, HOSPITAL and GROUP shall negotiate in good faith to amend this Agreement to the extent deemed necessary by bond counsel involved in that financing. If HOSPITAL and GROUP do not agree to the terms of such an amendment, HOSPITAL may terminate this Agreement pursuant to Section 4.2(d) [Termination without cause.]

ARTICLE 7- MISCELLANEOUS PROVISIONS

7.1 No Third Party Beneficiary Rights. The Parties do not intend to confer and this Agreement shall not be construed to confer any rights or benefits to any person, firm, group, corporation or entity other than the Parties.

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

7.3 Statutes and Regulations. Any reference in this Agreement to any statute, regulation, ruling, or administrative order or decree shall include, and be a reference to any successor statute, regulation, ruling, or administrative order or decree.

7.4 Notice. Written notice required under this Agreement shall be given personally or sent by United States certified mail, return receipt requested, or by private overnight mail service, postage prepaid, and addressed to the Parties at addresses shown with their signatures (or such other address as may hereafter be designated by a party by written notice thereof to the other party). Such notice shall be effective upon delivery, if given personally, or if mailed as provided for above such notice shall be effective upon the date shown on the delivery receipt.

7.5 Governing Law. This Agreement shall be construed in accordance with the laws of the State of California.

7.6 Venue. The venue for any judicial proceeding arising under this Agreement shall be Nevada County, California.

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

7.8 Captions. Any captions to or headings of the articles, sections, subsections, paragraphs or subparagraphs of this Agreement are solely for the convenience of the Parties, are not a part of this Agreement, and shall not be used for the interpretation or determination of validity of this Agreement or any provision hereof.

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

7.10 Waiver of Provision(s). The failure of a party to insist upon strict adherence to or performance of any provision of this Agreement on any occasion shall not be considered a waiver nor shall it deprive that party of the right thereafter to enforce performance of or adherence to that provision or any other provision of this Agreement. Any waiver of any terms and conditions hereof must be in writing, and signed by the Parties.

7.11 Force Majeure. Neither party shall be liable nor deemed to be in default for any delay or failure in performance under the Agreement or other interruption of service or employment deemed resulting, directly or indirectly, from: Acts of God; acts of civil or military authority; acts of public enemy; war; accidents; fires; explosions; earthquakes; floods; failure of transportation, machinery or supplies; vandalism; strikes or other work interruptions by HOSPITAL's employees; or any similar or dissimilar cause beyond the reasonable control of either party. Both Parties shall, however, make good faith efforts to perform under this Agreement in the event of any such circumstance.

7.12 Gender and Number. Whenever the context hereof requires, the gender of all words shall include the masculine, feminine, and neuter, and the number of all words shall include the singular and plural.

7.13 Facilitation. Each party agrees promptly to perform any further acts and to execute, acknowledge and deliver any documents which may be reasonably necessary to carry out the provisions of this Agreement or affect its purposes.

7.14 Entire Agreement; Amendment. This Agreement, together with all exhibits, schedules and attachments, constitutes the entire agreement between the Parties, and shall supersede all other agreements, written or oral by the Parties. There are no representations or warranties by either party that are not set forth herein. This Agreement may be modified only by a written agreement executed by the Parties.

7.15 Successors and Assigns. Subject to the provisions contained in this Agreement on assignment, this Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns.

7.16 Legal Counsel. Each party understands that this Agreement gives rise to certain tax implications and is subject to Medicare and Medi-Cal laws (including laws relating to reimbursement, fraud and abuse and referral of patients). Each party understands the advisability of seeking legal counsel and/or accountants to review the Agreement, and has exercised its own judgment in this regard.

7.17 Facsimile / Electronic signature: Signatures submitted via facsimile or electronic means shall be deemed original signatures of the parties and are valid and binding upon the parties. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

[Signature Page Follows]

EXECUTED at Truckee, California:

HOSPITAL:

TAHOE FOREST HOSPITAL DISTRICT

Signature: _____

Print Name: _____

Title: _____

Date: _____

GROUP:

SIERRA MULTISPECIALTY MEDICAL GROUP, INC.

Signature: _____

J. Timothy Lombard, MD.

Date: _____

Address for Notice to HOSPITAL:

Tahoe Forest Hospital

10121 Pine Avenue

P.O. Box 759

Truckee, California 96160

Attention: Chief Executive Officer

Address for Notices for GROUP:

10978 Donner Pass Road, Truckee, CA 96161

Phone: (530) 582-1212

Fax: (530) _____

Phone: (530) 587-6011 Fax: (530) 587-2532

Attached Exhibits

A - Compensation for Specialty Services

B - Performance Expectations for Specialty Services

C - Compensation for Hospitalist Services

D - Performance Expectations for Hospitalist Services

E - Quality Metrics for Hospitalist Services

MSC- HOSPITALIST PSA January 2015

HOSPITAL: _____

Sierra MultiSpecialty Medical Group, Inc.

Initials of GROUP: _____ Initials of

Sierra MultiSpecialty Medical Group

EXHIBIT A

COMPENSATION FOR SPECIALTY SERVICES

(From Agreement Section 3.3)

1. **Compensation.** Base compensation shall be calculated based on an annual amount of \$298,498 for annual production up to 4,456 Work Relative Value Units (“WRVUs”), defined as the WRVU Production Target. For annual WRVUs in excess of 4,456, additional compensation will be paid at a rate of \$55.99 per WRVU. Both the base compensation and the WRVU Production Target are 12 month figures and shall be prorated to reflect the actual duration of the contract.

2. **WRVU calculation.** WRVUs shall be calculated based upon 2014 WRVU values as published by the Centers for Medicare and Medicaid Services (CMS). Adjustments shall be made to the actual number of WRVUs generated from clinical services as follows:
 - a. **Hospitalist services.** In lieu of the actual WRVUs generated during non-holiday daytime hospitalist shifts (defined as the 12 hour period from 6:00 AM to 6:00 PM), Medical Group shall receive a WRVU credit of 29.04 WRVUs per 12-hour shift. The WRVU credit for any partial shift shall be prorated accordingly. For the purpose of this paragraph, holidays included these nine (9) days: New Year’s Day, Memorial Day, July 4th, Labor Day, Thanksgiving Day, Christmas Eve Day, Christmas Day and New Year’s Day.
 - b. **Extender supervision.** In the event that Medical Group is assigned responsibility for the supervision of one or more physician extenders, Medical Group shall receive a WRVU credit equal to 21.84 WRVUs per month per FTE supervised in the Internal Medicine / Cardiology Clinic. In the event that supervision is shared between Medical Group and other physician(s) and/or if the extender is working less than full-time, the WRVU credit will be prorated accordingly.

3. **Reimbursed Expenses.** Hospital agrees to reimburse Medical Group for the following expenses. In the event that an allowable expense was paid directly by one of the individual physician members of the Medical Group, Hospital may reimburse that physician for the expense incurred rather than reimbursing the Medical Group. If any physician member of the Medical group is regularly scheduled to work less than the 4

days per week expected of a full-time physician for all or part of the year, the maximum reimbursement for each category for that physician will be prorated based on the physician's full time equivalent (FTE) status.

- a. Medical License (California and, if working in the Incline Village Clinic, Nevada)
- b. DEA registration
- c. CMEs, related reasonable travel, lodging and meals, and professional dues up to a combined maximum of \$4,200 per year
- d. A maximum of two professional journal subscriptions per year (to utilize Medical library first).

4. **Meaningful Use Incentive Payments.** Hospital is seeking to achieve "meaningful use" of electronic health records, as that term is defined under the American Recovery and Reinvestment Act of 2009 ("ARRA") and its accompanying regulations, rules and guidance, and qualify for related incentive funding from Medicare ("**Medicare Incentive Payments**"). In consideration for Hospital's provision of electronic health record technology, Medical Group and each of its physician members ("**Group and Members**") hereby assigns to Hospital all rights to apply for and collect Medicare Incentive Payments on behalf of Group and Members, and Medical Group agrees that all such Incentive Payments received by Group and Members pursuant to this Agreement shall be the sole and exclusive property of Hospital. Medical Group further agrees that Hospital may not receive Medicare Incentive Payments for some physicians providing services in the MultiSpecialty Clinic ("MSC") who qualify for such payments through no fault of those physicians. Accordingly, Medical Group agrees that to the extent that Hospital is in receipt of Medicare Incentive Payments directly attributable to the satisfaction of applicable meaningful use standards by Group and Members or any other physicians using Epic/OCHIN and providing services in the MSC ("**MSC Physicians**"), Hospital shall distribute twenty percent (20%) of total Medicare Incentive Payments received in equal shares per physician, to all MSC Groups and Physicians submitting data through Epic/OCHIN to Medicare under the EHR program. This provision supersedes any and all prior agreements or understandings between Hospital and Medical Group regarding Incentive Payments, and Medical Group waives any right Medical Group and Members may have under any such prior agreements or understandings to any Medicare Incentive Payments.

5. **Payment terms.** Base compensation shall be paid semi-monthly on the 16th and last day of the month or preceding business day when regular payment dates fall on a weekend or holiday. Production-based incentive compensation shall be calculated following each June 30 fiscal year end. The first settlement shall be for services rendered January 1, 2015 through June 30, 2015, and the second settlement shall be for services rendered July 1, 2015 – June 30, 2016. Payment of production-based incentives shall be made within 120 days of fiscal year end.

EXHIBIT B

PERFORMANCE EXPECTATIONS

To allow for appropriate planning and definition of shared expectations regarding Group's practice, and to promote the operation of a successful medical practice by Group in the Hospital's service area (the "Service Area"), Group and Hospital agree that Group's regular schedule shall be subject to the specific requirements set forth below.

1. Requirements Relating to Practice.

(a) Weeks Worked/Time Off. All time away from practice for vacation, CME, holidays for which Group has no "on-call" responsibilities, and other leave shall be coordinated with the MSC's Executive Director or designee and other Groups (through interaction with the MSC's Executive Director or designee or Hospital's Medical Staff office) as required by Hospital and/or Medical Staff policies and procedures, and as consistent with appropriate patient care. Group will refrain from taking time away from the practice in excess of such related data in the current publication of the MGMA Group Compensation and Production Survey, as prorated in accordance with Group's full-time equivalent ("FTE") status. For example, if Group works on a part-time, 0.5 FTE basis, then such MGMA standards shall be multiplied by 50% when applied to Group.

(b) MSC and Hospital Service Schedule. Group will maintain a regular schedule for the provision of professional services in the MSC and Hospital, including the Incline Village Services if applicable, for no less than four (4) days per week for a 1.0 FTE Group (applied on a pro rata basis to part-time Groups) on an agreed upon schedule to be determined by Hospital through the MSC's Executive Director or designee and Group; provided that the parties may agree that Group may furnish clinical services at locations (e.g., outreach sites, institutions or otherwise) other than the MSC. The MSC Executive Director or designee shall interact with Group to determine appropriate times during which Group shall be expected to be available to see patients and provide out-patient clinic, hospital, and surgical services, as appropriate for the Specialty and as required to meet reasonable patient service needs.

(c) Group Availability. If Group is paid a base compensation amount pursuant to Exhibit A, and fails to achieve at least 90% of the prorated WRVU target specified in Exhibit A for any quarterly period during the term of the Agreement, Group may be reviewed by the MSC's Executive Director or designee, together with the Medical Director of the MSC who shall select another Group to review the adequacy of Group's availability to patients; these three (3) individuals ("Reviewers") shall review Group's average weekly hours of scheduled clinical availability and number of weeks worked against community and/or specialty-specific industry norms (pro-rated to Group's FTE status), along with reported incidents in which patients have been unable to obtain requested services in the MSC or inpatient/surgical setting due to Group-imposed restrictions on availability or schedule cancellation. If the majority of the Reviewers determine that Group has failed to provide reasonable availability to patients, then Group's base compensation as set forth in Exhibit A shall cease for the remainder of the current term of the Agreement; such action is solely

contractual in nature pursuant to this Agreement and does not constitute disciplinary action or a restriction under the Medical Staff bylaws nor does it entitle Group to a hearing under the Medical Staff bylaws. For the remainder of such term, Group shall be compensated at the rate per WRVU specified in Exhibit A, adjusted for malpractice and benefits in accordance with the MSC's standard formula for production-based Groups.

(d) Inpatient Care. Group will provide professional services to Hospital inpatients as required.

(e) Call Coverage. If Hospital's Medical Staff and Hospital determine that call coverage is needed in Group's specialty, Group will participate in call coverage and "on-call" responsibilities on nights, weekends and holidays in accordance with the regular call schedule and requirements developed by the Hospital's Medical Staff Office and the Group and as set forth in a separate On Call Coverage Agreement between the Hospital and Group (or the medical group of which Group is a member) (the "**On Call Coverage Agreement**").

(f) Open Practice. Group will maintain an open practice in which Group does not refuse to accept new patients (provided that a practice may be allowed to be closed to new patients after discussion with and written approval of Hospital). Nothing in the foregoing shall require Physician to accept any individual patient whose documented medical needs fall outside the scope of Physician's Specialty.

(g) Patient Satisfaction. Group's patient satisfaction ratings as they relate directly to the Group's services and performance under this Agreement, shall be evaluated using the Quest method (or comparable method as determined by Hospital), and shall meet minimum patient satisfaction levels as established by Hospital. In the event Group fails to maintain the minimum required patient satisfaction level, Hospital may terminate this Agreement for cause with respect to a Group in accordance with Section 4.3 of this Agreement.

2. Other Requirements. Group shall also comply with the following performance requirements:

(a) Dictation/Medical Record Completion. Groups will complete all MSC medical record entries in a time and manner as directed by the MSC Executive Director or designee. Group shall complete all Hospital medical records pursuant to applicable Hospital Medical Staff bylaws, rules, regulations, policies and procedures. Should a Group delay in completing medical records, Hospital may withhold Group's compensation until the records are complete. If a Group fails to complete medical record entries for services provided pursuant to this Agreement in a timely fashion and Hospital fails to obtain full reimbursement as a result of such delay in documentation, then the WRVUs for such services shall not be counted in the calculation of Group's compensation under the formula set forth in Exhibit A.

(b) Coding. Group is required to participate in Current Procedural Terminology ("CPT") coding training sessions conducted by Hospital. Hospital will make coding experts

available to answer Group's coding questions. If Group fails to properly code services provided pursuant to this Agreement and Hospital fails to obtain full reimbursement as a result of such improper coding, then the WRVUs for such services shall be adjusted to those (i) accepted for reimbursement by the applicable payer and (ii) that correspond to the correct code for purposes of calculating Group's compensation under the formula set forth in Exhibit A.

(c) Practice Performance. Groups shall meet periodically with MSC representatives to review the financial and other performance of Group's practice, to include assessment of practice growth, scheduling, coding, medical records completion and other factors. In addition, Group shall meet with a Hospital compliance representative and/or an individual who is a certified coder as directed by the MSC's Executive Director or designee, to review HIPAA, coding, documentation and related issues.

(d) Practice Support and Assistance. Groups shall serve as active participants on Hospital committees in accordance with the Bylaws of the Hospital and its Medical Staff and shall reasonably assist in recruiting activities. Group shall also assist as may be reasonably requested by Hospital in developing, reviewing and implementing revisions to Hospital's quality assurance, quality improvement, case management and related programs and in connection with Group's practice.

(e) Patient Termination. Group may not terminate patients from Group's practice without the prior consultation and acceptance of the Hospital. Any request to terminate a patient shall be in writing and delivered to the Hospital Risk Manager and MSC Director for final decision, and Group shall be obligated to comply with such final decision.

(f) Compliance. Group shall comply with all Hospital compliance policies. Group shall immediately report to Hospital's Compliance Officer any Medicare or Medicaid, governmental, credentialing or other inquiries from third parties relating to compliance matters.

(g) Absence from Practice. Group shall provide MSC Director with not less than 60 days' advance notice of any expected absence for a period of ten days or more, and no less than 30 days' notice of other expected absences. Group shall immediately notify MSC Director or representative of any illness, emergency or other cause giving rise to unexpected absence or inability to perform medical services or other services under this Agreement.

(h) MSC Group Meetings. Group shall attend at least fifty percent (50%) of the quarterly MSC Group Meetings. Hospital shall impose a fine of Five Hundred Dollars (\$500) for each MSC Group Meeting missed by Group commencing with the third missed meeting, and any such fines shall be deducted from Hospital's payment of year-end WRVU-based bonus compensation under this Agreement. This clause shall not be applicable to any Group who works less than two (2) full days per week in the MSC.

EXHIBIT C – COMPENSATION FOR HOSPITALIST SERVICES

In consideration of the availability of Group and its Physician Member, and provision of Hospitalist Services and Hospital's billing and collection services on behalf of Group pursuant to this Agreement, Hospital shall compensate Group as follows:

1. Night Shift: Eighty Dollars (\$80.) per hour for shifts during the hours of 6:00 pm. to 6:00 a.m. for Group's provision of Hospitalist Services at Hospital, as requested by Hospital.
 2. Day Shift: For shifts during the hours of 6:00AM to 6:00PM Hospital shall compensate Group by establishing values for such services as RVUs, in accordance with a formula established by Hospital, and counting such RVUs in calculating Group's compensation in accordance with the methodology set forth Exhibit A of the Agreement to which this Exhibit C is incorporated by reference.
 3. Holiday Shifts: Hospital shall pay Group for Hospitalist Services provided on Holidays at the rate of One Hundred Twenty Dollars (\$120) per hour for shifts during the hours of 6:00PM to 6:00AM and One Hundred Eighty Dollars (\$180) per hour for shifts during the hours of 6:00 AM to 6:00 PM. For purposes of this Section, "Holidays" shall be defined as President's Day, Memorial Day, July 4th, Labor Day, Thanksgiving Day, Christmas Eve, Christmas Day, New Year's Eve and New Year's Day. Each Holiday shall commence at 12:00 a.m. on the day of the Holiday and end at 11:59 p.m. on the night of the Holiday.
 4. Bonus Compensation. Group also shall be eligible for bonus compensation equal to a maximum of Five Percent (5%) of Group's Base Pay, with Bonus Compensation of One Percent (1%) of Group's Base Pay earned for each of the quality/service indicators set forth in **Exhibit D** that are satisfied. Bonus Compensation shall be paid by Hospital only if Hospital meets its budget target for the applicable tax year. Any Bonus Compensation shall be paid annually, after completion of the Hospital's fiscal year financial report audit and paid to Group no later than November 15.
-
5. Base Pay for Hospitalist Services. For the purpose of calculating the hospitalist bonus compensation, the Base Pay for Hospitalist Services shall be the sum of: (a) actual payments made for night shifts and holiday shifts worked during the preceding fiscal year (July 1 – June 30); and (b) the imputed value of non-holiday day shifts worked during the preceding fiscal year, using actual hours multiplied by an hourly rate of \$120.
 6. Stipend for Professional Liability Insurance Coverage: Hospital shall pay Group a stipend of Thirty Dollars (\$30) per 12 hour shift to help defray the cost to Group of the premiums for professional liability insurance associated with Group's provision of Hospitalist services under this Agreement.
 7. Specialty Consult Activation Fee. In the event that a Physician Member of Group is called in to the hospital for a specialty consultation during hours in which Group is not

scheduled for either a hospitalist shift or for Clinic work, Group shall receive an activation fee of Five Hundred Fifty Dollars (\$550). No more than one activation fee shall be paid per 24 hours.

8. Payment Terms. Hospitalist compensation for Night Shifts, Holiday Shifts, Specialty Consult Activation, and the Stipend for Professional Liability Insurance Coverage will be paid monthly no later than 30 days following the end of the month in which services were rendered.

EXHIBIT D – PERFORMANCE EXPECTATIONS FOR HOSPITALIST SERVICES

The specific Hospitalist Services and duties to be performed by Group through its Physician Members include the following:.

1. Group shall provide Hospitalist Services to Hospital patients in accordance with a schedule mutually agreed upon by Hospital and Group, in accordance with the Hospital's general five-week (5) hospitalists shift rotation based upon seventy (70) shifts.
2. Group shall accept patient referrals, and coordinate all aspects of care for Hospital patients, referred by medical staff members, especially in the Family Practice and Internal Medicine specialties, including:
 - a. Provide admission and management of all medical and medicine patients as requested;
 - b. Appropriate placement within the Hospital according to nationally recognized admission criteria;
 - c. Discussion of end of life preferences with patients, family and others who are entitled and need to know;
 - d. Consultations with sub-specialists;
 - e. Performing timely and proactive discharge planning;
 - f. Coordination of care with primary care physicians;
 - g. Discharge including ensuring appropriate follow up is arranged;
 - h. Respond to Code Blue and other emergency calls for inpatient and observation patients by request of medical staff or nursing management;

 - i. Perform daily bed side multidisciplinary rounding on all patients on the Medicine service; and
 - j. Serve as the physician on-call for residents in the ECC during evening and weekend hours.
3. Function as the Medicine Consultant to all areas of the Hospital, including timely consultations to the Emergency Department, surgeon and other Medical Staff members on request.

4. Along with other members of the Inpatient Team, provide on call coverage for shifts assigned, onsite or offsite by telephone, responding within time frames established by the Medical Staff for emergency, urgent and routine requests. The parties acknowledge and agree that the duties set forth in this item constitute one of the essential functions of Group's duties as a Hospitalist.
5. Group, along with the other Hospitalists, shall periodically meet to confer upon and set schedules for each shift, days-on, days-on with call and days-off. "Days-on" mean Group shall be at the Hospital during normal patient care hours and available to provide call coverage for shifts assigned
6. Participate in appropriate Medical Staff meetings.
7. Work with nursing leadership on development and implementation of clinical pathways, protocols, and other clinical effectiveness projects.
8. Work with hospital staff to ensure full compliance with CMS clinical performance indicators.
9. Work with hospital staff to ensure optimal patient satisfaction as indicated on patient satisfaction surveys identified by Hospital.
10. Participate with Hospital's Discharge Planners and staff in maintaining effective utilization and resource management, medical record appropriateness and appropriate discharge planning.
11. Maintain excellent working relationships with and participate in the implementation and improvement of systems to provide excellent service to patients, physicians, and other colleagues and Hospital staff. Participate in the resolution of patient and provider complaints and enhancement of patient and provider satisfaction as measured by periodic surveys.
12. Complete and maintain adequate and proper medical records with respect to all patients examined or treated in accordance with all legal, accreditation, regulatory and third party payor requirements.
13. Complete and maintain adequate documentation of shifts worked and codes necessary to allow the hospital to bill for professional fees. Documentation should include:
 - a. Face sheet
 - b. Type of admission (e.g, Inpatient, ICU, OB, etc.)
 - c. Levels of consult, admission
 - d. Date of service(s)
 - e. Time spent with patient
 - f. CPT code
 - g. Modifier (if applicable)

- h. Diagnoses
- i. If an injury, cause/mechanism, and
- j. Laterality (if applicable).

14. Comply with all Medical Staff Bylaws, rules and regulations, guidelines and policies as well as applicable Hospital bylaws, policies and procedures.

EXHIBIT E – QUALITY METRICS FOR HOSPITALIST SERVICES

Data for each metric will be collected and reported to participating Hospitalists according to the following schedule:

1. Data for January, February and March will be reported in April
2. Data for April, May and June will be reported in July
3. Data for July, August, September will be reported in October
4. Data for October, November, December will be reported in January

Although data will be shared quarterly, metrics will only be eligible for bonus payment if the goal has been met for the year AND ONLY if the Hospital meets its EBITDA budget targets for the fiscal year.

1. Satisfaction of medical staff and nursing staff will improve to a 90% satisfaction related to communication and continuity of care between hospitalists, response to the ED in a timely manner, maintaining a positive relationship with other hospitalists and that hospitalists readily accept requests for consultations and admittance from other members of the medical staff
2. 95% of all hospitalists requesting a specialty consult will include an order with the indication for the consult.
3. 98% of all medication orders will be complete, including:
 - a. Drug name / strength
 - b. Dose to be administered
 - c. Route of administration
 - d. Frequency
 - e. PRN orders clearly state an indication
 - f. Dated
 - g. Signed
 - h. Legible
 - i. Free from unapproved abbreviations
4. 30 day readmission rate is below national average
5. Hospitalists will complete CAH Certification prior to discharge 100% of the time.

CONTRACT ROUTING FORM

Email Completed Form to Executive Assistant (pbarrett@tfhd.com) for Processing and Compliance Review

NEW CONTRACT <input checked="" type="checkbox"/> AMENDMENT <input type="checkbox"/> RENEWAL <input type="checkbox"/> EXTENSION <input type="checkbox"/> BAA <input type="checkbox"/>	
ORIGINATING DEPARTMENT: Multi Specialty Clinic	CONTACT PERSON: Tim Garcia-Jay, Executive Director of Clinics PHONE: 530-582-6474
RESPONSIBLE ADMINISTRATIVE COUNCIL (AC): CEO <input type="checkbox"/> CFO <input type="checkbox"/> COO <input checked="" type="checkbox"/> CNO <input type="checkbox"/> CIO <input type="checkbox"/> IVCH <input type="checkbox"/>	
REQUIRES BOARD GOVERNANCE COMMITTEE REVIEW? NO <input type="checkbox"/> YES <input checked="" type="checkbox"/> MEETING DATE: Straight to Board COMMITTEE RECOMMENDS: Pending	
TYPE OF CONTRACT:	
Physician Professional Service Agreement (P-PSA) <input checked="" type="checkbox"/> Physician Medical Director Agreement (MDA) <input type="checkbox"/> Vendor Professional Service Agreement (V-PSA) <input type="checkbox"/> Other <input type="checkbox"/>	Type: Internal medicine, Pulmonology, Critical Care, Sleep Medicine, Hospitalist - PSA Type: _____ Type: _____ Type: _____
❖ Business Associated Agreement Required? YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>	
CONTRACTOR/VENDOR DETAILS: <i>If needed, additional instructions and information may be provided on Page 2</i>	
LEGAL NAME OF CONTRACTOR/ VENDOR: Greg Tirdel, MD	
Purpose of the Contract/Alternatives: Provide Internal Medicine, Pulmonology, Sleep Medicine and Critical Care services to the community through the Multi-Specialty Clinics. Continue to provide hospitalist services through a rotation of local physicians practicing in the community. Continue to have the availability of a Critical Care Specialist for inpatient specialty consults. Alternative: Reduce or eliminate the availability of Internal Medicine, Pulmonology, Sleep Medicine and Critical Care services in the local community, utilize an outside hospitalist service to care for inpatients, and transfer critically ill inpatients to Reno. In addition, without a sleep specialist, the IVCH sleep lab would be unlikely to retain sufficient patient volume to remain viable.	
Scope of the Contract: Dr. Gregory Tirdel shall provide physician professional services in the specialties of Internal Medicine, Pulmonology, Sleep Medicine and Critical Care in the MSC's Internal Medicine / Pulmonology clinic. Dr. Tirdel will also perform related pulmonology procedures at Tahoe Forest Hospital and interpretations of the sleep studies performed in the Incline Village Community Hospital sleep lab. In addition, Physician shall provide hospitalist services to Tahoe Forest Hospital and will provide critical care consults.	
DATES OF CONTRACT:	EFFECTIVE DATE: 1/1/2015 END DATE: 6/30/2016
Version History:	Original Effective date: 7/1/2011 Renewal Dates: Amendment Dates: 7/1/12, 7/1/13, 8/1/13, 11/1/13, 7/1/14
PHYSICIAN CONTRACTS: FOR STARK LAW COMPLIANCE, THE TERMS OF THIS CONTRACT CANNOT CHANGE FOR 1 YEAR	
Compensation Structure: <i>Include "other comp" (i.e. education, phone stipend, etc.)</i> Annual base compensation shall be \$322,543 for up to 4,992 WRVUs with WRVUs calculated based upon 2014 WRVU values. For annual RVUs in excess of 4,992, additional compensation will be paid at a rate of \$56.54 per WRVU. Additional compensation shall be paid for each 12-hour hospitalist shift (\$990 non-holiday PM, \$1,470 holiday PM, \$30 plus 29.04 WRVUs non-holiday AM and \$2,190 holiday AM), with a potential bonus of up to 5% on the total hospitalist compensation including monetized value of the WRVUs, a specialty hospital consult activation fee of \$550 per 24 hours, a pro rata share of the meaningful use incentive pool (total pool = 20% of incentive received by hospital), and up to an estimated \$5,048 annually in reimbursed expenses.	
Contract Term: <i>(anything other than Net 30 requires AC approval)</i> Base comp pd semi-monthly (16th & EOM); Hospitalist comp pd monthly (30 days > EOM); Incentive comp pd annually (120 days > FYE).	
Total Cost of Contract:	Total cost over 18 months is projected to be \$685,336.
Compensation Audit Process:	See Policies AGOV-10 and ABD-21
Is Cost of Contract Budgeted?	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
If NOT budgeted or exceeds budgeted amount, identify the offset:	Current terms of contracts have been budgeted. Increases to base compensation taking effect in January will result in a budget variance.
TFHS Primary Responsible Party:	Tim Garcia-Jay, Executive Director of Clinics
TFHS Secondary Responsible Party:	Virginia Razo, COO

ORIGINATING DEPARTMENT: Multi Specialty Clinic	CONTACT PERSON: <u>Tim Garcia-Jay, Executive Director of Clinics</u> Phone: <u>530-582-6474</u>
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LEGAL NAME OF CONTRACTOR/ VENDOR: Greg Tirdel, MD
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REQUIRED COMPLIANCE INFORMATION	
Commercially Reasonable Verified Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/> Fair Market Value Verified Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/>	Compliance Officer Signature: 

CONTRACTOR INFORMATION	
Contractor Representative Name:	Greg Tirdel, MD
Mailing Address:	10956 Donner Pass Road, Suite 260, Truckee, CA 96161
Telephone and Fax Number:	Phone: 530-582-6000 Fax: 530-582-6991
Email Address of Contact:	
Accounts Receivable Representative:	

REQUIRED FINANCIAL INFORMATION	
W-9 and Certificates of Insurance Must Be Submitted with any Contract	

ADDITIONAL INFORMATION	
<p>Amendment dated July 1, 2014 will expire on December 31, 2014 Management is recommending an 18 month term.</p> <p>ECG has provided us with a fair market value range for FY 14. We have requested projected inflation factors by specialty to apply to the FY 14 fair market values, so that they may be compared to our FY 16 contract projections. ECG has committed to providing this information prior to the board meeting. Management will provide an update of those figures at the board meeting."</p>	

Reference:
Policy ABD – 21 Physician and Professional Service Agreements
Policy AGOV – 10 Contract Review Policy
Policy AFIN – 03 Accounts Payable Policy

*W-9s are required for any contract on which we are making payments.
Certificates of Insurance are required for any contract in which any service is being provided.*

THIS SECTION FOR CONTRACTS COORDINATOR USE ONLY:			
W-9 Received?	Yes: <input type="checkbox"/> No: <input type="checkbox"/>	Certificate of Insurance Received?	Yes: <input type="checkbox"/> No: <input type="checkbox"/>
New Vendor information Sent to Accounts Payable?	Yes: <input type="checkbox"/> No: <input type="checkbox"/>	<i>Email a copy of Section D (page 2) of the completed Routing Form to A/P. This is required for A/P to process their payments.</i>	

Contracts Review:	_____	_____
Date	Initials	
CFO Review:	_____	_____
Date	Initials	

BOARD ACTION: _____	MEETING DATE:
Out for TFHD Signature: _____	Date: _____
Out for Vendor Signature: _____	Date: _____
Uploaded to Contracts System: _____	Date: _____
CONTRACT #: _____	Document Reference: _____
(i.e. 10001)	(i.e. #####.C)
	Trigger dates set: YES <input type="checkbox"/> NO <input type="checkbox"/>

TAHOE FOREST HOSPITAL DISTRICT
PROFESSIONAL SERVICES AGREEMENT – MULTISPECIALTY CLINIC AND
HOSPITALIST SERVICES

This Agreement is made and entered into as of January 1, 2015 (the “**Effective Date**”) by and between TAHOE FOREST HOSPITAL DISTRICT, a California Hospital District organized and operating under the California Health Care District Law and doing business as Tahoe Forest Hospital (“**Hospital**”) and Gregory Tirdel, M.D., an individual (“**Physician**”), collectively the “**Parties**” with reference to the following facts:

RECITALS

A. Hospital is the owner and operator of Tahoe Forest Hospital District that is licensed by the State of California to operate as a general acute care hospital (Tahoe Forest Hospital) located at 10121 Pine Avenue, Truckee, California 96161-4835 and other approved outpatient services including various MultiSpecialty Clinics in California (the “**MSC-CA**”). Hospital is also the owner and operator of Incline Village Community Hospital located at 880 Alder Street, Incline Village, NV 89451 that is licensed by the State of Nevada as a Rural Hospital and operates various outpatient MultiSpecialty Clinics in Nevada (the “**MSC – NV**” or “**Incline Village Clinic**”). Unless otherwise specified in this agreement, the term “**MSC**” in this Agreement shall refer collectively to the **MSC-NV** and **MSC-CA** and the term “**Hospital**” shall refer to Tahoe Forest Hospital District and shall include both Tahoe Forest Hospital and Incline Village Community Hospital.

B. Physician is licensed to practice medicine in the State of California, and if requested by Hospital has obtained licensure to practice medicine in the State of Nevada. Physician is qualified to practice the medical specialty of Internal Medicine, Pulmonology, Sleep Medicine and Critical Care (the “**Specialty**” or “**Specialties**”) and is experienced in the organization and delivery of Specialty services.

C. Hospital desires to obtain professional physician services in the Specialty for patients of the **MSC** and Hospital.

D. Hospital also desires to have Hospitalist services provided by Physician to Hospital patients (“**Hospitalist Services**”).

E. After careful consideration of the quality of Specialty services and Hospitalist Services provided by Physician, Hospital has determined that an arrangement with Physician for the foregoing services will ensure the availability of Specialty and Hospitalist services to **MSC** and Hospital patients.

F. Hospital, acting with the approval of its Board of Directors, desires to engage Physician in the foregoing capacities, and Physician desires to be so engaged, in accordance with the terms and conditions of this Agreement.

In consideration of the foregoing promises and the mutual covenants in this Agreement, the Parties agree as follows:

AGREEMENT

ARTICLE 1 - SERVICES

1.1 Professional Services.

(a) Specialty Services. Physician shall provide professional services in the Specialty to patients of the MSC during the MSC's usual business hours and to Hospital patients from time to time. Specialty Services may only be performed at the MSC or the Hospital by a physician who is approved by Hospital and who meets all of the qualifications of Section 1.2 (Qualifications) below.

(b) Performance Expectations for Specialist Services. Physician shall abide by and conform to the Performance Expectations for Specialist Services listed in attached EXHIBIT B, which is incorporated herein by reference.

(c) Hospitalist Services. Physician shall provide Hospitalist Services to Hospital patients, in accordance with a schedule mutually agreed upon by Hospital and Physician, in accordance with Hospital's general five-week hospitalist shift rotation based on 70 shifts. The specific Hospitalist Services and duties to be performed by Physician are set forth in EXHIBIT D, which is attached and incorporated into this Agreement. Quality Metrics associated with the performance of those duties are set forth in EXHIBIT E, which is attached and incorporated into this Agreement.

1.2 Qualifications.

(a) Physician shall maintain on an unrestricted basis:

- (1) California licensure as a physician. Physician also agrees to use reasonable efforts to pursue Nevada licensure if requested by Hospital;
- (2) Membership in good standing on Hospital's medical staff (the "Medical Staff") and appropriate clinical privileges in the Specialty at the Hospital and in the MSC;
- (3) Federal Drug Enforcement Administration registration;
- (4) Professional liability insurance as set forth in Section 5.1 (Professional Liability Insurance Coverage);
- (5) Board certification in the Specialty, as determined by the Hospital; and
- (6) Participation in good standing in the Medicare and Medi-Cal programs.

(b) Physician shall not have been: (i) excluded or suspended from participation in any federal or state health care program, including Medicare, Medi-Cal or CHAMPUS/Tricare; (ii) charged or convicted of a criminal offense related to the delivery of health care services or the neglect or abuse of a patient; or (iii) suspended, excluded, debarred, sanctioned, or otherwise ineligible to participate in any other federal program, including the Food and Drug Administration, the National Institutes of Health, the MSC of Defense or the MSC of Veterans Affairs, or any state equivalent.

(c) For the purposes of this Agreement, a “criminal conviction” means” (i) a judgment of conviction that has been entered against Physician by a federal, state or local court, regardless of whether there is an appeal pending or whether the judgment of conviction or other record relating to criminal conduct has been expunged; (ii) a finding of guilt against Physician that has been accepted by a federal, state or local court; (iii) a plea of *nolo contendere* by Physician that has been accepted by a federal state or local court; or (iv) the entering into participation in a first offender, deferred adjudication or other arrangement or program where judgment of conviction has been withheld.

(d) Physician shall notify Hospital and MSC within twenty-four (24) hours of any material change in status with respect to his or her compliance with Section 1.2 of this Agreement, including, without limitation, the imposition of any integrity agreement, consent decree or settlement agreement with any state or federal agency having jurisdiction over Physician’s practice. Physician shall notify Hospital if any malpractice action against Physician is pending, settled or reaches judgment. Failing to maintain any of the qualifications set forth in Section 1.2 of this Agreement, shall immediately terminate the Physician from providing any services under this Agreement.

(e) Physician shall participate as a member of the Medical Staff, and shall be subject to all rights and obligations of members under the Medical Staff Bylaws, Rules and Regulations, policies and procedures (hereinafter “**Bylaws**”) including those related to peer review, discipline, committee service, continuing medical education (“**CME**”) and the performance of other duties consistent with the practice of medicine on the staff of an accredited general acute care hospital. Except as provided in herein Section 4.6(d) (Effect of Expiration or Termination) the Parties agree that the granting and termination of Medical Staff membership and clinical privileges of Physician shall be governed solely by the Medical Staff Bylaws then in effect.

1.3 Quality of Service.

Physician shall perform Specialty Services and Hospitalist Services in accordance with the Hospital Bylaws and the Bylaws as defined in Section 1.2(e) herein. In addition, Physician shall provide Specialty Services and Hospitalist Services in accordance with the ethical and professional standards of the American Medical Association and the applicable state Medical Association, and shall abide by all rules and regulations applicable to the services provided under this Agreement established by regulatory bodies including, but not limited to, the applicable state Department of Health Services (i.e., CDPH), the American Osteopathic Association’s Bureau of Healthcare Facilities Accreditation Program (“HFAP”), the United States Department of Health and Human Services and all other governmental laws and authorities relating to licensure and practice of the Specialty in the MSC and the provision of Hospitalist Services in hospitals.

1.4 Cooperation.

(a) In providing the Specialty Services and Hospitalist Services required by this Agreement, Physician shall cooperate with Hospital, its staff and the members of the Medical Staff to maintain the integrity of the MSC and Hospital and to achieve Hospital’s mission and operational goals. Physician shall provide input to management regarding all aspects of MSC operations to assure high-quality, cost-effective, customer-oriented service. Physician shall comply with the Bylaws as defined in Section 1.2(e) herein and Hospital policies and procedures designed to prevent and eliminate disruptive physician conduct.

(b) Physician and Hospital agree to cooperate in all reasonable respects necessary to facilitate Hospital’s entry into or maintenance of any third-party payor arrangement during the term of this Agreement.

Hospital and Physician agree to notify one another during the development of contractual arrangements that involve the MSC.

- (1) To enable Hospital and MSC to participate in any third-party payor arrangement, Physician shall, not more than ten (10) days following Hospital's or MSC's request:
 - (i) Initiate enrollment as a provider (if required by the third-party payor), separate from Hospital or MSC, with any third-party payor or intermediate organization (including any independent practice association) (each, a "Managed Care Organization") designated by Hospital or MSC for the provision of professional services to Hospital or MSC patients covered by such Managed Care Organization;
 - (ii) Complete all documents as may be reasonably necessary or appropriate to effectuate enrollment;
 - (iii) Enter into a written agreement with such Managed Care Organization as may be necessary or appropriate for the provision of professional services to Hospital or MSC patients covered by such Managed Care Organization; and/or
 - (iv) Enter into a written agreement with Hospital or MSC regarding global billing, capitation or other payment arrangements as may be necessary or appropriate for the provision of professional services to Hospital patients covered by such Managed Care Organization.

(c) Physician and Hospital agree to cooperate in dealing with any and all applicable regulatory agencies that govern the provision of services in the Hospital and the MSC. Except as required or permitted by law, Physician agrees not to submit information concerning the Hospital or MSC to regulatory agencies without first consulting with and providing the Hospital and MSC an opportunity to review and comment. Physician further agrees to proactively participate and assist in the preparation of any clinical, regulatory, legal or certification surveys or audits required of the MSC and/or the Hospital.

1.5 Compliance Program and Participation in Quality Improvement & Case Management.

Physician has been provided Hospital's Code of Conduct and has received or agrees to receive training with respect to Hospital's Compliance Program and to participate in such program. Physician shall support other compliance-related activities of Hospital, whether voluntarily initiated by Hospital or required by any federal, state or local agency, cooperating with compliance investigations, attendance in compliance education and training, and providing certifications of attendance as requested by Hospital. Physician agrees to actively participate in and comply with Hospital's policies and procedures that include but are not limited to those governing quality improvement, compliance, utilization review, case management activities and administrative services in order to help facilitate Hospital's provision of quality, cost-effective health care services.

1.6 Nondiscrimination.

Physician shall comply with all applicable nondiscrimination laws and all laws, regulations, rules, guidelines, Hospital and medical staff bylaws, and all policies and procedures including but not limited to those applicable to the provision of Specialty services and/or Hospitalist services including providing

MSC-Hospitalist PSA -- Gregory Tirdel, M.D. 01/2015 4 Initials of Physician:___ Initials of Hospital:___

emergency services at the Hospital or the MSC. Consistent with applicable laws, Physician agrees to provide services without regard to any individual's race, color, religion, creed, sex, national origin, ancestry, marital status, sexual orientation, physical or mental handicap, disability, or participation in any private or governmental payor program or plan. Per California Health & Safety Code Section 1317, Physician acknowledges that in no event shall Physician's provision of emergency services and care be based upon, or affected by, the person's ethnicity, citizenship, age, preexisting medical condition, insurance status, economic status, ability to pay for medical services, or any other characteristic listed or defined in subdivision (b) or (e) of Section 51 of the California Civil Code, except to the extent that a circumstance such as age, sex, preexisting medical condition, or physical or mental disability is medically significant to the provision of appropriate medical care to the patient.

1.7 Space, Utilities, Services and Supplies.

Physician shall use Hospital and MSC premises solely for the provision of Specialty services or Hospitalist services as specified in this Agreement. No part of Hospital or MSC premises shall be used at any time by Physician as an office for personal use or to conduct a private practice.

1.8 Equipment.

Hospital shall furnish, replace, repair and maintain such equipment as is necessary for the proper operation and conduct of the MSC and the Hospital in accordance with standards of contemporary practice and quality that prevail in the community, at Hospital's own cost and expense and in accordance with Hospital's standard budget process. Physician shall supervise the operation of equipment in the MSC in a proper and safe manner and report to Hospital any malfunction or other problem of which he or she learns regarding the use of that equipment. Physician shall advise and make recommendations regarding equipment to assure safe, quality patient care.

1.9 Support Staff.

All technical and non-physician personnel required for the proper operation of the MSC ("**Support Staff**") shall be employed by Hospital, and Physician shall have no liability for payment of wages, payroll taxes or other employment-related obligations. Hospital shall be responsible for supervising and directing Support Staff, except that Physician shall provide clinical oversight of such Support Staff. Physician shall comply with Hospital and MSC policies regarding gifts and supplemental compensation for Hospital employees.

1.10 MSC Review.

Physician agrees to participate in and cooperate with a review of the operations of the MSC, as requested by Hospital. The review shall encompass all aspects of the MSC's operations including, without limitation, MSC administration and the efficiency, cost-effectiveness, and quality of services rendered in the MSC. The results of such review shall be kept confidential, except to the Physician, the Medical Executive Committee, Hospital Administration and in closed session to the Board of Directors.

1.11 Representations and Warranties by Physician. Physician represents and warrants that: Physician's license to practice medicine in any state has never been suspended, revoked or restricted; (b) Physician has never been reprimanded, sanctioned or disciplined by any licensing board or medical specialty board; (c) Physician has never been excluded or suspended from participation in, or sanctioned by, any state or federally

funded health care program; (d) Physician has never been denied membership and/or reappointment to the medical staff of any hospital or health care facility; (e) Physician's medical staff membership or clinical privileges at any hospital or health care facility have never been suspended, limited or revoked for a medical disciplinary cause or reason; and (f) Physician has never been charged with or convicted of a felony, a misdemeanor involving fraud, dishonesty, controlled substances, or moral turpitude, or any crime relevant to the provision of medical services or the practice of medicine.

1.12 Review of Office of the Inspector General ("OIG") Medicare Compliance Bulletins. The OIG issues periodic Medicare compliance alert bulletins. To the extent applicable to Physician's performance under this Agreement, Physician shall undertake to review, be familiar with and comply with all applicable requirements of such OIG compliance bulletins.

1.13 Continuing Medical Education. Physician shall participate in continuing medical education as necessary to maintain licensure, professional competence and skills commensurate with the standards of the medical community and as otherwise required by the medical profession.

1.14 Compliance with Grant Terms. If this Agreement has been or will be funded with monies received by Hospital pursuant to a contract with the state or federal government or private entity in which Hospital is the grantee, Physician shall comply with all the provisions of said contract, and said provisions shall be deemed a part of this Agreement, as though fully set forth herein. Upon request, Hospital shall deliver a copy of any such contract to Physician at no cost to Physician.

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

ARTICLE 2 - RELATIONSHIP OF THE PARTIES

2.1 Independent Contractors.

(a) In the performance of Physician's work, duties and obligations under this Agreement, it is mutually understood and agreed that Physician is at all times acting and performing as an independent contractor, and nothing in this Agreement is intended nor shall be construed to create between Hospital and Physician an employer/employee relationship, a joint venture relationship, or a lease or landlord/tenant relationship. Hospital shall neither have nor exercise any control or direction over the methods by which Physician shall perform Physician's professional responsibilities hereunder. The sole interest and responsibility of Hospital is to assure that the services covered by this Agreement shall be performed and rendered in a competent, efficient and satisfactory manner. The standards of medical practice and professional duties of Physician shall be determined by the Medical Staff, and all applicable provisions of law

and other rules and regulations of any and all governmental authorities relating to licensure and regulation of physicians and hospitals and to the operation of the MSC shall be fully complied with by all Parties.

(b) Physician agrees that he or she shall be personally responsible for any and all taxes payable by Physician and that he or she will timely file such tax returns and make such payments thereon as are legally required. There shall be no deductions whatsoever from any of the payments made to Physician pursuant to this Agreement, it being agreed and understood that Physician shall be and shall remain an independent contractor and all payments made hereunder shall be in the gross amounts set forth herein. It is acknowledged that the Parties shall report on their respective federal and state income tax returns the payments provided for herein as compensation paid or received, as the case may be, for services rendered.

(c) No person performing services for Physician pursuant to this Agreement, whether said persons be members, partners, employees, subcontractors or otherwise, shall have any claim against Hospital for compensation, overtime, vacation pay, sick-leave, retirement benefits, Social Security, workers' compensation, disability or unemployment insurance benefits or employee benefits of any kind, and Physician shall indemnify Hospital and hold it harmless.

2.2 MSC Scheduling and Standards for Specialty Services

(a) During the term of this Agreement and any extensions thereof, Physician shall have the right to provide Specialty Services in the MSC. Hospital shall be responsible for scheduling patients in the MSC. It is the intent of the Parties to promote and enhance the quality of patient care and delivery of Specialty services at the MSC through the establishment of known standards for MSC operations. Accordingly, Physician agrees not to participate with any other health system, plan, or in other medical activities except through the MSC unless otherwise agreed upon in writing by the Parties.

(b) Notwithstanding the above paragraph, Physician may engage in medico-legal consulting and/or provide expert witness services from time to time, provided that such services are not provided on behalf of a party that is an adverse litigant to Hospital or MSC or another MSC participate, and provided that such services do not substantially interfere with the Physician's obligations under this Agreement.

2.3. Scheduling and Standards for Hospitalist Services. Physician shall provide Hospitalist Services to Hospital patients, in accordance with a schedule mutually agreed upon by Hospital and Physician, in accordance with the Hospital's general five week hospitalist shift rotation based upon 70 shifts. The specific services and duties to be performed by Physician are set forth in **Exhibit D**, attached and made part of this Agreement.

2.4 Limitation on Control. Hospital shall neither have nor exercise any control or direction over Physician's professional medical judgment or the methods by which Physician performs professional medical services; provided, however, that Physician shall be subject to and shall at all times comply with the protocols and the bylaws, guidelines, policies, rules and regulations applicable to members of Hospital's Medical Staff.

2.5 Practice of Medicine. Physician and Hospital acknowledge that Hospital is neither authorized nor qualified to engage in any activity which may be construed or deemed to constitute the practice of medicine. To the extent that any act or service required of, or reserved to, Hospital in this Agreement is construed or deemed to constitute the practice of medicine, the performance of such act or service by Hospital shall be deemed waived or unenforceable, unless this Agreement can be amended to comply with the law, in which case the Parties shall make such amendment.

2.5 Limits on Authority. Neither Physician nor his/her agents shall have authority to engage in direct purchasing or otherwise contract for any liability on behalf of Hospital.

2.7 Master List. The Parties acknowledge and agree that this Agreement, together with any other contracts between Hospital and Physician, will be included on the Master List of physician contracts maintained by Hospital.

ARTICLE 3 - BILLING AND COMPENSATION

3.1 Rates. Hospital shall determine all rates and charges for goods provided and services rendered to MSC and to Hospital patients pursuant to this Agreement, including fee-for-service rates. Professional fees shall be based on prevailing charges for similar services of physicians comparable to the MSC's physicians in experience, education, location and services.

3.2 Assignment of Fees. Physician hereby assigns to Hospital all rights to bill and collect all professional fees from the performance of Specialty and Hospitalist services by Physician under the terms of this Agreement. Hospital or its agent shall bill and collect the charges for all such Specialty and Hospitalist services rendered by Physician. Physician agrees that all charges and accounts receivable for Specialty and Hospitalist services rendered by Physician pursuant to this Agreement shall be the sole and exclusive property of Hospital. Physician shall cooperate with MSC and Hospital in completing promptly any records, reports or claim forms required to be completed in order for MSC and Hospital to bill and be reimbursed by patients or third-party payors, and shall also provide any reasonably requested collection assistance.

3.3 Compensation.

(a) For all of Physician's Specialty services under this Agreement, Hospital shall pay Physician the cash compensation as set forth in EXHIBIT A "Compensation for Specialty Services." Exhibit A also sets forth certain other additional terms related to Physician's services under this Agreement.

(b) For all of Physician's Hospitalist services under this Agreement during its term, Hospital shall pay Physician the cash compensation as set forth in EXHIBIT C "Compensation for Hospitalist Services."

(c) The Parties acknowledge that the compensation for all services under this Agreement has been set in a manner that provides fair market value compensation to Physician for Physician's Specialty and Hospitalist services. The Parties agree that the compensation may not be modified during the initial term period of this Agreement.

ARTICLE 4 - TERM AND TERMINATION

4.1 Term. This Agreement shall be effective as of the Effective Date, and shall continue thereafter for a **term of eighteen (18) months ("Initial Term")** unless terminated earlier as provided herein.

4.2 Termination Without Cause. Hospital and Physician shall each have the right to terminate this Agreement, without cause, upon giving not less than ninety (90) days' prior written notice to the other Party.

4.3 Termination For Cause. Hospital shall have the right to terminate this Agreement upon failure of Physician to cure a breach of any term hereof which Hospital, at its sole discretion, has given Physician an

MSC-Hospitalist PSA -- Gregory Tirdel, M.D. 01/2015 8 Initials of Physician:___ Initials of Hospital:___

opportunity to cure, within thirty (30) calendar days after written notice of said breach and opportunity to cure.

4.4 Immediate Termination by Hospital. Notwithstanding Sections 4.2 and 4.3, Hospital shall have the right, but not the obligation, to terminate this Agreement immediately upon notice to Physician if any of the following events occur:

(a) Physician is excluded, suspended, terminated, or otherwise determined to be ineligible from participation in any state or federally funded healthcare program (each, a “**Government Program Exclusion**”);

(b) Any restriction, suspension or revocation of Physician’s license to practice medicine in any state, without regard to whether such adverse action has been fully adjudicated;

(c) Any restriction, suspension or revocation of Physician’s medical staff privileges at any health care facility, without regard to whether such adverse action had been fully adjudicated;

(d) Any restriction, suspension or revocation of Physician’s federal Drug Enforcement Administration (DEA) number, without regard to whether such adverse action had been fully adjudicated;

(e) Physician engages in conduct which is reasonably determined by the Hospital or the Medical Staff to be contrary to the Hospital’s policies and procedures or the Bylaws as defined in Section 1.2(e) herein.

(f) Physician engages in conduct which is reasonably determined by Hospital to be prejudicial or adverse to the best interest, reputation or welfare of Hospital or its patients;

(g) Physician is investigated or convicted of a criminal offense relating to health care, or is investigated or convicted of any felony or any other crime involving moral turpitude or immoral conduct;

(h) The death of Physician or the inability of Physician to provide services pursuant to this Agreement for a period in excess of thirty (30) days, whether consecutive or not, for any reason other than absence approved in writing by Hospital in advance;

(i) Hospital enters into an agreement for the sale, assignment, lease or other transfer of all or substantially all of Hospital’s assets to another person or entity;

(j) Hospital suffers an appointment of a receiver, custodian, examiner or a trustee for any of its property or assets;

(k) Failure of Physician to comply with the insurance requirements of Section 5.1 of this Agreement.

4.5 Legal Requirements. If either Party’s legal counsel advises such party that this Agreement, or any practices which could be, or are, employed by either party in exercising rights or discharging obligations under this Agreement, pose a material risk of violating any of the legal requirements imposed on or otherwise governing the performance of this Agreement, including without limitation any federal or state anti-kickback or physician self-referral laws, regulations, or guidelines, such party shall promptly notify the other party of such advice. The Parties in good faith shall undertake to revise this Agreement to comply with such legal

requirements. If the Parties are unable to agree upon the revised terms within sixty (60) days after such notice of advice is received by the other party, then either party may terminate this Agreement immediately upon giving written notice to the other party.

4.6 Effect of Expiration or Termination.

(a) Upon the expiration or termination of this Agreement, neither party shall have any further obligation hereunder except for (i) obligations due and owing which arose prior to the date of expiration or termination and (ii) obligations, promises or covenants contained in this Agreement that expressly extend beyond the term hereof.

(b) Upon the expiration or termination of this Agreement, Physician shall promptly deliver and return to Hospital all of Hospital's property, including without limitation all of Hospital's supplies, patient records, and all materials, records and writings of any type (including all copies thereof) in Physician's possession, custody or control that constitute Proprietary Information (as defined in Section 6.2(b)) and/or property of Hospital.

(c) Notwithstanding anything in this Agreement to the contrary, in the event of termination of this Agreement effective during the initial twelve (12) months of its term, the Parties shall not enter into the same or substantially the same arrangement during such initial twelve (12) month period; provided, however, the Parties shall not be prohibited from renegotiating this Agreement if, with the advice of legal counsel, the Parties mutually agree that renegotiation is not prohibited by law.

(d) Termination of this Agreement for any reason or for no reason is not subject to and does not entitle Physician to any notice, hearing, or appeal rights under the Hospital or Medical Staff Bylaws, rules or Regulation or federal or state law, unless such termination results from an action for which a report is required to be filed under Section 805 of the California Business and Professions Code.

ARTICLE 5 - INSURANCE AND ALLOCATION OF LIABILITY

5.1 Professional Liability Insurance Coverage.

(a) Physician shall maintain professional liability coverage covering all services provided under this Agreement in a form acceptable to Hospital with liability limits of not less than One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) aggregate, or such greater amount as may be specified by the Hospital as the minimum professional liability coverage to be maintained by members of the active Medical Staff of Hospital. Hospital shall maintain liability coverage of at least the same level. Failure of either party to maintain such coverage shall be a material breach of this Agreement. Physician shall provide Hospital with certificates evidencing the coverage required under this Section. Each party shall promptly notify the other party of any cancellation, reduction or other material change in the amount or scope of any coverage(s) required under this Section.

(b) If the professional liability coverage procured pursuant to this Section is on a "claims made" rather than "occurrence" basis, Physician shall obtain extended reporting malpractice coverage ("tail" coverage) upon the termination or expiration of this Agreement or any amendment, reduction or other material

change in the then existing professional liability coverage of Physician if such amendment, reduction or other material change will result in a gap in coverage. "Tail" coverage obtained by Physician shall have the same liability limits as other coverage required by Section 5.1(a). Physician shall provide Hospital with certificates evidencing the "tail" coverage required under this Section and providing for not less than twenty (20) calendar days' notice to Hospital of the cancellation of such coverage. Physician shall promptly notify Hospital of any cancellation, reduction or other material change in the amount or scope of any such "tail" coverage.

5.2 Allocation of Liabilities.

Physician and Hospital are each responsible for their own acts and omissions in performing their obligations hereunder and are not responsible for the acts or omissions of the other. Notwithstanding the foregoing sentence, nothing herein shall be construed to preclude a finding of liability on the part of either party to the other, based upon the doctrines of equitable indemnity, comparative negligence, contribution or other common law bases of liability.

ARTICLE 6 - OBLIGATIONS

6.1 Assistance in Litigation.

If requested by Hospital, Physician shall make himself or herself available to testify as a witness in the event of litigation, regulatory proceedings, or other types of actions being brought against Hospital, its directors, officers or employees based upon a claim of negligence, during a regulatory investigation, legal cause of action or other proceeding, except where Physician is potentially an adverse party. Hospital shall compensate Physician for such services at a rate mutually agreed upon in advance between the Parties, provided that such compensation is consistent with the fair market value of such services. If requested by Physician, Hospital shall provide similar assistance to Physician, except where Hospital is potentially an adverse party. Physician shall compensate Hospital for such services at a rate mutually agreed upon in advance between the Parties, provided that such compensation is consistent with the fair market value of such services. Nothing in this clause shall be construed to imply that either party has been paid for their testimony, but rather, only for their time for such services rendered under the circumstances.

6.2 Confidentiality.

(a) This Agreement. The Parties agree that the terms and conditions of this Agreement, including its financial terms, are confidential. Accordingly, each party agrees not to disclose to any other person or entity, any term or condition of this Agreement, or of any other agreement referred to in this Agreement, or of any transaction contemplated by this Agreement, except with the prior written consent of the other party.

(b) Proprietary Information. Each party acknowledges that it and its employees, contractors, representatives and other agents may obtain or have access to proprietary information of the other party, including patient information, confidential financial, operational, business and planning information, and trade secrets ("**Proprietary Information**"). Each party agrees to keep such Proprietary Information confidential and shall not directly or indirectly disclose such Proprietary Information to a third party, except as required to perform its obligations hereunder, or as required by law, or with the prior written consent of the party to whom the Proprietary Information belongs. The foregoing sentence shall not apply to information: (i) provided to voluntary accreditation agencies, government agencies or third-party payors as required by law or consented to by the affected party; (ii) reasonably required by other health care providers involved in a particular patient's case; (iii) which a party can show was known to it prior to disclosure by the other party; or

(iv) which is or becomes public knowledge through no fault of the party to whom the disclosure is made. Each party further agrees not to use any Proprietary Information of the other party in a manner adverse to the interests of the party to whom the Proprietary Information belongs and recognizes that party's right to obtain judicial relief, including injunctive relief and damages, for any violation of this provision.

(c) Medical Records. Physician shall, and shall require his or her employees, subcontractors and agents, to comply with and recognize all confidentiality and nondisclosure requirements that apply to Hospital and MSC, including, but not limited to, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") (45 C.F.R. Part 160, *et seq.*), the Confidentiality of Alcohol and Drug Abuse Patient Records Regulations (45 C.F.R. Part 2) and the Confidentiality of Medical Information Act (California Civil Code §56, *et seq.*), as amended from time to time.

6.3 Third-Party Payor Documentation.

(a) Physician shall cooperate fully with Hospital by maintaining and making available all necessary records, or by executing any agreements, in order to ensure that the Hospital and the MSC will be able to meet all requirements for participation and payment associated with public or private third-party payment programs, including, but not limited to, the Medicare program.

(b) Pursuant to Section 1861(v)(I)(I) of the Social Security Act, until the expiration of four (4) years after termination of this Agreement, Physician shall make available, upon written request of the Secretary of the United States Department of Health and Human Services (the "**Secretary**") or upon request of the Controller General of the United States General Accounting Office (the "**Controller General**") or any of their duly authorized representatives, a copy of this Agreement and such books, documents and records as are necessary to certify the nature and extent of the costs of the services provided by Physician under this Agreement. If Physician carries out any of his or her duties under this Agreement through a subcontract with a value or cost of Ten Thousand Dollars (\$10,000) or more over a twelve (12) month period, such subcontract shall contain a provision that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the subcontractor shall make available, upon written request, to the Secretary, the Controller General or any of their duly authorized representatives, a copy of the subcontract and such books, documents and records as are necessary to verify the nature and extent of the costs of providing the services pursuant to the subcontract.

6.4 Compliance with Laws.

(a) In addition to the obligations of the Parties to comply with applicable federal, state and local laws respecting the conduct of their respective businesses and professions, Hospital and Physician each acknowledge that they are subject to certain federal and state laws governing the referral of patients that are in effect or will become effective during the term of this Agreement. These laws include:

- (1) Prohibition on payments for referral or to induce the referral of patients (California Business and Professions Code §650; California Labor Code §3215; and the Medicare/Medicaid Fraud and Abuse Law, § 1128B of the Social Security Act); and
- (2) Prohibition on the referral of patients by a physician for certain designated health care services to an entity with which the physician (or his/her immediate family) has a financial relationship (California Labor Code §§139.3 and 139.31, applicable to referrals for workers' compensation services; California Business and Professions

Code §§650.01 and 650.02, applicable to all other patient referrals within California; and § 1877 of the Social Security Act, applicable to referrals of Medicare and Medicaid patients).

(b) Nothing in this Agreement is intended or shall be construed to require either party to violate the California or federal laws described in Section 6.4(a) and, subject to the covenants made by Physician under Section 2.1 (Independent Contractors), this Agreement shall not be interpreted to:

- (1) Require Physician to make referrals to Hospital, be in a position to make or influence referrals to Hospital, or otherwise generate business for Hospital.
- (2) Restrict Physician from establishing staff privileges at, referring any patient to, or from otherwise generating any business for any other entity of Physician's choosing.
- (3) Provide for payments in excess of the fair market value or comparable compensation paid to physicians for Specialty services or Hospitalist services in comparable locations and circumstances.

(c) In the event of any changes in law or regulations implementing or interpreting the California Health Care District Law or the Medicare and Medicaid Patient Protection Act of 1987, including the adoption or amendment of Medicare Fraud and Abuse Safe Harbor Regulations, or to any other federal or state law relating to the subject matter of such Acts, to fraud and abuse, or to payment for patient referral, including the laws referenced in Section 6.4(a), the Parties shall use all reasonable efforts to revise this Agreement to conform and comply with such changes.

6.5 Dispute Resolution.

(a) Informal Resolution Processes. Any questions or disagreements arising under this Agreement regarding the quality of care provided to MSC or Hospital patients shall be addressed pursuant to the Bylaws. Any other questions or disagreements (other than those regarding quality of care) arising under this Agreement, including any questions concerning the interpretation of this Agreement, shall be submitted to Hospital's Chief Executive Officer. If the dispute cannot be resolved by the Chief Executive Officer within ninety (90) days of submission, either party may submit the resolution to arbitration pursuant to Section 6.5(b).

(b) Arbitration. With the exception of disputes regarding the quality of care, which shall be resolved according to the provisions of Section 6.5(a), all disputes relating to, arising out of or in connection with the validity, interpretation or performance of this Agreement, including tort claims, shall be resolved by arbitration. The arbitration will proceed in accordance with the commercial rules of arbitration of the American Arbitration Association, as supplemented or modified by this Agreement. Written notice of a claim and demand for arbitration must be given to the other party (the "**Respondent**") not more than one hundred and twenty (120) days after the date of (i) the events giving rise to the claim occur or (ii) the date the claim is discovered. Response to the demand for arbitration shall be due not later than twenty (20) days after receipt of notice. The claim will be deemed denied if Respondent does not answer the demand within that time period. Not more than twenty (20) days after Respondent answers the demand (or if there is no answer, after the time for answer has elapsed) (the "**Answer Date**"), the Parties shall select a single neutral arbitrator. If the Parties cannot agree upon such arbitrator within twenty (20) days of the Answer Date, then each party shall choose an arbitrator and the two arbitrators together shall select a third arbitrator (the "**Arbitrators**") and

the matter shall be arbitrated by the panel of three Arbitrators. If the two Arbitrators are unable to agree upon a third Arbitrator prior to the thirtieth (30th) day after the Answer Date, then either party may request the American Arbitration Association to select the third Arbitrator. Any Arbitrator selected under this Section shall be a person with business, financial or legal experience in the health care industry of at least five (5) years, who is generally familiar with the issues in dispute. The arbitration shall take place in Truckee, California, or another location mutually agreed upon by the Parties. The Arbitrator(s) may construe or interpret but shall not ignore the terms of this Agreement and shall be bound by California substantive law. The arbitration decision shall include written findings of fact and conclusions of law. The arbitration decision may include equitable relief, but may not include punitive or exemplary damages. The Arbitrator(s) shall not have the power to commit errors of law or legal reasoning and the Arbitrator's(s') decision may be vacated or corrected pursuant to California Code of Civil Procedure Sections 1286.2 or 1286.6 for any such error. The prevailing party, as determined by the Arbitrator(s), shall be entitled to reasonable attorneys' fees and costs. In cases submitted to arbitration, the Parties agree to share equally in the administrative fee, if any, unless otherwise assessed against the non-prevailing party by the Arbitrator(s). The Parties agree that the decision of the Arbitrator(s) shall be final and binding as to each of them, and that the arbitration award may be enforced in any court having jurisdiction thereof, by the filing of a petition to enforce said award.

6.6 Disclosure of Conflicts of Interest. Physician agrees to adhere to Hospital's conflicts of interest policy, as from time to time in effect, and to disclose to Hospital any matter or transaction in which Physician is involved that conflicts with the interest of Hospital in Physician's satisfactory performance of Specialty and/or Hospitalist services under this Agreement.

6.7 Assignment and Delegation. Notwithstanding any other provisions of this Agreement, Physician shall neither assign rights nor delegate duties under this Agreement without first obtaining Hospital's written consent. Any attempt at assignment or delegation without Hospital's prior written consent shall be void. Hospital's consent to one assignment or delegation shall not be consent to any subsequent assignment or delegation.

6.8 Tax-Exempt Financing. If Hospital intends to seek tax-exempt financing, Hospital and Physician shall negotiate in good faith to amend this Agreement to the extent deemed necessary by bond counsel involved in that financing. If Hospital and Physician do not agree to the terms of such an amendment, Hospital may terminate this Agreement pursuant to Section 4.2(d) [Termination without cause.]

ARTICLE 7- MISCELLANEOUS PROVISIONS

7.1 No Third Party Beneficiary Rights. The Parties do not intend to confer and this Agreement shall not be construed to confer any rights or benefits to any person, firm, group, corporation or entity other than the Parties.

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

7.3 Statutes and Regulations. Any reference in this Agreement to any statute, regulation, ruling, or administrative order or decree shall include, and be a reference to any successor statute, regulation, ruling, or administrative order or decree.

7.4 Notice. Written notice required under this Agreement shall be given personally or sent by United States certified mail, return receipt requested, or by private overnight mail service, postage prepaid, and addressed to the Parties at addresses shown with their signatures (or such other address as may hereafter be designated by a party by written notice thereof to the other party). Such notice shall be effective upon delivery, if given personally, or if mailed as provided for above such notice shall be effective upon the date shown on the delivery receipt.

7.5 Governing Law. This Agreement shall be construed in accordance with the laws of the State of California.

7.6 Venue. The venue for any judicial proceeding arising under this Agreement shall be Nevada County, California.

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

7.8 Captions. Any captions to or headings of the articles, sections, subsections, paragraphs or subparagraphs of this Agreement are solely for the convenience of the Parties, are not a part of this Agreement, and shall not be used for the interpretation or determination of validity of this Agreement or any provision hereof.

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

7.10 Waiver of Provision(s). The failure of a party to insist upon strict adherence to or performance of any provision of this Agreement on any occasion shall not be considered a waiver nor shall it deprive that party of the right thereafter to enforce performance of or adherence to that provision or any other provision of this Agreement. Any waiver of any terms and conditions hereof must be in writing, and signed by the Parties.

7.11 Force Majeure. Neither party shall be liable nor deemed to be in default for any delay or failure in performance under the Agreement or other interruption of service or employment deemed resulting, directly or indirectly, from: Acts of God; acts of civil or military authority; acts of public enemy; war; accidents; fires; explosions; earthquakes; floods; failure of transportation, machinery or supplies; vandalism; strikes or other work interruptions by Hospital's employees; or any similar or dissimilar cause beyond the reasonable control of either party. Both Parties shall, however, make good faith efforts to perform under this Agreement in the event of any such circumstance.

7.12 Gender and Number. Whenever the context hereof requires, the gender of all words shall include the masculine, feminine, and neuter, and the number of all words shall include the singular and plural.

7.13 Facilitation. Each party agrees promptly to perform any further acts and to execute, acknowledge and deliver any documents which may be reasonably necessary to carry out the provisions of this Agreement or affect its purposes.

7.14 Entire Agreement; Amendment. This Agreement, together with all exhibits, schedules and attachments, constitutes the entire agreement between the Parties, and shall supersede all other agreements, written or oral by the Parties. There are no representations or warranties by either party that are not set forth herein. This Agreement may be modified only by a written agreement executed by the Parties.

7.15 Successors and Assigns. Subject to the provisions contained in this Agreement on assignment, this Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns.

7.16 Legal Counsel. Each party understands that this Agreement gives rise to certain tax implications and is subject to Medicare and Medi-Cal laws (including laws relating to reimbursement, fraud and abuse and referral of patients). Each party understands the advisability of seeking legal counsel and/or accountants to review the Agreement, and has exercised its own judgment in this regard.

7.17 Facsimile / Electronic signature: Signatures submitted via facsimile or electronic means shall be deemed original signatures of the parties and are valid and binding upon the parties. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

[Signature Page Follows]

EXECUTED at Truckee, California:

HOSPITAL:

TAHOE FOREST HOSPITAL DISTRICT

PHYSICIAN:

GREGORY TIRDEL, M.D.

By: _____

Name: _____

Title: _____

Date: _____

Date: _____

Address for Notice to Hospital:

Address for Notices for Physician:

Tahoe Forest Hospital

10121 Pine Avenue

P.O. Box 759

Truckee, California 96160

Attention: Chief Executive Officer

Phone: (530) 587-6011

Fax: (530) 587-2532 _____

Phone: (_____) _____

Fax: _____

Attached Exhibit

A - Compensation for Specialty Services

B - Performance Expectations for Specialty Services

C - Compensation for Hospitalist Services

D - Performance Expectations for Hospitalist Services

E - Quality Metrics for Hospitalist Services

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Initials of Physician: __ Initials of Hospital: __

Gregory Tirdel, M.D.
EXHIBIT A
COMPENSATION FOR SPECIALTY SERVICES
(Section 3.3)

1. **Compensation.** Base compensation shall be calculated based on an annual amount of \$322,543 for annual production up to 4,992 Work Relative Value Units (“WRVUs”), defined as the WRVU Production Target. For annual WRVUs in excess of 4,992, additional compensation will be paid at a rate of \$56.54 per WRVU. Both the base compensation and the WRVU Production Target are 12 month figures and shall be prorated to reflect the actual duration of the contract.

2. **WRVU calculation.** WRVUs shall be calculated based upon 2014 WRVU values as published by the Centers for Medicare and Medicaid Services (CMS). Adjustments shall be made to the actual number of WRVUs generated from clinical services as follows:
 - a. **Hospitalist services.** In lieu of the actual WRVUs generated during non-holiday daytime hospitalist shifts (defined as the 12 hour period from 6:00 AM to 6:00 PM), Physician shall receive a WRVU credit of 29.04 WRVUs per 12-hour shift. The WRVU credit for any partial shift shall be prorated accordingly. For the purpose of this paragraph, holidays included these nine (9) days: New Year’s Day, Memorial Day, July 4th, Labor Day, Thanksgiving Day, Christmas Eve Day, Christmas Day and New Year’s Day.
 - b. **Extender supervision.** In the event that Physician is assigned responsibility for the supervision of one or more physician extenders, Physician shall receive a WRVU credit equal to 19.81 WRVUs per month per FTE supervised in the Internal Medicine / Pulmonology Clinic. In the event that supervision is shared between Physician and other physician(s) and/or if the extender is working less than full-time, the WRVU credit will be prorated accordingly.

3. **Reimbursed Expenses.** Hospital agrees to reimburse Physician for the following expenses. If Physician is regularly scheduled to work less than the 4 days per week expected of a full-time physician for all or part of the year, the maximum reimbursement for each category for that physician will be prorated based on the physician’s full time equivalent (FTE) status.
 - a. Medical License (California and, if working in the Incline Village Clinic, Nevada)
 - b. DEA registration
 - c. CMEs, related reasonable travel, lodging and meals, and professional dues up to a combined maximum of \$4,200 per year
 - d. A maximum of two professional journal subscriptions per year (to utilize Medical library first).

4. **Meaningful Use Incentive Payments.** Hospital is seeking to achieve “meaningful use” of electronic health records, as that term is defined under the American Recovery and Reinvestment Act of 2009 (“ARRA”) and its accompanying regulations, rules and guidance, and qualify for related incentive funding from Medicare (“**Medicare Incentive Payments**”). In consideration for Hospital’s provision of electronic health record technology, Physician hereby assigns to Hospital all rights to apply for and collect Medicare Incentive Payments on behalf of Physician, and Physician agrees that all such Incentive Payments received by Physician pursuant to this Agreement shall be the sole and exclusive property of Hospital. Physician further agrees that Hospital may not receive Medicare Incentive Payments for some physicians providing services in the MultiSpecialty Clinic (“MSC”) who qualify for such payments through no fault of those physicians. Accordingly, Physician agrees that to the extent that Hospital is in receipt of Medicare Incentive Payments directly attributable to the satisfaction of applicable meaningful use standards by Physician or any other physicians using Epic/OCHIN and providing services in the MSC (“**MSC Physicians**”), Hospital shall distribute twenty percent (20%) of total Medicare Incentive Payments received in equal shares per physician, to all MSC Groups and Physicians submitting data through Epic/OCHIN to Medicare under the EHR program. This provision supersedes any and all prior agreements or understandings between Hospital and Physician regarding Incentive Payments, and Physician waives any right Physician may have under any such prior agreements or understandings to any Medicare Incentive Payments.

5. **Payment terms.** Base compensation shall be paid semi-monthly on the 16th and last day of the month or preceding business day when regular payment dates fall on a weekend or holiday. Production-based incentive compensation shall be calculated following each June 30 fiscal year end. The first settlement shall be for services rendered January 1, 2015 through June 30, 2015, and the second settlement shall be for services rendered July 1, 2015 – June 30, 2016. Payment of production-based incentives shall be made within 120 days of fiscal year end.

EXHIBIT B

PERFORMANCE EXPECTATIONS FOR SPECIALTY SERVICES

To allow for appropriate planning and definition of shared expectations regarding Physician's practice, and to promote the operation of a successful medical practice by Physician in the Hospital's service area (the "Service Area"), Physician and Hospital agree that Physician's regular schedule shall be subject to the specific requirements set forth below.

1. Requirements Relating to Practice.

(a) Weeks Worked/Time Off. All time away from practice for vacation, CME, holidays for which Physician has no "on-call" responsibilities, and other leave shall be coordinated with the MSC Executive Director or designee and other physicians (through interaction with the MSC Executive Director or designee or Hospital's Medical Staff office) as required by Hospital and/or Medical Staff policies and procedures, and as consistent with appropriate patient care. Physician will refrain from taking time away from the practice in excess of such related data in the current publication of the MGMA Physician Compensation and Production Survey, as prorated in accordance with Physician's full-time equivalent ("FTE") status. For example, if Physician works on a part-time, 0.5 FTE basis, then such MGMA standards shall be multiplied by 50% when applied to Physician.

(b) MSC and Hospital Service Schedule. Physician will maintain a regular schedule for the provision of professional services in the MSC and Hospital, including the Incline Village Services if applicable, for no less than four (4) days per week for a 1.0 FTE physician (applied on a pro rata basis to part-time physicians) on an agreed upon schedule to be determined by Hospital through the MSC's Executive Director or designee and Physician; provided that the parties may agree that Physician may furnish clinical services at locations (e.g., outreach sites, institutions or otherwise) other than the MSC. The MSC Executive Director or designee shall interact with Physician to determine appropriate times during which Physician shall be expected to be available to see patients and provide out-patient clinic, hospital, and surgical services, as appropriate for the Specialty and as required to meet reasonable patient service needs.

(c) Physician Availability. If Physician is paid a base compensation amount pursuant to Exhibit A, and fails to achieve at least 90% of the prorated WRVU target specified in Exhibit A for any quarterly period during the term of the Agreement, Physician may be reviewed by the MSC Executive Director or designee, together with the Medical Director of the MSC who shall select another physician to review the adequacy of Physician's availability to patients; these three (3) individuals ("Reviewers") shall review Physician's average weekly hours of scheduled clinical availability and number of weeks worked against community and/or specialty-specific industry norms (pro-rated to Physician's FTE status), along with reported incidents in which patients have been unable to obtain requested services in the MSC or inpatient/surgical setting due to Physician-imposed restrictions on availability or schedule cancellation. If the majority of the Reviewers determine that Physician has failed to provide reasonable availability to patients, then Physician's base compensation as set forth in Exhibit A shall cease for the remainder of the current term of the Agreement; such action is solely contractual in nature pursuant to this Agreement and does not

constitute disciplinary action or a restriction under the Medical Staff bylaws nor does it entitle Physician to a hearing under the Medical Staff bylaws. For the remainder of such term, Physician shall be compensated at the rate per WRVU specified in Exhibit A, adjusted for malpractice and benefits in accordance with the MSC's standard formula for production-based physicians.

(d) Inpatient Care. Physician will provide professional services to Hospital inpatients as required.

(e) Call Coverage. If Hospital's Medical Staff and Hospital determine that call coverage is needed in Physician's specialty, Physician will participate in call coverage and "on-call" responsibilities on nights, weekends and holidays in accordance with the regular call schedule and requirements developed by the Hospital's Medical Staff Office and the Physician and as set forth in a separate On Call Coverage Agreement between the Hospital and Physician (or the medical group of which Physician is a member) (the "**On Call Coverage Agreement**").

(f) Open Practice. Physician will maintain an open practice in which Physician does not refuse to accept new patients (provided that a practice may be allowed to be closed to new patients after discussion with and written approval of Hospital). Nothing in the foregoing shall require Physician to accept any individual patient whose documented medical needs fall outside the scope of Physician's Specialty.

(g) Patient Satisfaction. Physician's patient satisfaction ratings as they relate directly to the Physician's services and performance under this Agreement, shall be evaluated using the Quest method (or comparable method as determined by Hospital), and shall meet minimum patient satisfaction levels as established by Hospital. In the event Physician fails to maintain the minimum required patient satisfaction level, Hospital may terminate this Agreement for cause with respect to a Physician in accordance with Section 4.3 of this Agreement.

2. Other Requirements. Physician shall also comply with the following performance requirements:

(a) Dictation/Medical Record Completion. Physicians will complete all MSC medical record entries in a time and manner as directed by the MSC Executive Director or designee. Physician shall complete all Hospital medical records pursuant to applicable Hospital Medical Staff bylaws, rules, regulations, policies and procedures. Should a Physician delay in completing medical records, Hospital may withhold Physician's compensation until the records are complete. If a Physician fails to complete medical record entries for services provided pursuant to this Agreement in a timely fashion and Hospital fails to obtain full reimbursement as a result of such delay in documentation, then the WRVUs for such services shall not be counted in the calculation of Physician's compensation under the formula set forth in Exhibit A.

(b) Coding. Physician is required to participate in Current Procedural Terminology ("CPT") coding training sessions conducted by Hospital. Hospital will make coding experts available to answer Physician's coding questions. If Physician fails to properly code services provided pursuant to this Agreement and Hospital fails to obtain full reimbursement as a result of such improper coding, then the WRVUs for such services shall be adjusted to those (i) accepted for

reimbursement by the applicable payer and (ii) that correspond to the correct code for purposes of calculating Physician's compensation under the formula set forth in Exhibit A.

(c) Practice Performance. Physicians shall meet periodically with MSC representatives to review the financial and other performance of Physician's practice, to include assessment of practice growth, scheduling, coding, medical records completion and other factors. In addition, Physician shall meet with a Hospital compliance representative and/or an individual who is a certified coder as directed by the MSC's Executive Director or designee, to review HIPAA, coding, documentation and related issues.

(d) Practice Support and Assistance. Physicians shall serve as active participants on Hospital committees in accordance with the Bylaws of the Hospital and its Medical Staff and shall reasonably assist in recruiting activities. Physician shall also assist as may be reasonably requested by Hospital in developing, reviewing and implementing revisions to Hospital's quality assurance, quality improvement, case management and related programs and in connection with Physician's practice.

(e) Patient Termination. Physician may not terminate patients from Physician's practice without the prior consultation and acceptance of the Hospital. Any request to terminate a patient shall be in writing and delivered to the Hospital Risk Manager and MSC Director for final decision, and Physician shall be obligated to comply with such final decision.

(f) Compliance. Physician shall comply with all Hospital compliance policies. Physician shall immediately report to Hospital's Compliance Officer any Medicare or Medicaid, governmental, credentialing or other inquiries from third parties relating to compliance matters.

(g) Absence from Practice. Physician shall provide MSC Director with not less than 60 days' advance notice of any expected absence for a period of ten days or more, and no less than 30 days' notice of other expected absences. Physician shall immediately notify MSC Director or representative of any illness, emergency or other cause giving rise to unexpected absence or inability to perform medical services or other services under this Agreement.

(h) MSC Physician Meetings. Physician shall attend at least fifty percent (50%) of the quarterly MSC Physician Meetings. Hospital shall impose a fine of Five Hundred Dollars (\$500) for each MSC Physician Meeting missed by Physician commencing with the third missed meeting, and any such fines shall be deducted from Hospital's payment of year-end WRVU-based bonus compensation under this Agreement. This clause shall not be applicable to any physician who works less than two (2) full days per week in the MSC.

EXHIBIT C – COMPENSATION FOR HOSPITALIST SERVICES

In consideration of Physician's availability and provision of Hospitalist Services and Hospital's billing and collection services on behalf of Physician pursuant to this Agreement, Hospital shall compensate Physician as follows:

1. Night Shift: Eighty Dollars (\$80.) per hour for shifts during the hours of 6:00 pm. to 6:00 a.m. for Physician's provision of Hospitalist Services at Hospital, as requested by Hospital.
2. Day Shift: For shifts during the hours of 6:00AM to 6:00PM Hospital shall compensate Physician by establishing values for such services as RVUs, in accordance with a formula established by Hospital, and counting such RVUs in calculating Physicians compensation in accordance with the methodology set forth Exhibit A of the Agreement to which this Exhibit C is incorporated by reference.
3. Holiday Shifts: Hospital shall pay Physician for Hospitalist Services provided on Holidays at the rate of One Hundred Twenty Dollars (\$120) per hour for shifts during the hours of 6:00PM to 6:00AM and One Hundred Eighty Dollars (\$180) per hour for shifts during the hours of 6:00 AM to 6:00 PM. For purposes of this Section, "Holidays" shall be defined as President's Day, Memorial Day, July 4th, Labor Day, Thanksgiving Day, Christmas Eve, Christmas Day, New Year's Eve and New Year's Day. Each Holiday shall commence at 12:00 a.m. on the day of the Holiday and end at 11:59 p.m. on the night of the Holiday.
4. Bonus Compensation. Physician also shall be eligible for bonus compensation equal to a maximum of Five Percent (5%) of Physician's Base Pay, with Bonus Compensation of One Percent (1%) of Physician's Base Pay earned for each of the quality/service indicators set forth in **Exhibit D** that are satisfied. Bonus Compensation shall be paid by Hospital only if Hospital meets its budget target for the applicable tax year. Any Bonus Compensation shall be paid annually, after completion of the Hospital's fiscal year financial report audit and paid to Physician no later than November 15.
5. Base Pay for Hospitalist Services. For the purpose of calculating the hospitalist bonus compensation, the Base Pay for Hospitalist Services shall be the sum of: (a) actual payments made for night shifts and holiday shifts worked during the preceding fiscal year (July 1 – June 30); and (b) the imputed value of non-holiday day shifts worked during the preceding fiscal year, using actual hours multiplied by an hourly rate of \$120.
6. Stipend for Professional Liability Insurance Coverage: Hospital shall pay Physician a stipend of Thirty Dollars (\$30) per 12 hour shift to help defray the cost to Physician of the premiums for professional liability insurance associated with Physician's provision of Hospitalist services under this Agreement.
7. Specialty Consult Activation Fee. In the event that Physician is called in to the hospital for a specialty consultation during hours in which Physician is not scheduled for either a hospitalist shift or for Clinic work, physician shall receive an activation fee of Five

Hundred Fifty Dollars (\$550). No more than one activation fee shall be paid per 24 hours.

8. Payment Terms. Hospitalist compensation for Night Shifts, Holiday Shifts, Specialty Consult Activation, and the Stipend for Professional Liability Insurance Coverage will be paid monthly no later than 30 days following the end of the month in which services were rendered.

EXHIBIT D – PERFORMANCE EXPECTATIONS FOR HOSPITALIST SERVICES

The specific Hospitalist Services and duties to be performed by Physician include the following:

1. Physician shall provide Hospitalist Services to Hospital patients in accordance with a schedule mutually agreed upon by Hospital and Physician, in accordance with the Hospital's general five-week (5) hospitalists shift rotation based upon seventy (70) shifts.
2. Physician shall accept patient referrals, and coordinate all aspects of care for Hospital patients, referred by medical staff members, especially in the Family Practice and Internal Medicine specialties, including:
 - a. Provide admission and management of all medical and medicine patients as requested;
 - b. Appropriate placement within the Hospital according to nationally recognized admission criteria;
 - c. Discussion of end of life preferences with patients, family and others who are entitled and need to know;
 - d. Consultations with sub-specialists;
 - e. Performing timely and proactive discharge planning;
 - f. Coordination of care with primary care physicians;
 - g. Discharge including ensuring appropriate follow up is arranged;
 - h. Respond to Code Blue and other emergency calls for inpatient and observation patients by request of medical staff or nursing management;
 - i. Perform daily bed side multidisciplinary rounding on all patients on the Medicine service; and
 - j. Serve as the physician on-call for residents in the ECC during evening and weekend hours.
3. Function as the Medicine Consultant to all areas of the Hospital, including timely consultations to the Emergency Department, surgeon and other Medical Staff members on request.
4. Along with other members of the Inpatient Team, provide on call coverage for shifts assigned, onsite or offsite by telephone, responding within time frames established by the Medical Staff for emergency, urgent and routine requests. The parties acknowledge and agree that the duties set forth in this item constitute one of the essential functions of Physician's duties as a Hospitalist.

5. Physician, along with the other Hospitalists, shall periodically meet to confer upon and set schedules for each shift, days-on, days-on with call and days-off. "Days-on" mean Physician shall be at the Hospital during normal patient care hours and available to provide call coverage for shifts assigned
6. Participate in appropriate Medical Staff meetings.
7. Work with nursing leadership on development and implementation of clinical pathways, protocols, and other clinical effectiveness projects.
8. Work with hospital staff to ensure full compliance with CMS clinical performance indicators.
9. Work with hospital staff to ensure optimal patient satisfaction as indicated on patient satisfaction surveys identified by Hospital.
10. Participate with Hospital's Discharge Planners and staff in maintaining effective utilization and resource management, medical record appropriateness and appropriate discharge planning.
11. Maintain excellent working relationships with and participate in the implementation and improvement of systems to provide excellent service to patients, physicians, and other colleagues and Hospital staff. Participate in the resolution of patient and provider complaints and enhancement of patient and provider satisfaction as measured by periodic surveys.
12. Complete and maintain adequate and proper medical records with respect to all patients examined or treated in accordance with all legal, accreditation, regulatory and third party payor requirements.
13. Complete and maintain adequate documentation of shifts worked and codes necessary to allow the hospital to bill for professional fees. Documentation should include:
 - a. Face sheet
 - b. Type of admission (e.g, Inpatient, ICU, OB, etc.)
 - c. Levels of consult, admission
 - d. Date of service(s)
 - e. Time spent with patient
 - f. CPT code
 - g. Modifier (if applicable)
 - h. Diagnoses
 - i. If an injury, cause/mechanism, and
 - j. Laterality (if applicable).
14. Comply with all Medical Staff Bylaws, rules and regulations, guidelines and policies as well as applicable Hospital bylaws, policies and procedures.

EXHIBIT E – QUALITY METRICS FOR HOSPITALIST SERVICES

Data for each metric will be collected and reported to participating Hospitalists according to the following schedule:

1. Data for January, February and March will be reported in April
2. Data for April, May and June will be reported in July
3. Data for July, August, September will be reported in October
4. Data for October, November, December will be reported in January

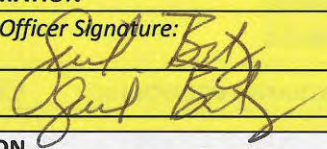
Although data will be shared quarterly, metrics will only be eligible for bonus payment if the goal has been met for the year AND ONLY if the Hospital meets its EBITDA budget targets for the fiscal year.

1. Satisfaction of medical staff and nursing staff will improve to a 90% satisfaction related to communication and continuity of care between hospitalists, response to the ED in a timely manner, maintaining a positive relationship with other hospitalists and that hospitalists readily accept requests for consultations and admittance from other members of the medical staff
2. 95% of all hospitalists requesting a specialty consult will include an order with the indication for the consult.
3. 98% of all medication orders will be complete, including:
 - a. Drug name / strength
 - b. Dose to be administered
 - c. Route of administration
 - d. Frequency
 - e. PRN orders clearly state an indication
 - f. Dated
 - g. Signed
 - h. Legible
 - i. Free from unapproved abbreviations
4. 30 day readmission rate is below national average
5. Hospitalists will complete CAH Certification prior to discharge 100% of the time.

CONTRACT ROUTING FORM

Email Completed Form to Executive Assistant (pbarrett@tfhd.com) for Processing and Compliance Review

NEW CONTRACT <input type="checkbox"/>		AMEND SCOPE <input type="checkbox"/>		AMEND TERM <input type="checkbox"/>		AUTO RENEW <input checked="" type="checkbox"/>		BAA <input type="checkbox"/>					
ORIGINATING DEPARTMENT: Medical Staff Services				CONTACT PERSON: Terri Schnieder PHONE: 582-6640									
RESPONSIBLE ADMINISTRATIVE COUNCIL (AC):		CEO <input checked="" type="checkbox"/>		CFO <input type="checkbox"/>		COO <input type="checkbox"/>		CNO <input type="checkbox"/>		CIO <input type="checkbox"/>		IVCH <input type="checkbox"/>	
REQUIRES BOARD GOVERNANCE COMMITTEE REVIEW? NO <input type="checkbox"/> YES <input checked="" type="checkbox"/>										MEETING DATE: Straight to Board		COMMITTEE RECOMMENDS:	
TYPE OF CONTRACT:													
Physician Professional Service Agreement (P-PSA)				<input type="checkbox"/>		Type: _____							
Physician Medical Director Agreement (MDA)				<input checked="" type="checkbox"/>		Type: Medical Director of Strategic Planning and Innovation							
Vendor Professional Service Agreement (V-PSA)				<input type="checkbox"/>		Type: _____							
Other _____				<input type="checkbox"/>		Type: _____							
❖ Business Associated Agreement Required?				YES <input type="checkbox"/>		NO <input type="checkbox"/>							
CONTRACTOR/VENDOR DETAILS: <i>If needed, additional instructions and information may be provided on Page 2</i>													
LEGAL NAME OF CONTRACTOR/ VENDOR: Shawni Coll, D.O.													
Purpose of the Contract/Alternatives: Dr. Coll will serve as the Medical Director of Strategic Planning and Innovation and shall assist District to ensure full engagement of the medical staff leadership related to all strategic planning activities. Alternative is to hire a physician consultant in this area at \$250-\$300 per hour.													
Scope of the Contract: Provides medical staff leadership and vision for the organization as a key member of the MEC to guide improvement in the area of strategic planning and innovation. Services as a liaison between the physicians who are actively involved in the strategic planning and innovation for the District. works corroboratively with hospital and medical staff, directing medical staff performance improvement initiatives that will further advance clinical operations that are safety, timely, efficient, effective, equitable, and patient centered.													
DATES OF CONTRACT:				EFFECTIVE DATE: 1/1/2015				END DATE: 12/31/15					
Version History:				Original Effective date: 1/1/13 Renewal Dates: 1/1/14 auto renew Amendment Dates:									
PHYSICIAN CONTRACTS: FOR STARK LAW COMPLIANCE, THE TERMS OF THIS CONTRACT CANNOT CHANGE FOR 1 YEAR													
Compensation Structure: <i>Include "other comp" (i.e. education, phone stipend, etc.)</i> \$138 per hour Reasonable out of pocket expenses for education related to the position as approved by the CEO.													
Contract Term: <i>(anything other than Net 30 requires AC approval)</i> Net 30													
Total Cost of Contract:				per hours worked									
Compensation Audit Process:				See Policies AGOV-10 and ABD-21									
Is Cost of Contract Budgeted?				YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>									
If NOT budgeted or exceeds budgeted amount, identify the offset:													
TFHS Primary Responsible Party:				Terri Schnieder									
TFHS Secondary Responsible Party:				Bob Schapper									

ORIGINATING DEPARTMENT: Medical Staff Services	CONTACT PERSON: Terri Schnieder Phone: 582-6640
LEGAL NAME OF CONTRACTOR/ VENDOR: Shawni Coll, D.O.	
REQUIRED COMPLIANCE INFORMATION	
Commercially Reasonable Verified Yes: <input type="checkbox"/> No: <input type="checkbox"/>	<i>Compliance Officer Signature:</i> 
Fair Market Value Verified Yes: <input type="checkbox"/> No: <input type="checkbox"/>	
CONTRACTOR INFORMATION	
Contractor Representative Name:	Shawni Coll, D.O.
Mailing Address:	10175 Levon Avenue, Truckee, CA 96161
Telephone and Fax Number:	Phone: 530-587-1041 Fax: 530-587-1444
Email Address of Contact:	scoll@tfhd.com
Accounts Receivable Representative:	
REQUIRED FINANCIAL INFORMATION	
W-9 and Certificates of Insurance Must Be Submitted with any Contract	
ADDITIONAL INFORMATION	
Contract auto renews on its own terms. A amendment will be prepared upon receipt of ECG FMV data to incorporate a maximum compensation amount.	

Reference:

- Policy ABD – 21 Physician and Professional Service Agreements
- Policy AGOV – 10 Contract Review Policy
- Policy AFIN – 03 Accounts Payable Policy

*W-9s are required for any contract on which we are making payments.
Certificates of Insurance are required for any contract in which any service is being provided.*

THIS SECTION FOR CONTRACTS COORDINATOR USE ONLY:			
W-9 Received?	Yes: <input type="checkbox"/> No: <input type="checkbox"/>	Certificate of Insurance Received?	Yes: <input type="checkbox"/> No: <input type="checkbox"/>
New Vendor information Sent to Accounts Payable?	Yes: <input type="checkbox"/> No: <input type="checkbox"/>	<i>Email a copy of Section D (page 2) of the completed Routing Form to A/P. This is required for A/P to process their payments.</i>	

Contracts Review: _____ Date Initials	BOARD ACTION: _____	MEETING DATE:
	Out for TFHD Signature: Date: _____	Receive Date: _____
CFO Review: _____ Date Initials	Out for Vendor Signature: Date: _____	Receive Date: _____
	Uploaded to Contracts System: Date: _____	Trigger dates set: YES <input type="checkbox"/> NO <input type="checkbox"/>
CONTRACT #: _____ (i.e. 10001)		Document Reference: _____ (i.e. #####.C)

**TAHOE FOREST HOSPITAL DISTRICT
MEDICAL DIRECTOR OF STRATEGIC
PLANNING AND INNOVATION
PROFESSIONAL SERVICES AGREEMENT**

This Agreement is made and entered into on this 1st day of January, 2013 by and between Tahoe Forest Hospital District, a California Hospital District duly organized and operating under California Health Care District Law and doing business as Tahoe Forest Hospital with its principal place of business in Truckee, California (hereinafter referred to as "DISTRICT"), and Shawni Coll, D.O. (hereinafter referred to as "PHYSICIAN").

RECITALS

WHEREAS, DISTRICT operates the Tahoe Forest Hospital District (hereinafter referred to as "HOSPITAL"), a multi-specialty health care system serving the North Lake Tahoe region with inpatient, outpatient and in-home care services; and

WHEREAS, DISTRICT recognizes and supports the need for a Medical Director of Strategic Planning and Innovation to align mutual goals of the health system and medical staff that will enhance the quality of care for patients and to serve as a physician champion of the organization's strategic planning activities and DISTRICT desires to enter into an Agreement with PHYSICIAN to serve as such Medical Director of Strategic Planning and Innovation; and

WHEREAS, the PHYSICIAN is licensed to practice medicine in the State of California; and

WHEREAS, DISTRICT and PHYSICIAN desire to provide a full statement of their respective rights, obligations and duties in connection with the role of Medical Director of Strategic Planning and Innovation,

Now, therefore, the parties agree as follows:

I. PHYSICIAN'S QUALIFICATIONS.

PHYSICIAN at all times while performing hereunder shall maintain an unlimited license to practice medicine in the State of California; will maintain Active Staff privileges on the DISTRICT's Medical Staff; and will be granted and maintain the clinical privileges deemed necessary by the Medical Staff to perform his/her duties in the DISTRICT. PHYSICIAN shall perform duties in a timely manner and in accordance with the DISTRICT's policies and Medical Staff Bylaws and Rules and Regulations. In addition, PHYSICIAN shall comply with the laws of the State of California, the standards of the Healthcare Facilities Accreditation Program (HFAP) and the Centers for Medicare and Medicaid Services (CMS), the ethics of the American Medical Association, and all other applicable provisions of law.

II. PHYSICIAN'S RESPONSIBILITIES.

During the term of the Agreement, PHYSICIAN shall serve as the Medical Director of Strategic Planning and Innovation and shall assist DISTRICT to ensure full

engagement of medical staff leadership related to all strategic planning activities. PHYSICIAN shall perform the duties and obligations set forth in **Exhibit A**, attached hereto and hereby incorporated by reference.

III. DISTRICT'S OBLIGATIONS.

A. Operations. DISTRICT shall provide and maintain all customary and necessary equipment, supplies, maintenance, utilities and personnel in the DISTRICT. The selection, deletion and purchasing of additional replacement equipment, and the selection, removal and retention of personnel shall be the exclusive function of DISTRICT after consultation with the PHYSICIAN when reasonably possible. DISTRICT retains professional and administrative responsibility for the services rendered.

B. Orientation and Materials. The Medical Director of Strategic Planning and Innovation may be required to attend educational activities related to the DISTRICTS strategic planning needs. Additional materials will be provided, as needed, throughout the term of the agreement. The Chief Executive Officer and Administrative team members will be accessible to the PHYSICIAN. DISTRICT will provide PHYSICIAN with a copy of the rules, regulations and standards that apply to the DISTRICT.

IV. COMPENSATION.

DISTRICT shall pay PHYSICIAN in accordance with **Exhibit B**.

V. TERM AND TERMINATION.

A. Term. This Agreement shall be effective as of the date first written above, and shall continue for a period of one (1) year. The Agreement shall automatically renew on each anniversary date for an additional term of one (1) year, unless either party gives thirty (30) days prior written notice of its intent not to renew. The Agreement may be terminated with or without cause by either party upon provision of thirty (30) days written notice to the other party.

B. Termination. This Agreement may be terminated:

1. immediately by DISTRICT in its sole discretion if PHYSICIAN fails to maintain the professional standards described in Article I of this Agreement;

2. as provided in Article VIII.C;

3. immediately by DISTRICT upon any failure by PHYSICIAN to perform the PHYSICIAN's duties hereunder for a period greater than five (5) consecutive days, or thirty (30) days in the aggregate, during the term hereof; provided however, that periods when PHYSICIAN is not available shall not be counted towards the above so long as a designee, approved by DISTRICT, is in place and available to provide substitute services or if PHYSICIAN's absence is approved by DISTRICT;

4. immediately by DISTRICT at any time following the commencement of an investigation of PHYSICIAN or the billings or billing practices of PHYSICIAN by any governmental agency or authority, or agent thereof, which DISTRICT in good faith believes may reasonably be expected to result in adverse criminal or civil action and which may harm the reputation and/or public image of DISTRICT. (PHYSICIAN shall

cooperate fully with representatives of DISTRICT as required to allow DISTRICT access to information necessary to make its good faith determination hereunder);

5. immediately by DISTRICT, upon revocation, limitation or suspension of PHYSICIAN's license to practice medicine, or the placing of PHYSICIAN on probation for any reason, by the Medical Board of California or any other agency having jurisdiction over the licensing of physicians and surgeons;

6. immediately by DISTRICT if PHYSICIAN engages in conduct which discredits the DISTRICT, including but not limited to, insubordination, abuse of intoxicating substances or illegal drugs, unprofessional actions or willful, deliberate and repeated failure to comply with the DISTRICT's policies and procedures or with written work direction provided by the DISTRICT; or

7. immediately by DISTRICT upon discovery that PHYSICIAN has failed to provide DISTRICT with a written warning as required under the Paragraph immediately below.

C. Physician's Duty to Provide Notice. PHYSICIAN shall provide DISTRICT with immediate written notice of any event which results in, or which may with the passage of time, result in a condition or occurrence described in the Paragraph immediately above with respect to PHYSICIAN.

D. Rights Upon Termination. Upon any termination or expiration of this Agreement, all rights and obligations of the parties shall cease except those rights and obligations under Articles VI, VIII. A, H, I, O, P and Q; any rights and obligations of indemnity or terms which otherwise indicate they shall survive termination.

VI. INSURANCE.

A. DISTRICT represents that PHYSICIAN shall be covered under DISTRICT's comprehensive general liability insurance while performing supervisory, evaluation, instructional or other duties as Medical Director of Strategic Planning and Innovation; provided, that such coverage shall not include any direct patient care activities. PHYSICIAN shall maintain at all times and at his sole cost and expense professional liability insurance with a company or companies qualified to conduct insurance business in the State of California and approved by DISTRICT, in the minimum amounts of \$1,000,000 per occurrence, \$3,000,000 in the aggregate. Said insurance shall provide that the DISTRICT shall receive not less than thirty (30) days written notice of cancellation or reduction in coverage. PHYSICIAN shall provide to DISTRICT appropriate Certificates of Insurance or other satisfactory evidence of required coverage. If PHYSICIAN obtains insurance written on an "occurrence" basis, then following the termination of this Agreement PHYSICIAN shall maintain such coverage for ten (10) years or purchase "tail" coverage.

B. In the event that PHYSICIAN fails to obtain or maintain insurance required hereunder, DISTRICT may, at its option, procure and/or renew such insurance at the expense of PHYSICIAN. If DISTRICT does so procure and/or renew such insurance, PHYSICIAN shall reimburse DISTRICT for the cost thereof within thirty (30) days after written notice of such action is given by DISTRICT to PHYSICIAN. DISTRICT may withhold such costs from any amounts due PHYSICIAN hereunder.

VII. NOTICE.

Any notice required or permitted under this Agreement shall be in writing and shall be deemed given at the time it is deposited in the United States Mail, postage pre-paid, certified or registered mail, return receipt requested, addressed to the party at its address as follows (or at such other address as may be set forth in a notice given pursuant to this paragraph):

If to DISTRICT:

Tahoe Forest Hospital District
Attn: Chief Executive Officer
P.O. Box 759
Truckee, California 96160

If to PHYSICIAN:

Shawni Coll, D.O. ← *Tahoe Forest Women's Center*
10175 Levon Avenue
Truckee, California 96161

VIII. GENERAL PROVISIONS.

A. Independent Contractor.

1. Status. All services of PHYSICIAN under this Agreement are provided as those of an independent contractor engaged in the practice of medicine, and not as agent or employee of the DISTRICT. Similarly, the DISTRICT is neither an agent nor an employee of PHYSICIAN for any purpose. The sole interest and responsibility of DISTRICT is that of the result and not the manner in which the services are provided. All services provided by PHYSICIAN under this Agreement shall be performed in a competent, efficient, and satisfactory manner.

2. No Benefits. PHYSICIAN shall have no claim against DISTRICT under this Agreement or otherwise against DISTRICT for social security benefits, workers' compensation benefits, disability benefits, unemployment benefits, vacation pay, sick leave, or any other employee benefit of any kind.

3. Income Tax and Other Withholding and Reporting. PHYSICIAN shall ensure that proper withholdings are made from the compensation of PHYSICIAN for federal income taxes, Social Security, Medicare taxes and other withholdings which may be required by law. PHYSICIAN shall indemnify DISTRICT and hold it harmless from PHYSICIAN's failure to ensure such compliance.

B. Compliance with Law, Amendment, Termination. This Agreement has been drafted to comply with all applicable law and regulation, including but not limited to the federal "Stark" laws; specifically to conform to the "fair market value compensation exception."

C. Amendments to Assure Continued Compliance. Should either party become aware by reason of action or pronouncement of any governmental authorities, or the interpretation or reinterpretation of any law, rules, regulation or other authority, or the

decision of any court or agency of government, or otherwise, that this Agreement may not comply with any applicable law; then such party shall immediately notify the other. Upon such notice, DISTRICT shall retain legal counsel to determine whether this Agreement complies with law. If counsel determines that the Agreement does not comply with law, then counsel shall advise the parties of any amendments required to comply with law, if possible. The parties agree to take any and all reasonable actions to amend the Agreement as indicated by counsel. If counsel advises that no amendment is possible to reasonably ensure compliance or avoid jeopardy, or if PHYSICIAN does not promptly agree to the amendment proposed, then the obligations of the parties hereunder shall be suspended, or this Agreement shall be terminated, as directed by said counsel.

D. Immigration Reform and Control Act of 1986. The PHYSICIAN shall be responsible for establishing both the identity of any employee hired by the PHYSICIAN to provide services hereunder and said employee's authorization to work, and further, the PHYSICIAN shall maintain a written record of the Employment Eligibility Verification pursuant to provisions of the Immigration Reform and Control Act of 1986. The PHYSICIAN hereby acknowledges that compliance with the said Act is his sole responsibility, and shall defend, indemnify and hold the District harmless from and against any claims, demands, fines or penalties imposed by governmental agencies as a result of the PHYSICIAN's failure to comply with the provisions of the Immigration Reform and Control Act of 1986.

E. No Medicare Actions.

1. PHYSICIAN warrants and represents that to the best of his knowledge, information and belief, there are no past or pending investigations, legal actions, or matters subject to arbitration involving PHYSICIAN or any key management, executive staff, or any major shareholders (5% or more) of PHYSICIAN on matters relating to payments from governmental entities, both federal and state, for healthcare and/or prescription drug services.

2. PHYSICIAN warrants and represents that PHYSICIAN has not been criminally convicted nor has a civil judgment been entered against it for fraudulent activities nor is it sanctioned under any Federal program involving the provision of health care or prescription drug services.

3. PHYSICIAN warrants and represents that neither PHYSICIAN nor any key management, executive staff, or any major shareholders (5% or more) of PHYSICIAN appear in the List of Excluded Individuals/Entities as published by the Department of Health and Human Services Office of the Inspector General, nor in the List of Debarred Contractors as published by the General Services Administration. (The List of Excluded Individuals/Entities published by the Department of Health and Human Services Office of the Inspector General can be found at the following website:

<http://oig.hhs.gov/fraud/exclusions/database.html>. The List of Debarred Contractors published by the General Services Administration can be found at <http://epls.arnet.gov/>.)

4. PHYSICIAN is obligated to notify DISTRICT immediately if any change in circumstances occurring after the Effective Date of this Agreement which would require the PHYSICIAN or its key management, executive staff, or any major shareholders (5%

or more) to then respond affirmatively to any of the questions posed in subsections 1 through 3 above.

F. Prohibition Of Private Practice. The DISTRICT's premises shall not be used by PHYSICIAN to conduct the practice of medicine for private patients.

G. Coordination With Medical Staff Membership. Termination of this Agreement will cause the PHYSICIAN to lose the right to provide the Services delineated under this Agreement without the need for any further action, but will not affect the PHYSICIAN's Medical Staff membership and privileges.

H. Confidentiality. PHYSICIAN acknowledges that, as a result of PHYSICIAN's engagement pursuant to this Agreement, PHYSICIAN will receive proprietary data and confidential information regarding the practices of DISTRICT related to the services contemplated in this Agreement that is not generally known and is of considerable importance to DISTRICT. Such data and information includes, without limitation, costs, profits, patient names, and any other confidential data or information whether or not of a similar nature (the "Information"). PHYSICIAN acknowledges that his/her relationship to the DISTRICT with respect to the Information is fiduciary in nature, and PHYSICIAN shall not make use of the Information except in the course of his/her engagement hereunder. PHYSICIAN shall maintain the Information in confidence and shall not disclose to any person not employed by the DISTRICT any of the Information at any time either during or after PHYSICIAN's engagement under this Agreement, or use the Information except in connection with PHYSICIAN's engagement.

I. Access to Records. PHYSICIAN agrees in connection with Medicare reimbursement for services rendered pursuant to this Agreement to allow the Secretary of the United States Department of Health and Human Services, the Comptroller General of the United States or the authorized representative of either, at all reasonable times and for a period of four (4) years after receipt of payments pursuant to this Agreement, access to the PHYSICIAN's books, documents, and records relating to payments made pursuant to the terms of this Agreement. Such provisions for access to records shall also be included with respect to the PHYSICIAN's subcontracts, if any, to the extent required by applicable law or regulation.

J. Non-Discrimination. PHYSICIAN shall fulfill his/her obligations in the role of Medical Director of Strategic Planning and Innovation without discrimination on the basis of medical condition, race, creed, color, national origin, age or sex and without regard to ability to pay. As a recipient of federal financial assistance, DISTRICT does not exclude/deny benefits to or otherwise discriminate against any person on the grounds of race, color, national origin, sex, sexual orientation or religion, or on the basis of disability or age in admission to, participation in or receipt of the services and benefits of any of its programs and activities or in the employment therein, whether carried out by DISTRICT directly or through a contractor or any other entity with whom DISTRICT arranges to carry out its programs and activities.

This statement is in accordance with the provision of the Title VI of the Civil Rights Act of 1965, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, American with Disabilities Act (ADA) of 1990, the regulations of the United States Department of Health and Human Services issued pursuant to the

Acts, Title 45 Code Of Federal Regulation, Part 80, 84 and 91, and the California Fair Employment and Housing Act. Other federal and state laws and regulations provide similar protection against discrimination on grounds of sex and creed.

K. No Patient Referral Requirement. Nothing in this Agreement shall require PHYSICIAN to refer any patient to DISTRICT.

L. Amendments. This Agreement contains the entire understanding between the parties hereto and supersedes any and all prior agreement, undertakings and arrangements between the parties relating to the subject matter hereof. No amendment, change, modification or alteration of the terms and conditions hereof shall be binding unless evidenced by a written agreement signed by all parties hereto.

M. Captions. The captions or paragraphs and subparagraphs of this Agreement are for reference only and not be construed in any way as part of this Agreement.

N. Assignment. PHYSICIAN shall not assign or otherwise transfer this Agreement or any interest therein, without the prior written consent of the DISTRICT.

O. Attorney's Fees: In the event of any legal proceeding, including but not limited to mediation and arbitration, by either party to enforce or defend its rights under this Agreement, the prevailing party, in addition to all other relief awarded by the mediator, arbitrator or the court, shall be entitled to reasonable attorney's fees.

P. Disputes: Should any dispute arise between PHYSICIAN and DISTRICT concerning the terms of this Agreement, PHYSICIAN and DISTRICT shall meet and attempt to amicably resolve the dispute ("Informal Resolution"). Such meeting shall be held no later than ten (10) days after one party receives written notice from the other stating the existence of the dispute, describing the nature of the same, and presenting proposed resolution to the dispute. This Agreement shall remain in effect during the pendency of the resolution of any dispute, unless it expires or is terminated pursuant to Paragraph VI (Term and Termination). If attempts at Informal Resolution are unsuccessful, a dispute shall be handled as follows:

1. Professional Component of Medical Care. A dispute related to the quality of the professional services provided under this Agreement shall be handled in accordance with the Medical Staff Bylaws or as the parties may otherwise mutually agree.

2. Other Disputes. In the event of disagreement or dispute between the parties arising out of or connected with this Agreement which cannot be adjusted by and between the parties involved, the disputed matter shall be resolved as follows:

i. Mediation. The parties waive their rights under the laws of the State of California and the Constitution of the United States to file a court action in connection with any dispute or claim arising out of this contract or any resulting transaction. The parties further agree to mediate any dispute or claim arising between them out of this contract or any resulting transaction before resorting to arbitration. Mediation fees, if any, shall be divided equally among the parties involved. If any party commences an arbitration or court action based on a dispute or claim to which this paragraph applies

without first attempting to resolve the matter through mediation, then that party shall not be entitled to recover attorney's fees, event if they would otherwise be available to that party in any such arbitration or court action.

ii. *Arbitration.* The Parties agree that any dispute or claim in law or equity arising between them out of this Agreement or any resulting transaction, which is not settled through mediation, shall be decided by neutral, binding arbitration and not by court action. The arbitration shall be conducted by a retired judge or justice, unless the parties mutually agree to a different arbitrator, who shall render an award in accordance with substantive California law. In all other respects, the arbitration shall be conducted in accordance with Part III, Title 9 of the California Code of Civil Procedure. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction. The parties shall have the right to discovery in accordance with Code of Civil Procedure §1283.05.

The parties agree and acknowledge that while the legality, timeliness, correctness or appropriateness of a notice of termination of this Agreement may be the subject of an arbitration, no notice of termination delivered hereunder may be stayed or voided by either the commencement of an arbitration or an order of the arbitrators. Rather, the parties intend that any such notice shall be unhindered and effective, and that the sole remedy of the aggrieved party in arbitration or a court proceeding shall be an action for damages.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the "Dispute" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless such rights are specifically included in the "Dispute" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California Code of Civil Procedure. Your agreement to this arbitration provision is voluntary.

By initialing below, the DISTRICT and PHYSICIAN indicate that they have read and understood the foregoing and hereby agree to submit disputes arising out of the matters included in the "Dispute" provision to neutral arbitration, with a single arbitrator.

Initialed by the DISTRICT: PS Initialed by the PHYSICIAN: JFC

Q. Indemnification: PHYSICIAN hereby indemnifies and holds DISTRICT, its officers, agents, and employees harmless from and against any and all liability, losses, damages, claims, causes of action, costs or other expenses (including reasonable attorney's fees), which directly or indirectly arise out of the performance of duties hereunder by PHYSICIAN; except which arise as a result of the sole negligence of the DISTRICT or the Agency.

DISTRICT hereby indemnifies and holds PHYSICIAN harmless from and against any and all liability, losses, damages, claims, causes of action, costs or

expenses (including reasonable attorney's fees) which directly or indirectly arise out of the performance hereunder by the DISTRICT and its employees; except which arise as a result of the sole negligence of the PHYSICIAN.

R. Governing Laws. This Agreement shall be construed under the laws of the State of California with venue in the County of Nevada.

S. Interpretation. No provision of this Agreement shall be interpreted for or against any party because that party or that party's legal representative drafted the provision.

T. Waiver. The failure of DISTRICT to exercise or enforce any right conferred upon it hereunder shall not be deemed to be a waiver of any such right nor operate to bar the exercise or performance thereof at any time or times thereafter; nor shall a waiver of any rights hereunder at any given time be deemed an ongoing waiver or a waiver thereof for any other time.

U. Illegality. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall nevertheless continue in full force and effect without being impaired or invalidated in any way.

V. Force Majeure. No party to this Agreement shall be liable for failure to perform any duty or obligation that said party may have under this Agreement when such failure has been occasioned by an act of God, fire, strike, inevitable accident, war or any cause outside the reasonable control of the party who had the duty to perform.

W. Contract Binds Successors. This Agreement shall be binding upon successors or assigns of the DISTRICT, and upon the successors or assigns of PHYSICIAN which have been approved in writing by the DISTRICT.

X. Entire Agreement. This Agreement contains the entire Agreement of the parties hereto and supersedes all prior agreements, representations and understandings, whether written or otherwise, between the parties relating to the subject matter hereof. This Agreement shall not be amended except in writing and by mutual consent of DISTRICT and PHYSICIAN.

Y. HIPAA Privacy Rule Compliance.

1. PHYSICIAN and DISTRICT each agree to comply with the applicable provisions of the Administrative Simplification section of the Health Insurance Portability and Accountability Act of 1996, as codified at 42 U.S.C. § 1320d through d-8 ("HIPAA"), and the requirements of any regulations promulgated thereunder, including, without limitation, the federal privacy regulations as contained in 45 CFR Parts 160 and 164 (the "Federal Privacy Regulations") and the federal security standards as contained in 45 CFR Part 164 (the "Federal Security Regulations"). PHYSICIAN and DISTRICT each agree not to use or further disclose any protected health information, as defined in 42 U.S.C. § 1320d and 45 CFR § 164.501 (collectively, the "Protected Health

Information”), concerning a patient other than as permitted or required by this Agreement or otherwise authorized under HIPAA.

2. As permitted under HIPAA, the parties hereby agree, that by virtue of this Agreement, they are an “organized health care arrangement” for purposes of meeting the Federal Privacy Regulations and the authorized use and disclosure of Protected Health Information thereunder. Further, DISTRICT will include PHYSICIAN, either specifically or by general reference, in its required notice of privacy practices for the purpose of allowing both parties to meet the notice requirements under the Federal Privacy Regulations and PHYSICIAN agrees to follow the privacy practices adopted by the DISTRICT as detailed in its notice of privacy practices.

3. The parties agree that if there is a determination by any responsible authority that PHYSICIAN is to be considered a “business associate” of DISTRICT, or guidance published or a statement made by the OCR to that effect, PHYSICIAN will execute a business associate agreement in form and content sufficient to satisfy the requirements of the Federal Privacy and Security Regulations.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the date first above written.

DISTRICT:

Tahoe Forest Hospital,
a Public entity

PHYSICIAN:

Shawni Coll, D.O.



By: Robert Schapper
Chief Executive Officer



Shawni Coll, D.O.

EXHIBIT A

MEDICAL DIRECTOR OF STRATEGIC PLANNING AND INNOVATION FOR TAHOE FOREST HEALTH SYSTEM

Description of Responsibilities: Provides medical staff leadership and vision for the organization as a key member of the Medical Executive Committee (MEC) to guide improvement in the area of strategic planning and innovation. Serves as a liaison between the MEC, the medical staff and its leadership, Administration and management to assure that physicians are actively involved in the strategic planning and innovation for the District. Works collaboratively with hospital and medical staff, directing medical staff Performance Improvement initiatives that will further advance clinical operations that are safe, timely, efficient, effective, equitable, and patient centered.

Expectations:

1. Facilitates strategic planning with the medical staff and long term vision of the medical staff and hospital system
2. Participates in the strategic planning session for the Board of Directors and Administration
3. Participate in the Medical Executive Committee meetings
4. Participate at the Department level to obtain consensus of the medical staff for strategic planning purposes
5. Be a leader to help guide the medical staff through health care reform
6. Innovate programs to better achieve optimal community health while supporting the hospital and their goals
7. Develop and implement study designs to prove that our innovations are beneficial
8. Support changes to improve quality and patient/physician satisfaction in conjunction with the Medical Director of Quality
9. Liaison between administration and medical staff, specifically with relations to health care reform and innovation
10. Work with Medical Director of Quality to innovate quality programs and help to achieve physician buy-in
11. Be flexible to adapt to this likely ever-changing role as Medical Director of Strategic Planning and Innovation
12. Learn about different health care models and how we may implement them in our rural health care setting
13. Continue seeking education to better serve in this position
14. Form professional relationships with key stake holders in community whom could possibly help to fund/support the hospital through health care reform

15. Evaluate and test strategic economical solutions to our community's health care needs
16. Represents medical staff in administrative meetings and participate in Board of Director meetings related to strategic planning
17. Provides leadership in the areas of strategic planning, strategy execution and implementation of care management programs
18. Demonstrates effective leadership skills of delegation, organization, and coordination of the intra-department activities and inter-department integration.
19. Be the point person for strategic Medical Staff initiatives, as to break down any silo effects
20. Work with Medical Staff Coordinator to help effect change, as needed
21. Support Chief of Staff in any form deemed appropriate related to strategic planning

Qualifications and Education

- Education: M.D. or D.O.
Board certified in a clinical specialty area.
- Experience: Demonstrated and credible experience in clinical practice (minimum 5 years more desirable) so that the incumbent will be able to relate credibly to a diverse and exceptionally trained medical staff. Prefer prior physician leadership experience.
- Training: Additional training with emphasis on knowledge of quality assessment and performance improvement functions.
- Licensure: Current California and Nevada M.D. or D. O. license
- Reports to: To be determined

Skills:

-
- Strong communication and interpersonal skills for frequent contact with individuals of the health system and when needed to persuade and negotiate in situations that are controversial and/or sensitive.
 - Leadership skills, including demonstrated willingness to pursue leadership roles with increasing levels of accountability; comfort with decision-making responsibilities; coaching, teaching, and counseling support.
 - Ability to obtain knowledge of regulations and guidelines for areas of responsibility.
 - Analytical ability to conceptualize well in unstructured, dynamic, and/or multidisciplinary environments requiring analysis, foresight, intuition, and mature judgment, fundamental knowledge of several disciplines to find solutions to unusual or unprecedented problems
 - Leader of a changing environment with no tolerance for errors and their consequences for patient safety.

- Ability to function in this position shall not be influenced by patient referrals from medical staff members.

EXHIBIT B

MEDICAL DIRECTOR OF STRATEGIC
PLANNING AND INNOVATION
TAHOE FOREST HEALTH SYSTEM

FEE SCHEDULE

The Schedule of Fees set forth below shall represent DIRECTOR'S complete compensation for professional services rendered under this Agreement. Any changes to said schedule shall be agreed upon in writing by both parties and shall be in substantial accordance with fees for comparable services in the general service area of the facility. Director will submit a monthly invoice detailing services rendered under this Agreement.

Professional Fee Schedule

~~Monthly stipend for meeting
attendance, patient safety and quality
activities~~

\$ 138/hr

revise



CONTRACT ROUTING FORM

Email Completed Form to Executive Assistant (pbarrett@tfhd.com) for Processing and Compliance Review

NEW CONTRACT <input checked="" type="checkbox"/> AMENDMENT <input type="checkbox"/> RENEWAL <input type="checkbox"/> EXTENSION <input type="checkbox"/> BAA <input type="checkbox"/>		
ORIGINATING DEPARTMENT: Administration	CONTACT PERSON: Virginia Razo, COO PHONE: 530-582-3433	
RESPONSIBLE ADMINISTRATIVE COUNCIL (AC): CEO <input type="checkbox"/> CFO <input type="checkbox"/> COO <input checked="" type="checkbox"/> CNO <input type="checkbox"/> CIO <input type="checkbox"/> IVCH <input type="checkbox"/>		
REQUIRES BOARD GOVERNANCE COMMITTEE REVIEW? NO <input type="checkbox"/> YES <input checked="" type="checkbox"/> MEETING DATE: Straight to Board COMMITTEE RECOMMENDS: Pending		
TYPE OF CONTRACT:		
Physician Professional Service Agreement (P-PSA) <input type="checkbox"/> Type: _____ Physician Medical Director Agreement (MDA) <input checked="" type="checkbox"/> Type: Orthopedic Service Business Development Vendor Professional Service Agreement (V-PSA) <input type="checkbox"/> Type: _____ Other _____ <input type="checkbox"/> Type: _____		
❖ Business Associated Agreement Required? YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>		
CONTRACTOR/VENDOR DETAILS: <i>If needed, additional instructions and information may be provided on Page 2</i>		
LEGAL NAME OF CONTRACTOR/ VENDOR: Jeffrey Dodd, MD		
Purpose of the Contract/Alternatives: Assist District with planning, organizing and implementing Orthopedic service line.		
Scope of the Contract: - Program development and oversight - Program implementation - Education oversight - Quality Improvement via med staff quality program		
DATES OF CONTRACT:	EFFECTIVE DATE: 12/1/2014	END DATE: 11/30/2017
Version History:	Original Effective date: 12/1/2013 Renewal Dates: Amendment Dates:	
PHYSICIAN CONTRACTS: FOR STARK LAW COMPLIANCE, THE TERMS OF THIS CONTRACT CANNOT CHANGE FOR 1 YEAR		
Compensation Structure: <i>Include "other comp" (i.e. education, phone stipend, etc.)</i> \$125/hour not to exceed ten (10) hours per month		
Contract Term: <i>(anything other than Net 30 requires AC approval)</i>		
Total Cost of Contract:	\$15,000/year	
Compensation Audit Process:	See Policies AGOV-10 and ABD-21	
Is Cost of Contract Budgeted?	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>	
If NOT budgeted or exceeds budgeted amount, identify the offset:		
TFHS Primary Responsible Party:	Virginia Razo, COO	
TFHS Secondary Responsible Party:	Terri Schnieder, Director Med Staff Services	

ORIGINATING DEPARTMENT: Administration	CONTACT PERSON: Virginia Razo, COO Phone: 530-582-3433
--	--

LEGAL NAME OF CONTRACTOR/ VENDOR: Jeffrey Dodd, MD

REQUIRED COMPLIANCE INFORMATION	
Commercially Reasonable Verified Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/>	<i>Compliance Officer Signature:</i> 
Fair Market Value Verified Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/>	

CONTRACTOR INFORMATION	
Contractor Representative Name:	Jeffrey Dodd, MD
Mailing Address:	10051 Lake Avenue, Truckee, CA 96161
Telephone and Fax Number:	Phone: _____ Fax: _____
Email Address of Contact:	_____
Accounts Receivable Representative:	_____

REQUIRED FINANCIAL INFORMATION
W-9 and Certificates of Insurance Must Be Submitted with any Contract

ADDITIONAL INFORMATION
New contract recommended to change term from 1 year term to a 3 year term.

Reference:
 Policy ABD – 21 Physician and Professional Service Agreements
 Policy AGOV – 10 Contract Review Policy
 Policy AFIN – 03 Accounts Payable Policy

*W-9s are required for any contract on which we are making payments.
 Certificates of Insurance are required for any contract in which any service is being provided.*

THIS SECTION FOR CONTRACTS COORDINATOR USE ONLY:	
W-9 Received? Yes: <input type="checkbox"/> No: <input type="checkbox"/>	Certificate of Insurance Received? Yes: <input type="checkbox"/> No: <input type="checkbox"/>
New Vendor information Sent to Accounts Payable? Yes: <input type="checkbox"/> No: <input type="checkbox"/>	<i>Email a copy of Section D (page 2) of the completed Routing Form to A/P. This is required for A/P to process their payments.</i>

Contracts Review:	_____	_____
Date	Initials	
CFO Review:	_____	_____
Date	Initials	

BOARD ACTION: _____	MEETING DATE: _____
Out for TFHD Signature: _____ Date: _____	Receive Date: _____
Out for Vendor Signature: _____ Date: _____	Receive Date: _____
Uploaded to Contracts System: _____ Date: _____	Trigger dates set: YES <input type="checkbox"/> NO <input type="checkbox"/>
CONTRACT #: _____ (i.e. 10001)	Document Reference: _____ (i.e. #####.C)

**TAHOE FOREST HOSPITAL DISTRICT
PROFESSIONAL SERVICES AGREEMENT
MEDICAL DIRECTOR, ORTHOPEDIC SERVICES
BUSINESS DEVELOPMENT**

This Agreement is made and entered into on this 1st day of December, 2014 by and between Tahoe Forest Hospital District, a public entity Hospital District duly organized and existing under the California Local Health Care District Law with its principal place of business in Truckee, California (hereinafter referred to as "DISTRICT"), and Jeffrey Dodd, M.D. (hereinafter referred to as "PHYSICIAN").

RECITALS

DISTRICT currently operates a 25 bed Critical Access Hospital with a 37 bed Skilled Nursing Facility in Truckee, California, a four-bed hospital offering 24-hour emergency services and surgicenter services in Incline Village, Nevada. DISTRICT desires to enter into an agreement with PHYSICIAN to assist the District with Orthopedic Business Planning. PHYSICIAN is licensed to practice medicine in the State of California. The DISTRICT is desirous of engaging PHYSICIAN to perform such directorship duties as are set forth hereinafter.

TERMS

The parties hereby agree as follows:

1. **Responsibilities:** During the term of this agreement, PHYSICIAN will be responsible for the provision of all services outlined in Exhibit A (Job Description) attached hereto and made a part hereof.
2. **Compensation:** DISTRICT shall pay PHYSICIAN \$125 per hour not to exceed 10 hours per month, payable on the 15th day of the month immediately following the month during which Directorship services are rendered by PHYSICIAN.

PHYSICIAN will submit monthly an invoice, attached as Exhibit B, detailing services rendered under this agreement, e.g. attendance at meetings, chart review, etc.

DISTRICT will reimburse PHYSICIAN for reasonable out-of-pocket expenses incurred by PHYSICIAN when performing duties under this Agreement, and will also pay for training and education related to the performance of those duties, as approved by the Hospital's Chief Executive Officer or designee.

3. **Term and Termination:**
 - A. **Term:** This Agreement shall be effective as of the date first written above, and shall continue for a period of three (3) years. The Agreement may be terminated

with or without cause by either party upon provision of thirty (30) days written notice to the other party as follows:

DISTRICT
Chief Executive Officer
Tahoe Forest Hospital District
P.O. Box 759
Truckee, California 96160

PHYSICIAN
Jeffrey Dodd, M.D.
10051 Lake Avenue
Truckee, CA 96161

Any notice required or permitted hereunder shall be in writing and shall be deemed given as of the date deposited in the United States mail, postage prepaid.

4. Independent Contractor: PHYSICIAN shall perform the services and duties required under this agreement as an independent contractor and not as an employee, agent or partner of, or joint venture with, DISTRICT.
5. DISTRICT's Obligations:
 - A. DISTRICT shall provide services to patients according to the DISTRICT/ DEPARTMENT policies. DISTRICT retains professional and administrative responsibility for the services rendered.
 - B. DISTRICT will ensure the quality and utilization of services in accordance with its quality management program.
 - C. DISTRICT will provide PHYSICIAN with any changes to these rules, regulations and standards and allow the PHYSICIAN at least thirty (30) days to meet these changes.
6. Compliance With Laws and Regulations: PHYSICIAN at all times while performing hereunder shall be licensed to practice medicine in the State of California; will maintain Active Staff privileges on the DISTRICT's Medical Staff to perform his/her duties in the DEPARTMENT. PHYSICIAN shall perform duties in a timely manner and in accordance with DISTRICT policies and Medical Staff Bylaws and Rules and Regulations and DEPARTMENT policies. In addition, PHYSICIAN shall comply with the laws of the State of California, the standards of the Healthcare Facilities Accreditation Program (HFAP), and the Ethics of the American Medical Association. PHYSICIAN will comply with educational requirements and adhere to personnel qualifications.
7. Insurance: All facility employees shall be covered by the general and professional liability insurance carried by DISTRICT. DISTRICT represents that DIRECTOR shall be covered under DISTRICT's comprehensive general liability insurance while performing as DIRECTOR hereunder. DIRECTOR shall maintain at all times professional liability insurance with a company or companies qualified to conduct

insurance business in the states and approved by the DISTRICT with limits not less than \$1,000,000.

8. Access To Books And Records Of Subcontractor: Upon the written request of the Secretary of Health and Human Services or the Comptroller General or any of their duly authorized representatives, the DIRECTOR will make available those contracts, books, documents and records necessary to verify the nature and extent of the costs of providing services under this agreement. Such inspection will be available up to four (4) years after rendering of such services. This section is included pursuant to and is governed by the requirements of Public Law 96-+99, Sec 952 (Sec 1861 (v)(1) of the Social Security Act) and the regulation promulgated thereunder.
9. Entire Agreement: This agreement contains the entire agreement of the parties hereto and supersedes all prior agreements, representations and understandings between the parties relating to the subject matter thereof.

IN WITNESS WHEREOF, the parties have caused the agreement to be executed and delivered as of the date first above written.

DISTRICT

BY: _____
Robert A. Schapper
Chief Executive Officer

DATE: _____

PHYSICIAN

BY: _____
Jeffrey Dodd, M.D.

DATE: _____

EXHIBIT A

JOB PESCRIPTION -- DUTIES

PHYSICIAN serves as Orthopedic Services Medical Director at Tahoe Forest Hospital with responsibilities that shall include the following and other responsibilities that may from time to time be deemed necessary and mutually agreed on:

The Orthopedic Services Medical Director shall be responsible for directing the medical administrative activities of the Orthopedic Center of Excellence to ensure medical staff involvement in the business development of the program.

ESSENTIAL FUNCTIONS:

- **Program Oversight:** To review and take steps to improve, where necessary, the clinical performance of specific programs; oversee resource management efforts and the development of protocols, guidelines and clinical pathways to ensure consistency in quality and risk reduction for all patients;
- **Program Integration:** To assure processes are in place to manage medical policy and clinical continuity of Orthopedic Center of Excellence;
- **Medical Administration:** To assist as appropriate in the collaboration between Hospitalist Administration, Department of Surgery, the Orthopedic Center of Excellence Task Force and the Board of Directors. Serve on Orthopedic Advisory Counsel as assigned.
- **Education Oversight:** To identify and meet physician continuing educational needs, collaborate on community, staff and patient education related to orthopedic services.
- **Compliance:** To promote compliance with all accreditation, Medicare and State licensing standards applicable to the clinical management of the patients being treated with orthopedic injuries.
- **Quality Improvement:** To assure that processes are in place to (1) measure and evaluate outcomes and processes of care; and (2) use this information to improve the quality of care.
- **Program Development:** In conjunction with others on the management team, initiate, develop or review proposals for new, or expansion of existing clinical programs. Identify other orthopedic specific regional centers of excellence, and develop functional relationships with those centers including, but not limited to, second opinion facilitation as well as referral base for subspecialty services.
- **Public Relations:** To act as a senior physician spokesperson for Orthopedic Services.



Exhibit B
SERVICE TIME LOG - TAHOE FOREST HOSPITAL DISTRICT

Name: _____, MD or DO

Contract Role: [e.g. Medical Director, etc.]: _____

Physician: Each month please complete & submit this log for services you rendered. Please add more pages to this log if needed to ensure all dates, times, services are listed. If you use a computer/phone application, please attach and sign this log to the documentation generated by the program. Thank you.

Date of Service	Description of Services as specified by the contract	Hours

Total time: _____ hours @ \$ _____/hour = Total balance due \$ _____

I hereby attest that I personally performed all of the services listed for the time periods indicated and that there has been no duplication of hours or services. I declare that the above statement is true and accurate to the best of my knowledge. Physician's signature: _____ Date _____

CONTRACT ROUTING FORM

Email Completed Form to Executive Assistant (pbarrett@tfhd.com) for Processing and Compliance Review

NEW CONTRACT <input checked="" type="checkbox"/>		AMEND SCOPE <input type="checkbox"/>	AMEND TERM <input type="checkbox"/>	AUTO RENEW <input type="checkbox"/>	BAA <input type="checkbox"/>
ORIGINATING DEPARTMENT: Wellness Neighborhood		CONTACT PERSON: Caroline Ford PHONE: 582-7425			
RESPONSIBLE ADMINISTRATIVE COUNCIL (AC):		CEO <input checked="" type="checkbox"/>	CFO <input type="checkbox"/>	COO <input type="checkbox"/>	CNO <input type="checkbox"/>
		CIO <input type="checkbox"/>	IVCH <input type="checkbox"/>		COMMITTEE RECOMMENDS:
REQUIRES BOARD GOVERNANCE COMMITTEE REVIEW?		NO <input type="checkbox"/>	YES <input type="checkbox"/>	MEETING DATE: straight to Board	
TYPE OF CONTRACT:					
Physician Professional Service Agreement (P-PSA)		<input type="checkbox"/>	Type: _____		
Physician Medical Director Agreement (MDA)		<input type="checkbox"/>	Type: _____		
Vendor Professional Service Agreement (V-PSA)		<input type="checkbox"/>	Type: _____		
Other <u>Medical Advisor</u>		<input checked="" type="checkbox"/>	Type: Wellness Neighborhood		
❖ Business Associated Agreement Required?		YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>		
CONTRACTOR/VENDOR DETAILS: <i>If needed, additional instructions and information may be provided on Page 2</i>					
LEGAL NAME OF CONTRACTOR/ VENDOR: Reini Jensen, MD					
Purpose of the Contract/Alternatives: Provide Medical Advisor services for the Wellness Neighborhood Disparities Group as detailed in Exhibit A of the contract.					
Scope of the Contract: New contract initiated to remove unnecessary language regarding BAA, to update Exhibit A Scope of Responsibilities as attached, and to update Exhibit B with new Service Time Log as attached. 1 year term, auto renew successive 1 year terms as long as the physician is a member of the committee. \$100/hour, NTE 60 hours per year in aggregate					
DATES OF CONTRACT:		EFFECTIVE DATE: 01/01/2015	END DATE: 12/31/2015		
Version History:		Original Effective date: 01/01/2013 Renewal Dates: 01/01/2014 Amendment Dates:			
PHYSICIAN CONTRACTS: FOR STARK LAW COMPLIANCE, THE TERMS OF THIS CONTRACT CANNOT CHANGE FOR 1 YEAR					
Compensation Structure: <i>Include "other comp" (i.e. education, phone stipend, etc.)</i> \$100/hour, NTE 60 hours per year in aggregate					
Contract Term: <i>(anything other than Net 30 requires AC approval)</i> net 30					
Total Cost of Contract:		\$6000			
Compensation Audit Process:		See Policies AGOV-10 and ABD-21			
Is Cost of Contract Budgeted?		YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>			
If NOT budgeted or exceeds budgeted amount, identify the offset:					
TFHS Primary Responsible Party:		Caroline Ford			
TFHS Secondary Responsible Party:					

ORIGINATING DEPARTMENT: Wellness Neighborhood	CONTACT PERSON: Caroline Ford Phone: 582-7425
---	---

LEGAL NAME OF CONTRACTOR/ VENDOR: Reini Jensen, MD

REQUIRED COMPLIANCE INFORMATION	
Commercially Reasonable Verified Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/>	<i>Compliance Officer Signature:</i> 
Fair Market Value Verified Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/>	

CONTRACTOR INFORMATION	
Contractor Representative Name:	Reini Jensen, MD
Mailing Address:	10115 West River Street, Truckee CA 96161
Telephone and Fax Number:	Phone: 530-581-8864 Fax:
Email Address of Contact:	rjensen@tfhd.com
Accounts Receivable Representative:	

REQUIRED FINANCIAL INFORMATION
W-9 and Certificates of Insurance Must Be Submitted with any Contract

ADDITIONAL INFORMATION

Reference:
 Policy ABD – 21 Physician and Professional Service Agreements
 Policy AGOV – 10 Contract Review Policy
 Policy AFIN – 03 Accounts Payable Policy

*W-9s are required for any contract on which we are making payments.
 Certificates of Insurance are required for any contract in which any service is being provided.*

THIS SECTION FOR CONTRACTS COORDINATOR USE ONLY:	
W-9 Received? Yes: <input type="checkbox"/> No: <input type="checkbox"/>	Certificate of Insurance Received? Yes: <input type="checkbox"/> No: <input type="checkbox"/>
New Vendor information Sent to Accounts Payable? Yes: <input type="checkbox"/> No: <input type="checkbox"/>	<i>Email a copy of Section D (page 2) of the completed Routing Form to A/P. This is required for A/P to process their payments.</i>

Contracts Review: _____ Date Initials CFO Review: _____ Date Initials	BOARD ACTION: _____ Out for TFHD Signature: Date: _____ Out for Vendor Signature: Date: _____ Uploaded to Contracts System: Date: _____	MEETING DATE: Receive Date: _____ Receive Date: _____ Trigger dates set: YES <input type="checkbox"/> NO <input type="checkbox"/>
	CONTRACT #: _____ (i.e. 10001)	Document Reference: _____ (i.e. #####.C)

**TAHOE FOREST HOSPITAL DISTRICT
WELLNESS NEIGHBORHOOD
MEDICAL ADVISOR SERVICES AGREEMENT
FOR DISPARITIES GROUP**

This Tahoe Forest Hospital District Agreement for Medical Advisor Services is made and entered into effective on the 1st day of January, 2015 by and between Tahoe Forest Hospital District, a public entity Hospital District duly organized and existing under the California Local Health Care District Law with its principal place of business in Truckee, California (hereinafter referred to as "DISTRICT"), and Reini Jensen, M.D. (hereinafter referred to as "PHYSICIAN").

RECITALS

DISTRICT currently operates a 25 bed Critical Access Hospital with a 37 bed Skilled Nursing Facility in Truckee, California, a four-bed hospital offering 24-hour emergency services and surgicenter services in Incline Village, Nevada. PHYSICIAN is licensed to practice medicine in the State of California. DISTRICT is desirous of engaging PHYSICIAN to perform such duties as described in Exhibit A, attached and incorporated in this Agreement.

WHEREAS, DISTRICT desires to enter into an agreement with Physician to assist in the medical oversight of the Wellness Neighborhood Project for the Disparities Group (hereinafter referred to as "COMMITTEE");

WHEREAS, PHYSICIAN is licensed to practice medicine in the State of California; and

WHEREAS, PHYSICIAN desires and is qualified to serve and provide such input, advice and consultation for duties as set forth herein:

TERMS

NOW, THEREFORE, the parties agree as follows:

1. PHYSICIAN'S RESPONSIBILITIES

1.1 Medical Advisor Services. PHYSICIAN shall serve as a member and Medical Advisor to the COMMITTEE. PHYSICIAN shall attend COMMITTEE meetings whenever possible.

1.2 Personal Services. This Agreement is entered into by DISTRICT in reliance upon the professional and administrative skills of PHYSICIAN. PHYSICIAN shall be solely responsible for fulfilling the terms of this Agreement.

2. COMPENSATION. For his or her time spent attending COMMITTEE meetings and fulfilling other duties as outlined in Exhibit "A", attached hereto and

made a part hereof, PHYSICIAN shall be paid One Hundred Dollars (\$100.00) per hour, not to exceed sixty (60) hours per year in aggregate, payable on the 15th day of the month immediately following the month during which services are rendered by PHYSICIAN. This does not include attendance at CME training.

2.1 PHYSICIAN will submit to Medical Staff Services a monthly invoice, attached as Exhibit B, detailing services rendered under this agreement, e.g., attendance at meetings, etc.

2.2 DISTRICT will reimburse PHYSICIAN for reasonable out-of-pocket expenses incurred by PHYSICIAN when performing duties under this Agreement, and will also pay for training and education related to the performance of those duties, as approved by the Hospital's Chief Executive Officer or designee.

3. **TERM AND TERMINATION.** The term of this Agreement shall be for a period of one (1) year beginning on the Effective Date January 1, 2015. The Agreement shall automatically renew on each anniversary date for an additional term of one (1) year as long as PHYSICIAN is a member of COMMITTEE. This Agreement may be terminated by either party, with or without cause, on thirty (30) days written notice as provided in Section 5.6 below.

4. **RELATIONSHIP BETWEEN THE PARTIES**

4.1 Independent Contractor. No relationship of employer and employee is created by this Agreement. In the performance of PHYSICIAN's work and duties, PHYSICIAN is at all times acting and performing as an independent contractor.

4.2 Benefits. It is understood and agreed that PHYSICIAN shall have no claims under this Agreement or otherwise against DISTRICT for social security benefits, workers' compensation benefits, disability benefits, unemployment benefits, vacation pay, sick leave, or any other employee benefit of any kind.

4.3 **COMPLIANCE WITH LAW, AMENDMENT, TERMINATION.** This Agreement has been drafted to comply with all applicable law and regulation, including but not limited to the "fair market value compensation exception" of the federal "Stark" law. Should either party become aware by reason of action or pronouncement of any governmental authorities, or the interpretation or reinterpretation of any law, rules, regulation or other authority, or the decision of any court or agency of government, that this Agreement may no longer comply with any applicable law; then such party shall immediately notify the other. Upon such notice, DISTRICT shall retain legal counsel to determine whether this Agreement still complies with law. If counsel determines that the Agreement does not comply with law, then counsel shall advise the parties of any amendments required to comply with law, if possible. The parties agree to take

any and all reasonable actions to amend the Agreement as indicated by counsel. If counsel advises that no amendment is possible to reasonably ensure compliance or avoid jeopardy, or if PHYSICIAN does not promptly agree to the amendment proposed, then the obligations of the parties hereunder shall be suspended, or this Agreement shall be terminated, as directed by said counsel.

5. GENERAL PROVISIONS

5.1 Access to Records. To the extent required by Section 1861(V) (i) (I) of the Social Security Act, as amended, and by valid regulation which is directly applicable to that Section, PHYSICIAN agrees to make available upon valid written request from the Secretary of HHS, the Comptroller General, or any other duly authorized representatives, this Agreement and the books, documents, and records of PHYSICIAN to the extent that such books, documents and records are necessary to certify the nature and extent of DISTRICT's costs for services provided by PHYSICIAN.

5.1.1 PHYSICIAN shall also make available such subcontract and the books, documents, and records of any subcontractor if that subcontractor performs any of the PHYSICIAN's duties under this Agreement at a cost of \$10,000 or more over a twelve (12) month period and if that subcontractor is organizationally related to PHYSICIAN.

5.1.2 Such books, documents, and records shall be preserved and available for four (4) years after the furnishing of services by PHYSICIAN pursuant to this Agreement. If PHYSICIAN is requested to disclose books, documents or records pursuant to this subparagraph for purposes of an audit, PHYSICIAN shall notify DISTRICT of the nature and scope of such request and PHYSICIAN shall make available, upon written request of DISTRICT, all such books, documents, or records. PHYSICIAN shall indemnify and hold harmless DISTRICT in the event that any amount of reimbursement is denied or disallowed because of the failure of PHYSICIAN or any subcontractor to comply with the obligations to maintain and make available books, documents, or records pursuant to the subparagraph. Such indemnity shall include, but not be limited to the amount of reimbursement denied, plus any interest, penalties and legal costs.

5.1.3 This paragraph is intended to assure compliance with Section 1861 of the Social Security Act, as amended, and regulations directly pertinent to that Act. The obligations of PHYSICIAN under this paragraph are strictly limited to compliance with those provisions, and shall be given effect only to the extent necessary to ensure compliance with those provisions. In the event that the requirements of those provisions are reduced or eliminated, the obligations of the parties under this paragraph shall likewise be reduced or eliminated.

5.2 Amendment. This Agreement may be amended at any time by mutual agreement of the parties, but any such amendment must be in writing, dated and signed by the parties.

5.3 Assignment. PHYSICIAN shall not assign, sell, transfer, or delegate any of its rights or duties to perform services pursuant to this Agreement, without prior written consent of DISTRICT.

5.4 Entire Agreement. This Agreement constitutes the entire agreement between the parties. Any oral representations or modifications concerning this Agreement shall be of no force and effect.

5.5 Governing Law. This Agreement shall be governed by California law, with venue for any action in Nevada County.

5.6 Notices. All notices or other communications under this Agreement shall be sent to the parties at the addresses set forth below:

DISTRICT: Tahoe Forest Hospital District
P. O. Box 759
Truckee, CA 96160
Attn: Chief Executive Officer

PHYSICIAN: At the address at the end of this Agreement.

5.7 Waiver. Any failure of a party to insist upon strict compliance with any term, undertaking, or condition of this Agreement shall not be deemed to be a waiver of such term, undertaking, or condition. To be effective, a waiver must be in writing, and signed by the parties hereto.

5.8 Severability. The provisions of this Agreement shall be deemed severable and if any portion shall be held invalid, illegal or unenforceable for any reason, the remainder of this Agreement shall be in effect and binding upon the parties.

5.9 HIPAA Privacy Rule Compliance. HIPAA Privacy Rule Compliance.

5.9.1 PHYSICIAN and DISTRICT each agree to comply with the applicable provisions of the Administrative Simplification section of the Health Insurance Portability and Accountability Act of 1996, as codified at 42 U.S.C. § 1320d through d-8 ("HIPAA"), and the requirements of any regulations promulgated thereunder, including, without limitation, the federal privacy regulations as contained in 45 CFR Parts 160 and 164 (the "Federal Privacy Regulations") and the federal security standards as contained in 45 CFR Part 164 (the "Federal Security Regulations"). PHYSICIAN and DISTRICT each agree not to use or further disclose any protected health information, as defined in 42 U.S.C. § 1320d and 45 CFR § 164.501 (collectively, the "Protected Health Information"), concerning a patient other than as permitted or required by this Agreement or otherwise authorized under HIPAA.

5.9.2 As permitted under HIPAA, the parties hereby agree, that by virtue of this Agreement, they are an "organized health care arrangement" for purposes of meeting the Federal Privacy Regulations and the authorized use and disclosure of Protected Health Information thereunder. Further, DISTRICT will

include PHYSICIAN in its required notice of privacy practices for the purpose of allowing both parties to meet the notice requirements under the Federal Privacy Regulations and PHYSICIAN agrees to follow the privacy practices adopted by the Hospital as detailed in its notice of privacy practices.

DISTRICT:

Tahoe Forest Hospital District

PHYSICIAN:

Reini Jensen, M.D.

By: Robert Schapper
Chief Executive Officer

Reini Jensen, M.D.
10115 West River St.
Truckee, CA 96161

Exhibit A

WELLNESS NEIGHBORHOOD MEDICAL ADVISOR SERVICES AGREEMENT FOR DISPARITIES GROUP

Scope of Responsibilities

1. The Wellness Neighborhood includes members and volunteers organized into five primary workgroups (Primary Prevention, Chronic Disease, Dental Health, Mental and Behavioral Health and Ethnic Disparities), each chaired by a physician and/or dentist within the community. The Wellness Neighborhood Medical Director is responsible for the medical oversight of each of the five primary workgroups.
2. The Wellness Neighborhood is funded by the TFHD Board of Directors, with fiduciary and reporting requirements on a monthly basis by the Wellness Neighborhood Medical Director and the TFHD Wellness Neighborhood / Community Wellness Executive Director, Caroline Ford.
3. The Wellness Neighborhood Medical Director will provide up to **60 hours per year aggregate, at \$100/hour** on Wellness Neighborhood activities including:
 - a. Wellness Neighborhood workgroup meetings
 - b. Wellness Neighborhood requested workgroup decision support
 - c. Wellness Neighborhood reporting to Board of Directors, other Medical Directors and Community Groups as requested.



Exhibit B

SERVICE TIME LOG - TAHOE FOREST HOSPITAL DISTRICT

Name: _____, MD or DO
Contract Role: [e.g. Medical Director, etc.]: _____ Medical Department _____

Physician: Each month please complete & submit this log for services you rendered. Please add more pages to this log if needed to ensure all dates, times, services are listed. If you use a computer/phone application, please attach and sign this log to the documentation generated by the program. Thank you.

Table with 3 columns: Date of Service, Description of Services as specified by the contract, Hours

Total time: _____ hours @ \$ _____ /hour = Total balance due \$ _____

I hereby attest that I personally performed all of the services listed for the time periods indicated and that there has been no duplication of hours or services. I declare that the above statement is true and accurate to the best of my knowledge. Physician's

signature: _____ Date _____

BYLAWS OF THE BOARD OF DIRECTORS
TAHOE FOREST HOSPITAL DISTRICT

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**BYLAWS OF THE BOARD OF DIRECTORS
OF
TAHOE FOREST HOSPITAL DISTRICT**

Pursuant to the provisions of Sections [32104](#), [32125](#) and [32128](#) of the Health and Safety Code of the State of California, the Board of Directors of TAHOE FOREST HOSPITAL DISTRICT adopts these Bylaws for the government of TAHOE FOREST HOSPITAL DISTRICT.

ARTICLE I. NAME, AUTHORITY AND PURPOSE

Section 1. Name.

The name of this District shall be "TAHOE FOREST HOSPITAL DISTRICT".

Section 2. Authority.

A. This District, having been established May 2, 1949, by vote of the residents of said District under the provisions of Division 23 of the Health and Safety Code of the State of California, otherwise known and referred to herein as "The Local Health Care District Law", and ever since that time having been operated there under, these Bylaws are adopted in conformance therewith, and subject to the provisions thereof.

B. In the event of any conflict between these Bylaws and "The Local Health Care District Law", the latter shall prevail.

C. These Bylaws shall be known as the "District Bylaws".

Section 3. Purpose and Operating Policies.

A. Purpose.

Tahoe Forest Hospital District is committed to be the best mountain community health care system in our nation. All members of our team, working together, will ensure that the services we provide are satisfying, effective, efficient and of the highest quality, with access for all. We will strive each day to exceed patient, community, physician and employee expectations.

B. Operating Policies.

In order to accomplish the Mission of the District, the Board of Directors establishes the following Operating Policies:

1. Non-Discrimination: It is the policy of Tahoe Forest Hospital District to not discriminate in admissions, provisions of service, hiring, training and employment practices on the basis of [age](#); [ancestry](#); [color](#); [disability](#); [gender](#); [gender identity](#); [or gender expression](#); [marital status](#); [medical condition](#); [national origin](#); [political affiliation](#); [race](#); [religion](#); [sexual orientation](#); [veteran status/military service](#); [genetic](#)

Comment [A1]: I believe the most applicable reference is to section 32125. However, it would also be appropriate to reference to H&S Sections 32104 and 32128.

32104. The **board of directors** shall provide for the time and place of holding its regular meetings and the manner of calling the same, and shall establish rules for its proceedings and may adopt such rules and regulations not inconsistent with law as may be necessary for the exercise of the powers conferred and the performance of the duties imposed upon the board.

32125. (a) **The board of directors** shall be responsible for the operation of all health care facilities owned or leased by the district, according to the best interests of the public health and **shall make and enforce all rules, regulations and bylaws necessary** for the administration, government, protection and maintenance of health care facilities under their management and all property belonging thereto and may prescribe the terms upon which patients may be admitted thereto. Minimum standards of operation as prescribed in this article shall be established and enforced by the board of directors.

32128. (a) **The rules of the hospital, established by the board of directors pursuant to this article,** shall include all of the following:

(Subsection a discusses medical staff and medical records)

~~information, color, national origin, gender, religion or creed, marital status, age, sexual preference or disability including AIDS and related conditions.~~

2. Through planned development and responsible management, the assets of the District will be used to meet the service needs of the area in an efficient and cost effective manner, after evaluation of available alternatives and other resources available to the District. This may include the development and operation of programs, services and facilities at any location within or without the District for the benefit of the people served by the District.

3. The District shall dedicate itself to the maximum level of quality consistent with sound fiscal management, and community based needs.

4. The Board shall provide a means for effective consumer participation and involvement in planning the future course of the District. Planning shall be accomplished in conjunction with other community resources, and will be coordinated with other service providers, when appropriate.

5. Improvement of the health status of the area will be the primary emphasis of services offered by the District. This will be accomplished through programs of inpatient and outpatient care, as well as outreach services in the areas of health education and prevention.

In addition, the District may elect to provide other programs of human service outside of the traditional realm of health care, where unmet human service needs have been identified through the planning process.

ARTICLE II. BOARD OF DIRECTORS

The Board of Directors:

Section I. Election.

There shall be five members of the Board of Directors who shall be elected for four year terms as provided in "The Local Health Care District Law".

Section 2. Responsibilities.

Provides continuing direction for planning, operation, and evaluation of all District programs, services and related activities consistent with the District Bylaws.

A. Philosophy and Objectives.

Considers the health requirements of the District and the responsibilities that the District should assume in helping to meet them.

B. Programs and Services.

Comment [A2]: We may want to compare this statement with the District's Personnel Policies for consistency. The list may be longer and more comprehensive in the Personnel Policies.

1. Approves long and short range plans for the development of programs and services to be provided by the District. Takes action on recommendations of the Planning Committee and Chief Executive Officer.

2. Provides general direction to the Chief Executive Officer in the implementation of programs and service plans.

3. Approves policies which govern programs and services.

4. Evaluates the results of programs and services on the basis of previously established objectives and requirements. Receives reports from the Chief Executive Officer and directs the Chief Executive Officer to plan and take appropriate actions, where warranted.

C. Organization and Staffing.

1. Adopts the plan of organization of the District, including plans of organization of the Board of Directors, Administration and Medical Staff.

2. Elects officers of the District in accordance with provisions of the Bylaws.

3. Confirms the appointment of both Directors and others to committees of the Board.

4. Selects and appoints the Chief Executive Officer.

5. Evaluates the continuing effectiveness of the organization.

D. Medical Staff.

1. Appoints all Medical Staff members.

2. Ensures that the District Medical Staff is organized to support the objectives of the District.

3. Reviews and takes final action on appeals involving Medical Staff disciplinary action.

4. Approves Medical Staff Bylaws and proposed revisions.

E. Finance.

1. Assumes ultimate responsibility for the financial soundness and success of the ~~Hospital~~ District.

2. Assumes ultimate responsibility for the appropriate use of endowment funds and of other gifts to the District. Exercises trusteeship responsibility to see that funds are used for intended purposes.

Comment [A3]: I deleted this for consistency. In most other places the reference is to the "District"

3. Adopts annual budgets of the District, including both operating and capital expenditure budgets.

4. Receives and reviews periodic financial reports. Considers comments and recommendations of its Finance Committee or management staff.

5. Receives and reviews reports of the District's auditors.

6. Approves policies which govern the financial affairs of the District.

7. Authorizes officers of the District to act for the District in the execution of financial transactions.

F. Grounds, Facilities and Equipment.

1. Approves plans for development, expansion, modernization and replacement of the District's grounds, facilities, major equipment and other tangible assets.

2. Approves the acquisition, sale and lease of real property.

G. External Relations.

Assumes ultimate responsibility for representing the communities served by the District -and representing the District to the communities served.

H. Assessment And Continuous Improvement Of Quality Of Care

Ensures that the proper organizational environment and systems exist to continuously improve the quality of care provided. Responsible for a system wide quality assessment and performance improvement program that reflects all departments and services. Reviews Quality Assessment Reports focused on indicators related to improving health outcomes and the prevention and reduction of medical errors. Provides oversight to and annually approves the written Quality Assurance / Process Improvement plan.

I. Strategic Planning.

1. Oversees the strategic planning process.

2. Establishes long range goals and objectives for the District's programs and facilities.

Section 3. Powers.

A. Overall Operations.

The Board of Directors shall determine policies and shall have control of, and be responsible for, the overall operations and affairs of this District and its facilities.

B. Medical Staff.

The Board of Directors shall authorize the formation of a Medical Staff to be known as "The Medical Staff of Tahoe Forest Hospital District". The Board of Directors shall determine membership on the Medical Staff, as well as the Bylaws for the government of said Medical Staff, as provided in ARTICLE IX of these Bylaws.

C. Auxiliary.

The Board of Directors may authorize the formation of service organizations to be known as "The Tahoe Forest Hospital Auxiliary" and "The North Lake Tahoe Community Health Care Auxiliary", the Bylaws of which shall be approved by the Board of Directors.

D. Other Adjuncts.

The Board of Directors may authorize the formation of other adjunct organizations which ~~they~~ it may deem necessary to carry out the purposes of the District; the Bylaws of such organizations shall be approved by the Board of Directors.

E. Delegation of Powers.

The Medical Staff, Auxiliary, and any other adjunct organizations shall have those powers set forth in their respective Bylaws. All powers and functions not set forth in their respective Bylaws are to be considered residual powers still vested in the Board of Directors.

F. Provisions to Prevail.

These District Bylaws shall override any provisions to the contrary in the Bylaws, or Rules and Regulations of the Medical Staff, Auxiliary or any of the adjunct organizations. In case of conflict, the provisions of these District Bylaws shall prevail.

G. Resolutions and Ordinances.

From time to time, the Board of Directors may pass resolutions ~~and ordinances~~ regarding specific policy issues, which resolutions ~~and ordinances~~ may establish policy for the operations of this District.

Comment [A4]: The District really isn't empowered to adopt ordinances.

H. Residual Powers.

The Board of Directors shall have all of the other powers given to it by "The Local Health Care District Law" and other applicable provisions of law.

I. Grievance Process

The Board of Directors delegates the responsibility to review and resolve grievances to the Grievance Committee.

Section 4. Vacancies.

Any vacancy upon the Board of Directors shall be filled by appointment by the remaining members of the Board of Directors within sixty (60) days of the vacancy. Notice of the vacancy shall be posted in at least three (3) places within the District at least fifteen (15) days before the appointment is made. The District shall notify the elections officials for Nevada and Placer Counties of the vacancy no later than fifteen (15) days following either the date on which the District Board is notified of the vacancy or the effective date of the vacancy, whichever is later, and of the appointment no later than fifteen (15) days after the appointment. In lieu of making an appointment, the remaining members of the Board of Directors may within sixty (60) days of the vacancy call an election to fill the vacancy. If the vacancy is not filled by the Board of Directors or an election called within sixty (60) days, the Board of Supervisors of the County representing the larger portion of the Hospital District area in which an election to fill the vacancy would be held may fill the vacancy, within ninety (90) days of the vacancy, or may order the District to call an election. If the vacancy is not filled or an election called for within ninety (90) days of the vacancy, the District shall call an election to be held on the next available election date. Persons appointed to fill a vacancy shall hold office until the next District general election that is scheduled 130 or more days after the date the District and the elections officials for Nevada and Placer Counties were notified of the vacancy and thereafter until the person elected at such election to fill the vacancy has been qualified, but persons elected to fill a vacancy shall hold office for the unexpired balance of the term of office.

Section 5. Meetings.

A. Regular Meetings.

Unless otherwise specified at the preceding regular or adjourned regular meeting, regular meetings of the Board of Directors shall be held on the ~~fourth~~-last Tuesday of each month at 6:00 PM at a location within the Tahoe Forest Hospital District Boundaries. The Board shall take or arrange for the taking of minutes at each regular meeting.

B. Special Meetings.

Special meetings of the Board of Directors may be held at any time and at a place designated in the notice and lying within the District, except as provided in the Brown Act, upon the call of the President, or by not fewer than three (3) members of the Board of Directors, and upon written notice to each Director specifying the business to be transacted, which notice shall be delivered personally or by mail and shall be received at least twenty-four (24) hours before the time of such meeting, provided that such notice may be waived by written waiver executed by each member of the Board of Directors. Notice shall also be provided within such time period to local newspapers and radio stations which have requested notice of meetings. Such notice must also be posted twenty-four (24) hours before the meeting in a location which is freely accessible to the public. In the event of an emergency situation involving matters upon which

prompt action is necessary due to disruption or threatened disruption of District services (including work stoppage, crippling disaster or other activity which severely impairs public health, safety or both), the Board may hold a special meeting without complying with the foregoing notice requirements, provided at least one (1) hour prior telephone notice shall be given to local newspapers and radio stations which have requested notice of meetings, and such meetings shall otherwise be in compliance with the provisions of Government Code Section 54956.5. The Board shall take or arrange for the taking of minutes at each special meeting.

C. Policies and Procedures.

The Board may from time to time adopt policies and procedures governing the conduct of Board meetings and District business. All sessions of the Board of Directors, whether regular or special, shall be open to the public in accordance with the Brown Act (commencing with Government Code Section 54950), unless a closed session is permitted under the Brown Act or Health and Safety Code Sections 32106 and 32155.

Section 6. Quorum.

The presence of a majority of the Board of Directors shall be necessary to constitute a quorum to transact any business at any regular or special meeting, except to adjourn the meeting to a future date.

Section 7. Medical Staff Representation.

The Chief of the Medical Staff shall be appointed as a special representative thereof to the Board of Directors without voting power, however, and shall attend the meetings of the Board of Directors. In the event the Chief of Staff cannot attend a meeting, the Vice-Chief of the Medical Staff shall attend during the absence of the Chief of Staff.

Section 8. Director Compensation and Reimbursement Of Expenses.

The Board of Directors shall serve without compensation, except that the Board of Directors, by a resolution adopted by a majority vote of the members of the Board, may authorize the payment of not to exceed one hundred dollars (\$100.00) per meeting, not to exceed five (5) meetings a month, as compensation to each member of the Board of Directors.

Each member of the Board of Directors shall be allowed his or her actual necessary traveling and incidental expenses incurred in the performance of official business of the District as approved by the Board or Chief Executive Officer, per Board policy.

Comment [A5]: H&S Code section 32103. 32103. The board of directors shall serve without compensation except that the board of directors, by a resolution adopted by a majority vote of the members of the board, may authorize the payment of not to exceed one hundred dollars (\$100) per meeting not to exceed five meetings a month as compensation to each member of the board of directors.

Each member of the board of directors shall be allowed his or her actual necessary traveling and incidental expenses incurred in the performance of official business of the district as approved by the board. For purposes of this section, the determination of whether a director's activities on any specific day are compensable shall be made pursuant to Article 2.3 (commencing with Section 53232) of Chapter 2 of Part 1 of Division 2 of Title 5 of the Government Code. Reimbursement for these expenses is subject to Sections 53232.2 and 53232.3 of the Government Code.

/ /

Section 9. Board Self-Evaluation.

The Board of Directors will monitor and discuss ~~their-its~~ process and performance at least annually. The self-evaluation process will include comparison of Board activity to ~~their-its~~ manner of governance policies.

ARTICLE III. OFFICERS

Section 1. Officers.

The officers of the Board of Directors shall be President, Vice-President, Secretary and Treasurer who shall be members of the Board, and a Clerk.

Section 2. Election of Officers.

The officers of the Board of Directors shall be chosen every year by the Board of Directors at the first meeting of such calendar year and each officer shall hold office for a one (1) year term or until such officer's successor shall be elected and qualified or until such officer is otherwise disqualified to serve. The person holding the office of President of the Board of Directors shall not serve two successive terms. In the event of a vacancy in any office, an election shall be held at the next regular meeting following the effective date of the vacancy to elect the officer to fill such office.

Section 3. Duties of Officers.

A. President. Shall preside over all meetings of the Board of Directors. Shall sign as President, on behalf of the District, all instruments in writing which he/she has been authorized and obliged by the Board to sign and such other duties as set forth in these Bylaws. ~~Shall have, subject to the advice and control of the Board of Directors, general responsibility for the affairs of the District during his term of office.~~

Comment [A6]: See Article IV, Section 1 for one such additional duty re appointment of committees and chairs.

B. Vice-President. The Vice-President shall perform the functions of the President in case of the President's absence or inability to act.

Comment [A7]: This authority may encroach upon the delegation of authority to the CEO to be in charge of the day-to-day operations of the District. It is not clear where the line is between "affairs" and "operations."

C. Secretary. The Secretary shall be responsible to record minutes of all meetings of the Board of Directors and shall see that all records of the District are kept and preserved.

D. Treasurer. The Controller may be appointed by the Treasurer, and shall be charged with the safekeeping and disbursement of the funds in the treasury of the District, subject to the policies established by the Board of Directors.

Will serve as the chairperson of the Board Finance Committee.

E. Clerk. The Chief Executive Officer or his designee shall be appointed the Clerk of the Board of Directors, and shall perform the functions of the Secretary in case of the Secretary's absence or inability to act.

ARTICLE IV. COMMITTEES

Section 1. Special Committees.

Special Committees may be appointed by the President of the Board of Directors from time to time as he/she deems necessary or expedient. Such Committees shall have no power to commit the Board of Directors or the District in any manner, but shall perform such functions as shall be assigned to them by the President, and shall function for the period of time specified by the President at the time of appointment or until determined to be no longer necessary and disbanded by the President of the Board of Directors. The President shall appoint each Committee chair.

Section 2. Standing Committees.

Standing Committees may from time to time be created by resolution duly adopted by the Board of Directors. The President shall appoint the members of these committees and the Chair thereof. Committee appointments shall be for a period of one (1) year and will be made annually at the January Board meeting, following the election of Board Officers. The initial Standing Committees will consist of the following:

A. Joint Conference Committee.

1. The Joint Conference Committee (JCC) shall consist of the Chief of Staff, the Vice Chief of Staff, the Chief Executive Officer, and the President of the Board of Directors and one other member of the Board appointed by the President. The Chair shall alternate at the beginning of the Medical Staff year between a Medical Staff JCC member selected by the Chief of Staff and a Board of Directors JCC member selected by the President of the Board of Directors.

2. The Committee shall meet as needed.

3. The ~~Joint Conference Committee~~ JCC shall review policy relating to the performance of the Medical Staff and shall serve as a forum for discussion of mutual concerns of the Board of Directors, the Chief Executive Officer and his/her management staff, and the Medical Staff.

4. The ~~Joint Conference Committee~~ JCC shall constitute a forum for the discussion of matters of District and Medical Staff policy, practice and planning, and a forum for interaction between the Board of Directors and the Medical Staff on such matters as may be referred by the Executive Committee or the Board of Directors. The ~~Joint Conference Committee~~ JCC shall exercise other responsibilities set forth in these Bylaws.

B. Finance Committee.

1. The Committee shall comprise two (2) Board Members. The Board Treasurer shall serve as Chairperson of the ~~e~~Committee, and the second ~~e~~Committee member shall be appointed by the Board President.

2. The Committee shall meet as needed. A report will be made to the Board of Directors quarterly, or otherwise as requested.

3. The Committee shall have the following responsibilities pursuant to the policies of the Board of Directors:

- a. Development of District operating, cash and capital budgets for approval by the Board of Directors.
- b. Monitoring of District budget performance and financial management.
- c. Review of capital purchase recommendations before presentation to the Board of Directors.
- d. Review and comment on monthly financial statements and expenditure reports.
- e. Oversight of annual independent audit and supervision of any necessary corrective measures.
- f. Supervision of the investment of District funds.
- g. Special projects, as required in the area of financial management, or as directed by the Board of Directors.
- h. Oversight of budget and expenditures for facility projects.

Comment [A8]: I believe this is correct and I am suggesting this change to make it clear that the Committee doesn't have the authority to develop and adopt budgets that would bind the Board.

C. Governance Committee

1. The Committee shall comprise two (2) Board Members appointed by the Board President.

2. The Committee shall meet as needed.

3. The Committee shall be advisory in nature with the following responsibilities pursuant to the policies of the Board of Directors:

- a. Provide oversight of the Compliance program efforts to achieve regulatory compliance by reviewing its activities, quality and effectiveness, and to monitor that management appropriately addresses compliance recommendations;
- b. Conduct periodic review of ~~the Tahoe Forest Hospital District~~ these Bylaws and Board policies.
- c. Submit recommendations to the ~~Hospital~~ Board of Directors for changes in these documents as necessary and desirable.
- d. Draft new Board policies and procedures as necessary or as directed by the Board of Directors for recommendation to the Board.

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e. Advance best practices in board governance.

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f. Conduct the annual board self-assessment and board goal setting process.

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D. Personnel Committee

1. The Committee shall comprise two (2) Board Members appointed by the Board President.

2. The Committee shall meet as needed.

3. The Committee shall be advisory in nature with the following responsibilities pursuant to the policies of the Board of Directors:

a. Chief Executive Officer Relations

1. Employment Agreement

2. Performance Evaluation

3. Incentive Compensation Program

b. Chief Executive Officer/Board of Directors Liaison

4. Memorandum of Understanding with ~~Tahoe Forest Hospital~~-District bargaining units

E. Retirement Plan Committee

1. The ~~Retirement Plan~~-Committee is a sub-committee of the Personnel Committee.

2. The ~~Retirement Plan~~-Committee shall comprise the two (2) Board Members of the Personnel Committee appointed by the Board President, Chief Executive Officer, CFO, and Human Resources Director.

3. The Committee shall meet as needed.

4. The Committee shall have the following responsibilities:

a. Establish and administer the ~~Tahoe Forest Hospital~~-District's Investment Policy Statement.

b. Provide administrative oversight for the Tahoe Forest Hospital District Money Purchase Pension Plan and the Tahoe Forest Hospital District Deferred Compensation Plan.

G. Quality Committee

1. The Committee membership shall be comprised of a minimum of two members of the Board of Directors as appointed by the Board President and two (2) members of the Tahoe Forest Hospital Medical Staff as appointed by the Medical

Executive Committee. {Recommend Chief of Staff or designee and Chairperson of the Quality Assessment and Improvement Committee}

2. The Committee shall meet a minimum of four (4) times per calendar year.
3. The Committee is accountable to the Board of Directors for the following:
 - a. Provide oversight for the organization-wide Quality Assessment and Performance Improvement Plan;
 - b. Set expectations of quality care, patient safety, environmental safety, and performance improvement throughout the organization;
 - c. Ensure the provision of organization-wide quality of care, treatment, and service provided and prioritization of performance improvement throughout the organization;
 - d. Monitor the improvement of care, treatment, and services to ensure that it is safe, beneficial, patient-centered, customer-focused, timely, efficient, and equitable;
 - e. Oversee and be accountable for the organization's participation and performance in national quality measurement efforts, accreditation programs, and subsequent quality improvement activities;
 - f. Assure the development and implementation of ongoing education focusing on service excellence, performance improvement, risk-reduction/safety enhancement, and healthcare outcomes.

H. Community Benefit Committee

1. The Committee shall comprise two (2) Board Members.
2. The Committee shall meet at least 4 times a year and additionally as needed.
3. The Committee shall be advisory in nature with the following responsibilities pursuant to the policies of the Board of Directors:
 - a. Ensure Health System strategic planning and stated goals include community and population health initiatives to improve health, decrease costs, and improve the patient experience.
 - b. Provide advice and input in the deployment of the tri-annual Community Health Needs Assessment (CHNA).
 - c. Review resulting data from CHNA, provide input into the Community Health Improvement Plan (CHIP), and assist in development of long term strategies,

- aligned with Health System goals, to address key health issues.
- d. Monitor the planning, development, implementation and results of major programs aimed at improving the health of ~~eu~~the community.
 - e. With collaborative partners, make recommendations for program continuation or termination based on progress toward identified measurable objectives, available resources, level of community ownership, and alignment with criteria for priorities.
 - f. Review and provide input on proposed public communications about the organization's community benefit activities.
 - g. Engage the community to achieve community health improvement goals through partnerships.
 - h. Review the mission of the health system and if necessary make recommendation for changes to the board.

ARTICLE V. MANAGEMENT

Section 1. Chief Executive Officer.

The Board of Directors shall select and employ a~~n~~ Chief Executive Officer who shall act as its executive officer in the management of the District. The Chief Executive Officer shall be given the necessary authority to be held responsible for the administration of the District in all its activities and entities, subject only to the policies as may be adopted from time to time, and orders as may be issued by the Board of Directors or any of its committees to which it has delegated power for such action. The Chief Executive Officer shall act as the duly authorized representative of the Board of Directors.

Section 2. Authority and Responsibility.

The Chief Executive Officer shall have the following duties and responsibilities as follows. Other duties may be assigned.

- A. Assists, counsels, and advises the Board of Directors on the establishment of ~~h~~Hospital policies; acts as agent of the Board in carrying out such policies.
- B. Recommends District policy positions regarding legislation, government, administrative operation and other matters of public policy as required.
- C. Assists the Board of Directors in effectively fulfilling ~~their its~~ responsibilities by keeping the Board informed, on a monthly basis, of the operating results of the District; compares monthly operations to Board approved plans and budgets explaining variances that may arise.
- D. Assists and advises the Board with respect to ~~the District's authority under the law public District authority~~ and changes in state statutory guidelines and requirements.
- E. Develops and implements appropriate strategic and annual operating plans that document the long and short-term goals and objectives of the District.
- F. Actively pursues and supports the appraisals and development of new programs which could benefit the long-range success and survival of the District.
- G. Establishes concise reporting relationships for all positions and departments in the ~~hospital~~District. Establishes methods which will foster the achievement of District goals and objectives and support the efficiency and effectiveness of all operations through proper communication and coordination.
- H. Coordinates all operations with the ~~m~~Medical ~~s~~Staff, its committee structure and its leadership; demonstrates a proactive and positive relationship with the ~~m~~Medical ~~s~~Staff.
- I. Ensures a consistency of purpose and mutuality of interest between the operations and bylaws of the ~~m~~Medical ~~s~~Staff and the policies and bylaws of the District.
- J. Develops and maintains ~~Q~~quality ~~i~~improvement ~~P~~programs designed to enhance quality and customer satisfaction.
- K. Establishes operating policies and procedures for all departments, delegating specific responsibility for documentation, monitoring, compliance, and reporting or results to subordinates, as required.
- L. Establishes, implements and maintains a comprehensive budgeting program for the District. This program includes an appropriate consideration of operational, financial and statistical information needed to efficiently and effectively control all District operations.
- M. Consistently generates sufficient net income to meet established financial

goals.

- N. Develops strong marketing and public relations programs.
- O. Ensures the competitive viability and continuance of the District.
- P. Through various techniques, encourages the development of services which promote District growth and expanded potential constituencies.
- Q. Ensures the coordination of Auxiliary and Foundation ~~b~~Bylaws and operations with the ~~b~~Bylaws and operations of the District.
- R. Establishes a proper, consistent image of the District and its operations.
- S. Personally represents the District to a variety of individuals, community groups, and health industry organizations.
- T. Maintains active professional contacts through local, state and national associations in order to effectively network, as required.
- U. Demonstrates the ability to effectively represent the District at national, state and local meetings, conferences and conventions, as required.
- V. Remains current with national and local issues affecting District administration and their potential impact on the District; serves as a well-informed advisor to the Board of Directors.
- W. Personally or through delegation, hires, assigns responsibility, counsel, evaluates and (as required) terminates all District employees.
- X. Personally or through delegation sServes as Clerk of the Board of Directors.
- Y. Actively participates in outside programs and community affairs in order to represent the District as appropriate.
- Z. Assists, counsels, and advises the Board of Directors on the establishment of personnel policies; acts as agent of the Board in carrying out such policies.

ARTICLE VI: HOME HEALTH CARE SERVICE

Section 1. Establishment

There is hereby established, as a subdivision of this ~~Hospital~~ District, Tahoe Forest Home Health Service (TFHHS), which shall be primarily engaged in providing skilled nursing services and other therapeutic services such as physical, speech, occupational, medical social, medical nutritional therapy and home health aide services and infusion therapy to patients in their homes.

Non-Discrimination: It is the policy of Tahoe Forest Hospital District to not discriminate in admissions, provisions of service, hiring, training and employment practices on the basis of [age; ancestry; color; disability; gender, gender identity, or gender expression; marital status; medical condition; national origin; political affiliation; race; religion; sexual orientation;; veteran status/military service; or genetic information.](#) ~~color, national origin, gender, religion or creed, marital status, age, sexual preference or disability including AIDS and related conditions.~~

Section 2. Governing Body/Professional Advisory Committee

The governing body of TFHHS shall be the Board of Directors of Tahoe Forest Hospital District (Governing Body). To assist the Governing Body, the Director of TFHHS may appoint a Professional Advisory Committee. The Professional Advisory Committee of TFHHS shall consist of at least the Director of TFHHS, the Medical Director of TFHHS, the Chief Executive Officer, the Director of Quality Management, the Director of Inpatient Services, a registered nurse, appropriate representation from three (3) other professional disciplines, and at least (1) one member of the community at large. The Professional Advisory Committee shall be subject to the control and direction of the Governing Body. Appointments must be made every 2 (two) years.

Section 3. Policies, Rules and Regulations

Policies, rules and regulations for the [Agency-TFHHS](#) may be adopted from time to time by the Governing Body, after recommendation of such policies, rules and regulations by the Professional Advisory Committee.

ARTICLE VII. HOSPICE

Section 1. Establishment

There is hereby established, as a subdivision of this ~~Hospital~~-District, Tahoe Forest Hospice which shall be engaged primarily in providing interdisciplinary health care that is designed to provide palliative care and alleviate the physical, emotional, social, and spiritual discomforts of an individual who is experiencing the last phases of life due to the existence of a terminal disease. Tahoe Forest Hospice provides services directly or through arrangements with other qualified providers. Core services include the following: skilled nursing services, social services/counseling, medical direction, bereavement services, volunteer services, inpatient care arrangements, and home health aide/homemaker services. Other therapeutic services such as physical, speech, occupational, nutritional therapy, respite care and infusion care will also be provided.

Non-Discrimination: It is the policy of Tahoe Forest Hospital District to not discriminate in admissions, provisions of service, hiring, training and employment practices on the basis of [age; ancestry; color; disability; gender, gender identity, or gender expression; marital status; medical condition; national origin; political affiliation; race; religion; sexual orientation;; veteran status/military service; or genetic information.](#) ~~color, national origin, gender, religion or creed, marital status, age, sexual preference or disability including AIDS and related conditions.~~

Section 2. Governing Body/Appointment Of Qualified Administrator

The governing body of Tahoe Forest Hospice shall be the Board of Directors of Tahoe Forest Hospital District (Governing Body). The Governing Body assumes full legal authority and responsibility for the operation of the hospice. The Governing Body oversees the management and fiscal affairs of the hospice. To assist the Governing Body, the Board appoints a qualified administrator. The qualified administrator is responsible for organizing and directing hospice functions and maintaining liaison with the Governing Body and the interdisciplinary team. Under the direction of the Governing Body, the qualified administrator arranges for professional services and designates in writing all services provided by the hospice.

Section 3. Policies, Rules and Regulations

Policies, rules and regulations for Tahoe Forest Hospice may be adopted from time to time by the Governing Body, after recommendation of such policies, rules and regulations by the Chief Executive Officer, the qualified administrator, and the Interdisciplinary Hospice Team.

ARTICLE VIII. TAHOE FOREST HOSPITAL

Section 1. Establishment

There is hereby established as a subdivision of this ~~Hospital~~-District, Tahoe Forest Hospital (TFH), which shall be primarily engaged in providing Emergency Services, Inpatient/Observation Care, Critical Care, Diagnostic Imaging Services, Laboratory Services, Surgical Services, Obstetrical Services and Long Term Care Services.

Non-Discrimination: It is the policy of Tahoe Forest Hospital District to not discriminate in admissions, provisions of service, hiring, training and employment practices on the basis of [age; ancestry; color; disability; gender, gender identity, or gender expression; marital status; medical condition; national origin; political affiliation; race; religion; sexual orientation; veteran status/military service; or genetic information.](#) ~~color, national origin, gender, religion or creed, marital status, age, sexual preference or disability including AIDS and related conditions.~~

Section 2. Governing Body

The governing body of TFH shall be the Board of Directors of Tahoe Forest Hospital District (Governing Body).

Section 3. Policies, Rules and Regulations

Policies, rules and regulations for TFH must be approved by the Governing Body after recommendation of such policies, rules and regulations by the Chief Executive Officer. TFH shall operate under the California Department of Health Services.

ARTICLE IX. INCLINE VILLAGE COMMUNITY HOSPITAL

Section 1. Establishment

There is hereby established, as a subdivision of this ~~Hospital~~ District, Incline Village Community Hospital (IVCH), which shall be primarily engaged in providing Emergency Services, Inpatient/Observation Care, Radiological Services including Mammography and Ultrasound, Laboratory Services, Outpatient Surgery and Sleep Disorder Services to patients.

Non-Discrimination: It is the policy of Tahoe Forest Hospital District to not discriminate in admissions, provisions of service, hiring, training and employment practices on the basis of age; ancestry; color; disability; gender, gender identity, or gender expression; marital status; medical condition; national origin; political affiliation; race; religion; sexual orientation; veteran status/military service; or genetic information. ~~color, national origin, gender, religion or creed, marital status, age, sexual preference or disability including AIDS and related conditions.~~

Section 2. Governing Body

The governing body of IVCH shall be the Board of Directors of Tahoe Forest Hospital District (Governing Body).

Section 3. Policies, Rules and Regulations

Policies, rules and regulations for IVCH must be approved by the Governing Body, after recommendation of such policies, rules and regulations by the Chief Executive Officer. IVCH shall operate under the Nevada State Bureau of Licensing.

ARTICLE X. MEDICAL STAFF

Section 1. Nature of Medical Staff Membership.

Membership on the Medical Staff of Tahoe Forest Hospital District is a privilege which shall be extended only to professionally competent practitioners who continuously meet the qualifications, standards and requirements set forth herein and in the Bylaws of the Medical Staff.

Section 2. Qualifications for Membership.

A. Only physicians, dentists or podiatrists who:

1. Demonstrate and document their licensure, experience, education, training, current professional competence, good judgment, ethics, reputation and physical and mental health status so as to establish to the satisfaction of the Medical Staff and the Board of Directors that they are professionally qualified and that patients treated by them at the hospital can reasonably expect to receive high quality medical care;

2. Demonstrate that they adhere to the ethics of their respective professions and that they are able to work cooperatively with others so as not to adversely affect patient care or District operations;

3. Provide verification of medical malpractice insurance coverage;

4. Establish that they are willing to participate in and properly discharge those responsibilities determined according to the Medical Staff Bylaws shall be deemed to possess basic qualifications for membership on the Medical Staff. No practitioner shall be entitled to membership on the Medical Staff or be able to exercise particular clinical privileges in the Hospital solely by virtue of the fact that he/she is duly licensed to practice in this or any other state, or that he/she is a member of any professional organization, or that he/she had in the past, or presently has, such privileges at [Tahoe Forest Hospital](#) or another hospital.

Section 3. Organization and Bylaws.

The Medical Staff shall have the authority to organize itself and to adopt Bylaws not inconsistent with these Bylaws for the government of the Medical Staff.

The Bylaws of the Medical Staff shall set forth the procedure by which eligibility for Medical Staff membership and establishment of clinical privileges shall be determined, including standards for qualification. Such Bylaws shall provide that the Medical Staff, or a committee or committees thereof, shall study the qualifications of all applicants and shall establish and delineate clinical privileges and shall submit to the Board of Directors recommendations thereon and shall provide for reappointment no less frequently than biennially. The Medical Staff shall also adopt Rules and Regulations consistent with its Bylaws for the conduct of the Medical Staff in its practice in the Hospital.

The Bylaws and Rules and Regulations of the Medical Staff shall be subject to approval of the Board of Directors of the District, and amendments thereto shall be effective only upon approval of such amendments by the Board of Directors. Neither the Medical Staff nor the Board of Directors may unilaterally amend the Medical Staff Bylaws or Rules and Regulations.

Section 4. Appointment to Medical Staff

All appointments and reappointments to the Medical Staff shall be made by the Board of Directors as provided by the standards of the Healthcare Facility Accreditation Program. Final responsibility for appointment, rejection or cancellation of any appointment shall rest with the Board of Directors.

Non-Discrimination: It is the policy of ~~the Tahoe Forest Hospital~~ District to not discriminate in admissions, provisions of service, hiring, training and employment practices on the basis of [age; ancestry; color; disability; gender, gender identity, or gender expression; marital status; medical condition; national origin; political affiliation; race; religion; sexual orientation; veteran status/military service; or genetic](#)

~~information, color, national origin, gender, religion or creed, marital status, age, sexual preference or disability including AIDS and related conditions.~~

All applications for appointment to the Medical Staff shall be processed by the Medical Staff in such manner as shall be provided by the Bylaws of the Medical Staff and, upon completion of processing by the Medical Staff, the Medical Staff shall make a report and recommendation regarding such application to the Board of Directors. This recommendation will also include the specific clinical privileges requested by the practitioner, and the Medical Staff's recommendation concerning these privileges. No duly licensed physician or surgeon shall be excluded from [Medical eStaff](#) membership solely because he or she is licensed by the Osteopathic Medical Boards of California and Nevada.

Upon receipt of the report and recommendation of the Medical Staff, the Board of Directors shall take action upon the application by granting or rejecting the same and shall cause notice of its actions to be given to the applicant and to the Medical Staff. Whenever the Board of Directors does not concur in a Medical Staff recommendation relative to clinical privileges, the matter will be referred to the Joint Conference Committee for review before final action is taken by the Board of Directors.

Section 5. Staff Meetings: Medical Records

The Medical Staff shall be self-governing with respect to the professional work performed in the Hospital. The Medical Staff shall meet in accordance with the minimum requirements of the Healthcare Facility Accreditation Program. Accurate, legible and complete medical records shall be prepared and maintained for all patients and shall be the basis for review and analysis.

For purposes of this section, medical records include, but are not limited to, identification data, personal and family history, history of present illness, review of systems, physical examination, special examinations, professional or working diagnosis, treatment, gross and microscopic pathological findings, progress notes, final diagnosis, condition on discharge and other matters as the Medical Staff shall determine.

Section 6. Medical Quality Assurance

The Medical Staff shall, in cooperation with the administration of the District, establish a comprehensive and integrated quality assurance and risk control program for the District which shall assure identification of problems, assessment and prioritization of such problems, implementation of remedial actions and decisions with regard to such problems, monitoring of activities to assure desired results, and documentation of the undertaken activities. The Board of Directors shall require, on a quarterly basis, reports of the Medical Staff's and District's quality assurance activities.

Section 7. Hearings and Appeals

Appellate review of any action, decision or recommendation of the Medical Staff affecting the professional privileges of any member of, or applicant for membership on,

the Medical Staff is available before the Board of Directors. This appellate review shall be conducted consistent with the requirements of Business and Professions Code Section 809.4 and in accordance with the procedures set forth in the Medical Staff Bylaws. Nothing in these Bylaws shall abrogate the obligation of the District and the Medical Staff to comply with the requirements of Business and Professions Code Sections 809 ~~and~~ through ~~809-8809.9~~, inclusive. The rules relating to appeals to the Board of Directors as set forth in the Medical Staff Bylaws are as follows:

A. Time For Appeal Within fifteen (15) days after receipt of the decision of the Judicial Review Committee, either the practitioner or the Executive Committee may request an appellate review. A written request for that review shall be delivered to the Chief of Staff, the Chief Executive Officer and the other party in the hearing. If a request for appellate review is not presented within that period, both parties shall be deemed to have waived their rights to appeal. Thereafter, the Board of Directors shall consider whether to accept the Judicial Review Committee decision as the final decision of the District or to initiate an appellate review by its own action. If the Board of Directors votes to initiate an appellate review, the Board of Directors shall consider the matter as an appeal in accordance with this Article. Its decision following that appeal shall constitute the final action of the District.

B. Grounds For Appeal A written request for an appeal shall include a specification of the grounds for appeal and a concise statement of the arguments in support of the appeal. The grounds for appeal from the hearing shall be: (1) substantial and material failure to comply with the procedures required by these Bylaws or applicable law for the conduct of a hearing; (2) the decision was not supported by substantial evidence in the hearing record.

C. Time, Place and Notice If an appellate review is to be conducted, the appeal board shall, within thirty (30) days after receipt of notice of appeal, decide upon the specific procedures to be followed and endeavor to advise each party. The date for completion of the appellate review shall not be fewer than thirty (30) days nor more than sixty (60) days from the date of such receipt of that notice, provided, however, that when a request for appellate review concerns a member who is under suspension or restriction which is then in effect, the appellate review shall be held as soon as the arrangements may reasonably be made. The time for appellate review may be extended by the Board of Directors or its Chair for good cause.

D. Appeal Board The Board of Directors may sit as the appeal board, or it may appoint an appeal board which shall be composed of not fewer than three (3) members of the Board of Directors. Knowledge of the matter involved shall not preclude any person from serving as member of the appeal board, so long as that person did not take part in a prior hearing on the same matter. The appeal board may select an attorney at law to assist it in the proceeding, but that attorney shall not be entitled to vote with respect to the appeal.

E. Appeal Procedure The proceeding by the appeal board shall be in the nature of an appellate review based upon the record of the hearing before the Judicial Review

Committee, provided that the appeal board may accept additional oral or written evidence, subject to a foundational showing that such evidence could not have been made available to the Judicial Review Committee in the exercise of reasonable diligence and subject to the same rights of cross-examination or confrontation provided at the Judicial Review Committee hearing; or the appeal board may remand the matter to the Judicial Review Committee for the taking of further evidence and for decision. Each party shall have the right to present a written statement in support of his/her position on appeal. During the appeal, each party or representative shall have the right to [appeal-appear](#) personally before the Board of Directors or the appeal board, for the purpose of presenting oral argument and responding to questions in accordance with procedures to be established by the Board of Directors or appeal board. Each party shall have the right to be represented by an attorney or by any other designated representative during that appearance. The Board of Directors or the appeal board shall determine the procedures to be observed during that meeting and shall determine the role of legal counsel. The appeal board may then conduct, at a time convenient to itself, deliberations outside the presence of the appellant and respondent and their representatives. The appeal board shall present to the Board of Directors its written recommendations as to whether the Board of Directors should affirm, modify, or reverse the Judicial Review Committee decision, or remand the matter to the Judicial Review Committee for further review and decision.

F. Decision

1. Except as otherwise provided herein, within thirty (30) days after the conclusion of any appellate meeting, the Board of Directors shall render a decision in writing and shall transmit copies thereof to each side involved in the appeal. The Board's decision shall be final.

2. The Board of Directors may affirm, modify, or reverse the decision of the Judicial Review Committee or remand the matter to the Judicial Review Committee for reconsideration. If the matter is remanded to the Judicial Review Committee for further review and recommendation, that Committee shall promptly conduct its review and issue any appropriate decision and report.

G. Right To One Hearing No member or applicant shall be entitled to more than one evidentiary hearing and one appellate review on any matter which shall have been the subject of adverse action or recommendation.

H. Review Initiated By Board of Directors

1. Notice of Action In the event neither the person who requested the hearing before the Medical Staff Judicial Review Committee nor the body whose decision prompted the hearing requests an appeal according to this Article, the decision of the Judicial Review Committee shall be delivered to the Chief Executive Officer for transmittal to the Board of Directors.

2. Board of Directors Review The Board of Directors may, at any time within

fifteen (15) days of such delivery, initiate appellate review. The procedures for such review shall be as set forth in Subsections A through G above, substituting the date of action by the Board of Directors initiating appellate review for the date of Notice of Appeal.

ARTICLE XI. AUXILIARY

The Auxiliary organizations shall be known as the "Tahoe Forest Hospital Auxiliary" and the "North Lake Tahoe Community Health Care Auxiliary." The Bylaws of the Auxiliaries shall be approved by the Board of Directors.

ARTICLE XII. REVIEW AND AMENDMENT OF BYLAWS

Section I At intervals of no more than two (2) years, the Board of Directors shall review these Bylaws in their entirety to ensure that they comply with all provisions of the Local Health Care District Law, that they continue to meet the needs of District Administration and Medical Staff, and that they serve to facilitate the efficient administration of the District.

These Bylaws may from time to time be amended by action of the Board of Directors. Amendments may be proposed at any Regular meeting of the Board of Directors by any member of the Board. Action on proposed amendments shall be taken at the next Regular meeting of the Board of Directors following the meeting at which such amendments are proposed.

ADOPTION OF BYLAWS

Originally passed and adopted at a meeting of the Board of Directors of the TAHOE FOREST HOSPITAL DISTRICT, duly held on the 9th day of January, 1953 and most recently revised on the 28th 25th day of September 2010~~September 2010~~November 2014.

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REVISION HISTORY

1975
Revised - March, 1977
Revised- October, 1978
Revised- April, 1979
Revised- March, 1982
Revised- May, 1983
Revised- February, 1985
Revised- July, 1988
Revised- March, 1990
Revised- November, 1992
Revised- February, 1993
Revised- May, 1994
Revised- April, 1996
Revised- September, 1996
Revised – April, 1998

Revised - September, 1998
Revised – March, 1999
Revised – July, 2000
Revised – January, 2001
Revised – November, 2002
Revised – May, 2003
Revised – July, 2003
Revised – September, 2004
Revised – March, 2005
Revised – December, 2005
Revised – October, 2006
Revised – March, 2007
Revised – April, 2008
Revised – January, 2009

Revised – September, 2010
Revised – September, 2012

MEMORANDUM

TO: Board of Directors

FROM: Bob Schapper, Chief Executive Officer

SUBJECT: Chief Executive Officer Report – October

DATE: November 21, 2014

Overview

Financial performance for the month of September was below plan. Income from operations (EBIDA) was (\$1,149,917) for the month compared to a budget of \$96,208. Net income for the month was (\$1,629,446) compared to the budget of (\$399,749). Year-to-date income from operations is \$2,333,688 compared to the budget of \$696,744, or \$1,636,844 ahead of plan. Net income for the first four months of the fiscal year remains ahead of plan at \$1,153,534 compared to the budget of \$147,846.

Significant operating variances for the month include charges for professional fees associated with board directed compliance projects. Management has estimated total project expenses for these unbudgeted initiatives. The finance committee has reviewed the projections. Management is seeking an approved variance from the 2014-15 operating budget given that these projects were board directed and unbudgeted and not within the scope of management control.

TFH Facility Development Plan

Progress has been initiated on the final phase of the Measure C projects. The demolition and site work continues as planned. Major demolition should be completed by November 2nd.

TF 2020 - EMR Project

The CPOE phase of the EMR implementation has been slowed as staff teams continue to refine processes and procedures to assist the medical staff successfully transition through this phase of the project. Mr. Jake Dorst, our new Chief Information Officer will provide a brief progress report under separate heading.

Given the significant change in the complement of the hospital district board of directors following the November election, management is contemplating organizing a board education session that will review the Tahoe Forest 2020 - EMR Project as part of the January board meeting.

Wellness Neighborhood

The Community Needs Assessment board briefing will be held as a special board meeting in December.

Operational Improvement Plan

The Revenue Cycle Performance Improvement Project continues to produce excellent results. Days in Accounts Receivable have stabilized at 63 days over the past two months. Days Cash On Hand continues to trend ahead of plan.

Given that the Revenue Cycle Process Improvement Project is a component of the Tahoe Forest 2020 Project, the Revenue Cycle Project will be included in the educational session contemplated for the January regular board meeting. Management will have Jacobus representatives available to attend the meeting to provide an overview of the project, a progress report, and review the preliminary exit plan.

Orthopedic Advisory Council (OAC)

As mentioned in last month's report, the business subcommittee continues to meet to assess potential business models and evaluate the possibility of developing a consolidated facility for orthopedics, sports medicine, rehabilitation services and other adjunct human performance programming.

Management continues to work closely with the North Tahoe Orthopedic Medical Group physicians to assess the feasibility of developing a co-management model for orthopedics and sports medicine. This model will facilitate closer collaboration with the orthopedic and sports medicine providers and enable more aggressive options to manage cost and bundle pricing for total joint procedures.

Dan Coll and Mr. John Hawkins, the former orthopedic service line director at Eisenhower and Renown Medical Centers, are meeting with the orthopedic surgeons to identify potential parameters for this initiative.

Given that management is evaluating the feasibility of a co-management arrangement it is important for the Board to be aware that these models generally incorporate some manner of service integration with participating physicians. Mr. Hawkins will be leading the review, which will include evaluating the current operating characteristics of orthopedic service at Tahoe Forest as well as the orthopedists medical offices. Once management has a functional outline of the potential project, a full board briefing will be scheduled for a future board meeting.

Director Long has been the Board's representative on the OAC. Management will be seeking a replacement for Mr. Long on the OAC once the new board members are seated.

These projects are all progressive initiatives evolving out of the work of the many community leaders and providers participating in the Orthopedic Advisory Council (OAC). The goal of this committee is to identify options to advance orthopedic, sports medicine, and human performance programming in a manner that enhances current service levels and differentiates our health system and partners as a national leader in this area of programming.

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Board of Directors -Chief Nursing Officer Report
Judy Newland, RN, CNO
November, 2014

Surgical Services Process Improvement Team

Under the guidance of OR Governance, the Surgical Services Process Improvement Team has been active in the planning, development and implementation of initiatives approved by the OR Governance in May, of 2014. Along with the initial eight member team, both medical staff and surgeon's office staff have been actively involved in the initiatives. On November 10th, Dr. Coll, Medical Director of Strategic Planning and Innovation, with support from Linda Harman, Director of Surgical Services, presented to the Surgical Services Departmental Medical Staff Meeting the status of the initiatives. Data analysis, best practice benchmarking, timetable implementation agreements, pilot focus groups, and specialist inventory meetings have been key action items in the ability of the PI Team to identify and implement efficiencies in the Surgical Service Departments. Thank you to the surgeons, surgeon office staff, and surgical services staff in their dedication and collaboration in the planning and implementation of these initiatives.

Electronic Medical Record – CPSI

1. Electronic Signature

A successful implementation of the CPSI Electronic Signature (E-Sign) program for medical staff occurred on Monday, November 13th. E-Sign provides physicians the ability to electronically view, edit and sign their transcribed dictated documents. Hospital and CPSI staff have been available both on campus and physician offices to support the transition to electronic signature. Training to physicians for this implementation occurred the week prior to implementation.

2. Point of Care (POC)

Nursing informatics staff and trained POC Superusers continue to assist nursing and ancillary departments in their transition to electronic medical record documentation. Weekly bulletins have been maintained to answer questions generated by staff and process changes. The nursing informatics team continues to be present on the units and will be meeting with each department to review their electronic medical record documentation process and identify improvement opportunities.

Employee of the Month

Congratulations to Paul Moon, RN for receiving the November Employee of the Month. Mr. Moon, a member of the CPSI POC implementation team and ICU nurse, was recognized for his dedication and commitment to the success of CPSI Point of Care implementation.

Board of Directors –Incline Village Community Hospital
Judy Newland, IVCH Chief Administrative Officer
November, 2014

Outreach

- IVCH, in partnership with Truckee Meadows Community College and Matthew Gustafson, DDS sponsored a free Children’s Dental Screening Clinic. Dental exams, fluoride varnish, education and referrals were provided. A total of 24 children were seen.
- Sponsored by IVCH and North Lake Tahoe Fire Protection District, the VIAL of LIFE Project was introduced to the Incline Village/Crystal Bay community on Tuesday, November 18th. IVCH hosted a VIAL of LIFE Distribution and Community Workshop on Advance Directives and the Nevada POLST (Physician Orders for Life-Sustaining Treatment). A healthy food demonstration and tasting was provided by Ms. Brennan, Registered Dietician followed by a presentation on the importance of completing the Nevada POLST form and Advance Directives by Ms. Hardwick from Nevada POLST. Distribution and discussion about the VIAL of LIFE Project took place

Foundation

- IVCH Foundation hosted a *Friends of the Foundation* Reception for the Donor Wall unveiling on Wednesday, October 29th. Michelle Schmitter, Foundation Development Manager worked with local vendors on the planning of the Donor Wall.





November 24, 2014

TO: TFHD Board of Directors

FROM: Jake Dorst, Chief information Officer

SUBJECT: CIO Update

SUMMARY: Report out on:

- **Point of Care On-Going Support**
- **Computerized Provider Order Entry (CPOE)**
- **Stabilization**
- **Meaningful Use**
- **Patient Portal**

DISCUSSION

Point of Care:

TFHD continues to use the new Point of Care system in our clinical settings. The staff is providing daily feedback to the system process and we are addressing issues as they arise. The calls to the helpdesk regard POC issues has dramatically been reduced.

Computerized Physician Order Entry (CPOE):

In examining our timeline we have concluded that we would need to spend more time with our various specialties to better understand the current process of creating patient care orders. CPOE will bring a significant change in the way our care givers order treatment for our patients. We feel that fully understanding the current process will help us apply the new electronic process in the most efficient and least intrusive manner possible. With this change in our roll out process we are working on getting new dates and order of physician specialty defined in the very near future.

Stabilization:

TFHD has been working in a virtual desktop environment utilizing a software solution called Citrix. We have had issues with CPSI upgrades that cause problems in this virtual environment. The problem has not been an issue when the CPSI application is run locally on a PC. Therefore we have made the decision to replace the equipment that runs solely virtual desktops with fully enabled PC's in our clinical environments. These 50 new PC's will have the CPSI software and all of its needed requisite software loaded locally so we can provide a more consistent and stable experience for our end users.

The CPSI solution is currently hosted at a datacenter in Atlanta Georgia. Due to the distance we sometimes see a lag in our connection speed with the remote location. We are paying \$48,000.00 per year to host this hardware and software at the remote location. If there is a connectivity problem between TFHD and the remote datacenter we would lose live functionality of the software. In an effort to increase stability, reduce risk of downtime and save money we are bringing the software into our on-site datacenter working on virtual machines within our own network. We are finalizing plans with CPSI on how to accomplish this with the least impact to our end users.

Meaningful Use (MU):

TFHD contracted with HSM consulting to perform a gap analysis for our MU readiness. The results from the report are that we can attest using a combination of our CPSI inpatient Electronic Health Record (EHR) and T-systems Emergency Department EHR. Areas of focus need to be out Patient Portal, Syndromic surveillance and how we will enter the patient's current problem lists. Overall outcome appears that we are in very good shape to attest during the reporting period. TFHD will continue to work with HSM to finalize our attestation process, prepare the data for reimbursement and build the "Audit Book" to make sure we are able to defend our attestation in the event of a governmental audit post attestation.

Patient Portal:

TFHD is working with our various software vendors to bring Intehealth's patient portal online for our attention requirements. We have successfully transmitted at Consolidated-Clinical Document Architecture (C-CDA) document out of the T-systems environment and will now integrate that into our patient portal. The next step will be to perform the same procedure with CPSI.



MEMORANDUM

DATE: November 11, 2014
TO: Governance Committee Members – See Distribution List Below
FROM: Bob Schapper, Chief Executive Officer
SUBJECT: Special Governance Committee Meeting

The next meeting of the **Governance Committee** will be held on Wednesday, **November 12, 2014 at 1 p.m.** at the Foundation Conference Room, Tahoe Forest Health System Foundation, 10976 Donner Pass Rd, Truckee, CA.

AGENDA

1. Call To Order
2. Roll Call
3. Clear The Agenda/Items Not On The Posted Agenda
4. Input – Audience
5. Approval of minutes of: 10/16/2014..... ATTACHMENT
6. Items for Committee Discussion and/or Recommendation
 - A. Televised Board Meetings
 - B. Excellence in Governance
 - 1) Karma Bass Code of Conduct ATTACHMENT
 - 2) Speak your peace campaign..... ATTACHMENT
 - 3) Just culture
 - C. Board Self Assessment Process
 - 1) Annual Board Retreat
 - D. Board Orientation *ATTACHMENT
 - E. Contracts
 - 1) Auto Renew:
 - a. Camp_ED On Call ATTACHMENT
 - b. Dodd & Foley_ED on Call Orthopedic Surgery ATTACHMENT
 - 2) Amended:
 - a. Timothy Lombard, M.D., dba Sierra Multi-Specialty Medical Group ATTACHMENT
 - 3) New:
 - a. Arth-Brown-Uglum-Vayner_ED on Call Pediatrics ATTACHMENT
 - b. Chase, Heneveld, Jensen, Specht_Physician Health and Advocacy Medical Advisor ATTACHMENT
 - c. Barta_Medical Director Home Health ATTACHMENT
 - d. Burkholder_EKG Services ATTACHMENT
 - e. Dodd_Medical Director Rehabilitation Services ATTACHMENT
 - f. Heifetz_Medical Director Oncology ATTACHMENT
 - g. Kitts_Rural PRIME Preceptor ATTACHMENT
 - h. Koch_Rural PRIME Preceptor ATTACHMENT
 - i. Standteiner_Medical Director Hospitalist Services ATTACHMENT
 - j. North Tahoe Anesthesia ATTACHMENT
 - F. Bylaws – Election of Officers

- 7. Review Follow Up Items / Board Meeting Recommendations**
- 8. Items for Next Meeting**
- 9. Next Meeting Date**
- 10. Meeting Effectiveness Assessment**
- 11. Adjourn**

RAS:pab

Distribution List: Karen Sessler, Chair John Mohun
 Judy Newland Crystal Betts Ginny Razo
 Jayne O’Flanagan Janet Van Gelder Ted Owens

*Denotes material (or a portion thereof) may be distributed later.

Note: It is the policy of Tahoe Forest Hospital District to not discriminate in admissions, provisions of services, hiring, training and employment practices on the basis of color, national origin, sex, religion, age or disability including AIDS and related conditions.

Equal Opportunity Employer. The meeting location is accessible to people with disabilities. Every reasonable effort will be made to accommodate participation of the disabled in all of the District’s public meetings. If particular accommodations for the disabled are needed (i.e., disability-related aids or other services), please contact the Executive Assistant at 582-3481 at least 24 hours in advance of the meeting.



MEMORANDUM

DATE: November 21, 2014
 TO: Finance Committee – See Distribution List Below
 FROM: Crystal Betts, Chief Financial Officer
 SUBJECT: Finance Committee Meeting

The next Finance Committee meeting will be held on, Monday, November 24, 2014 at 2:00 p.m. in the Foundation Conference Room, 10976 Donner Pass Rd, Truckee, California.

AGENDA

1. Call To Order
2. Roll Call
3. Clear The Agenda/Items Not On The Posted Agenda
4. Input – Audience
5. Approval of Minutes Of Meetings: 10/27/14ATTACHMENT
6. Purchase of Medical Office Building Suite 360 –
Chris Richards MDATTACHMENT
7. Municipalities Continuing Disclosure Cooperation Initiative (MCDC)
Questionnaire for Self-Reporting Entities –
Gary Hicks, G.L. Hicks Financial LLC *ATTACHMENT
8. Post Issuance Compliance Procedures Best Practices –
Gary Hicks, G.L. Hicks Financial LLC *ATTACHMENT
9. Refinancing of Bonds – 2006 Revenue Bond & 2008 GO Bond
Series A - Gary Hicks, G.L. Hicks Financial LLC *ATTACHMENT
10. Financial Reports:
 - A. Financial Report – October 2014ATTACHMENT
 - B. Quarterly Review Truckee Surgery Center, LLCATTACHMENT
11. 2015 Budget Variance RecommendationATTACHMENT
12. Agenda Input for Next Finance Committee Meeting *ATTACHMENT
13. Date of Next Finance Committee Meeting
14. Adjourn

CB: pab
 Distribution List:

cc: Dale Chamblin Roger Kahn
 Robert Schapper Judy Newland Jaye Chasseur
 Rick McConn Virginia Razo

*Denotes attachment will be distributed later.
 Note: It is the policy of Tahoe Forest Hospital District to not discriminate in admissions, provisions of services, hiring, training and employment practices on the basis of color, national origin, sex, religion, age or disability including AIDS and related conditions.

Equal Opportunity Employer. The meeting location is accessible to people with disabilities. Every reasonable effort will be made to accommodate participation of the disabled in all of the District’s public meetings. If particular accommodations for the disabled are needed (i.e., disability-related aids or other services), please contact the Executive Assistant at 582-3481 at least 24 hours in advance of the meeting.

**Tahoe Forest Hospital District
Professional Fees Related to Board Directed Projects
Amounts Effecting the FY 2015 Expenditures**

ECG Management Consultants:

Invoice Date	Invoice #	Amount
5/31/2014	2206.001 - 17708	22,707.06
6/30/2014	2206.001 - 18004	964.42
6/30/2014	2206.002 - 18005	44,493.85
7/31/2014	2206.002 - 18361	40,144.21
7/31/2014	2206.004 - 18363	11,514.39
8/31/2014	2206.002 - 18630	73,266.68
9/30/2014	2206.002-18879	66,154.09
		259,244.70

HealthCare Appraisers (HAI):

Invoice Date	Invoice #	Amount
8/31/2014	128004	2,610.00
		2,610.00

Hooper, Lundy, Bookman:

Invoice Date	Invoice #	Amount
6/18/2014	162678	14,822.38
6/18/2014	162679	20,893.50
7/9/2014	163283	9,055.35
7/9/2014	163284	29,128.00
7/9/2014	163285	13,572.50
7/9/2014	163286	7,050.50
7/9/2014	163287	19,517.50
7/9/2014	163288	11,938.00
8/11/2014	164050	7,423.78
8/11/2014	164051	28,592.05
8/11/2014	164052	13,152.00
8/11/2014	164053	2,419.00
9/16/2014	165100	43,210.50
9/16/2014	165101	7,295.48
9/16/2014	165102	3,699.00
9/16/2014	165103	18,855.85
10/15/2014	165812	20,744.50
10/15/2014	165813	12,261.50
10/15/2014	165814	22,549.00
11/7/2014	166492	27,036.20
11/7/2014	166493	37,845.50
		371,062.09

Procopio, Cory, Hargreaves

Invoice Date	Invoice #	Amount
7/9/2014	509850	22,726.28
10/10/2014	512261, 515213, 518004	37,512.47
		60,238.75

Porter Simon

Invoice Date	Invoice #	Amount
5/31/2014	91045-04500D 205	11,049.21
6/30/2014	91045-04500D 206	9,537.48
7/31/2014	91045-04500D 207	9,178.48
8/31/2014	91045-04500D 208	8,191.46
9/30/2014	91045-04500D 209	4,898.80
10/31/2014	91045-04500D 210	8,663.60
		51,519.03

Total Expenditures 744,674.57

Estimated Outstanding to Completion

ECG	October	37,987.51
	November	45,000.00
	December	40,000.00
Futterman Dupree Dodd Croley Maier LLP		57,000.00
Hooper Lundy Bookman	November	65,000.00
	December	65,000.00

Total Estimated Expenditures 309,987.51

Grand Total 1,054,662.08

Recommend 2015 Budget Variance to Professional Fees 1,050,000.00



November 19, 2014

TO: TFHD Board of Directors-Finance Committee

FROM: Rick McConn

SUBJECT: Unit #360 Medical Office Building

SUMMARY: Dr. Richards has approached the TFHD about purchasing his Unit, #360, in the medical office building. Dr. Richards had an appraisal performed by Johnson-Perkins & Associates which values the approximately 1,630 square foot unit at \$540,000. A copy of the appraisal is attached. TFHD had a review of that appraisal completed by Jonathan Milo Spaich. The reviewer's conclusion was the appraisal appears to be supported and the value conclusions appropriate. A copy of the Commercial Appraisal Review Form is attached. The purchase of Unit #360 would give TFHD complete ownership of the third floor of the medical office building. This purchase has not been budgeted, but would create less than a 2 day impact on cash flow.

ACTION REQUESTED

- TFHD staff recommends the purchase of Dr. Richards' Unit # 360 at the appraised value of \$540,000. In addition, staff seeks the authority to enter into a purchase agreement for Unit # 360 at the appraised value of \$540,000.

DISCUSSION

AN APPRAISAL
OF THE

MEDICAL OFFICE CONDOMINIUM

LOCATED AT

10956 DONNER PASS ROAD, UNIT 360, TRUCKEE,
NEVADA COUNTY, CALIFORNIA

OWNED BY
AND
APPRAISED FOR

THE RICHARDS FAMILY TRUST



JOHNSON~PERKINS & ASSOCIATES, INC.
REAL ESTATE APPRAISERS & CONSULTANTS

An Appraisal
Of The

Medical Office Condominium

Located At
10956 Donner Pass Road, Unit 360, Truckee,
Nevada County, California

Owned By
And
Appraised For

The Richards Family Trust

For The Purpose Of Estimating
Market Value
As of
September 11, 2014

JOHNSON~PERKINS & ASSOCIATES, INC.
REAL ESTATE APPRAISERS & CONSULTANTS

Main Office: 295 Holcomb Avenue, Suite 1 ■ Reno, Nevada 89502 ■ Telephone (775) 322-1155
Lake Tahoe Office: P.O. Box 11430 ■ Zephyr Cove, Nevada 89448 ■ Telephone (775) 588-4787
FAX: Main Office (775) 322-1156 ■ Lake Tahoe Office (775) 588-8295
E-mail: jpareno@johnsonperkins.com ■ jpatahoe@johnsonperkins.com

Stephen R. Johnson, MAI, SREA
Reese Perkins, MAI, SRA
Cynthia Johnson, SRA
Cindy Lund Fogel, MAI
Scott Q. Griffin, MAI
Daniel B. Oaks, MAI
Benjamin Q. Johnson, MAI

Karen K. Sanders
Gregory D. Ruzzine
Chad Gerken

October 7, 2014

Dr. and Mrs. Chris and Nancy Richards
10956 Donner Pass Road, Suite 360
Truckee, California 96161

RE: An Appraisal of the Medical Office Condominium Located at 10956 Donner Pass Road, Unit 360, Truckee, Nevada County, California

Dear Dr. and Mrs. Richards:

This is in response to your request for a summary appraisal of the medical office condominium located at 10956 Donner Pass Road, Unit 360, Truckee, Nevada County, California. The unit is located within the Tahoe Forest Medical Offices building. The property is also identified by Nevada County Assessor's Parcel Number 19-640-09. The property is under the ownership of John Christden Richards and Nancy Clare Richards, Trustees of the Richards Family Trust dated August 27, 2002. The subject property will be more completely described in the accompanying appraisal report.

This is an appraisal report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of *the Uniform Standards of Professional Appraisal Practice* for an appraisal report.

Reno ■ Lake Tahoe

This appraisal report sets forth pertinent data, statistics and other information considered necessary to establish the Market Value of the fee simple interest in the subject. It is these appraisers' understanding that the intended use of this appraisal is for possible sale of the property. Any other use of this appraisal requires the prior written authorization of this appraisal firm. The intended users of the report are the property owners and their representatives.

This appraisal report has been prepared in conformance with the current *Standards of Professional Appraisal Practice* as adopted by the Appraisal Standards Board of the Appraisal Foundation. These appraisers attest that we have the knowledge and experience necessary to complete this appraisal assignment and that we have appraised this type of property many times before. No one other than the undersigned has prepared the analyses, conclusions and opinions concerning real estate that are set forth in this report.

After careful consideration of the available data, it is these appraisers' opinion that the Market Value of the fee simple interest in the subject property, not including any furniture, fixtures or equipment, as of September 11, 2014, is:

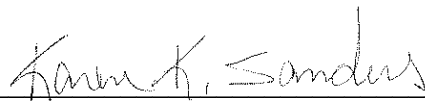
FIVE HUNDRED FORTY THOUSAND DOLLARS
(\$540,000)

It has been a pleasure serving you in this assignment. Please contact us should you have questions or wish to discuss the appraisal.

Respectfully Submitted,



Stephen R. Johnson, MAI, SREA
California Certified General Appraiser
License #AG007038



Karen K. Sanders
California Certified General Appraiser
License #AG044652

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UPDATE**

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SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS

Property Name	Tahoe Forest Medical Offices
Property Address	10956 Donner Pass Road, Suite 360, Truckee, Nevada County, California
Assessor's Parcel Number	19-640-09
Legal Description	Unit 360, and an undivided 1,630.11/22,631.83 square foot interest in Parcel A, as shown on Parcel Map Number 98-053, recorded March 5, 2001 in Book 19 of Parcel Maps, Page 57, Nevada County, California A complete legal description is included in the addenda to this report
Owner of Record	John Christden Richards and Nancy Clare Richards, Trustees of the Richards Family Trust dated August 27, 2002
Total Land	An undivided proportional share of a 3.29± acre parcel
Flood Zone	Zone X
Zoning	General Commercial
Subject's Net Useable Building Area	1,630± square feet
Improvements	1,630± square feet of a 22,632± square foot condominium professional medical office building, including an asphalt-paved parking lot and landscaping
Highest and Best Use	Continued medical office utilization
Interest Appraised	Fee Simple
Type of Report	Summary Appraisal
Date of Valuation	September 11, 2014

Date of Completion of Report

October 7, 2014

Valuation Summary

Income Approach

Direct Capitalization Method \$550,000

Gross Income Multiplier Method \$550,000

Sales Comparison Approach

Price Per Square Foot Method \$530,000

FINAL MARKET VALUE CONCLUSION

\$540,000

PURPOSE OF THE APPRAISAL

This appraisal was prepared for the purpose of estimating the unencumbered fee simple Market Value of the subject property, as of a current date.

INTENDED USE OF APPRAISAL

The intended use of this appraisal report is for possible sale of the subject property. Any other use of this appraisal requires the prior written authorization of this appraisal firm.

INTENDED USERS OF APPRAISAL

The intended users of this appraisal are the property owners and their representatives.

SCOPE OF APPRAISAL

This is an appraisal which has been prepared in conformance with the requirements of the *Uniform Standards of Professional Appraisal Practice* as promulgated by the Appraisal Standards Board of the Appraisal Foundation.

Preparation of this appraisal included the following:

- Identification and analysis of area and neighborhood data;
- Inspection and analysis of the subject property;
- Completion of a Highest and Best Use Analysis;
- Research, analysis, inspection and verification of comparable commercial building rentals;
- Completion of a Direct Capitalization Analysis;
- Completion of a Gross Income Multiplier Analysis;
- Research, analysis, inspection and verification of comparable commercial building sales and listings;
- Completion of a Sales Comparison Approach Analysis; and
- Preparation of an appraisal report.

MARKET VALUE DEFINED

‘Market Value’ means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) buyer and seller are typically motivated;
- (2) both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) a reasonable time is allowed for exposure in the open market;
- (4) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and
- (5) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

(Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [f].)

PROPERTY RIGHTS APPRAISED

The subject property is appraised as held in fee simple ownership. Fee simple ownership is defined as absolute ownership, unencumbered by any other estate or interest, subject to typical encumbrances such as mortgages and easements. This appraisal does not address or include any furniture, fixtures or equipment.

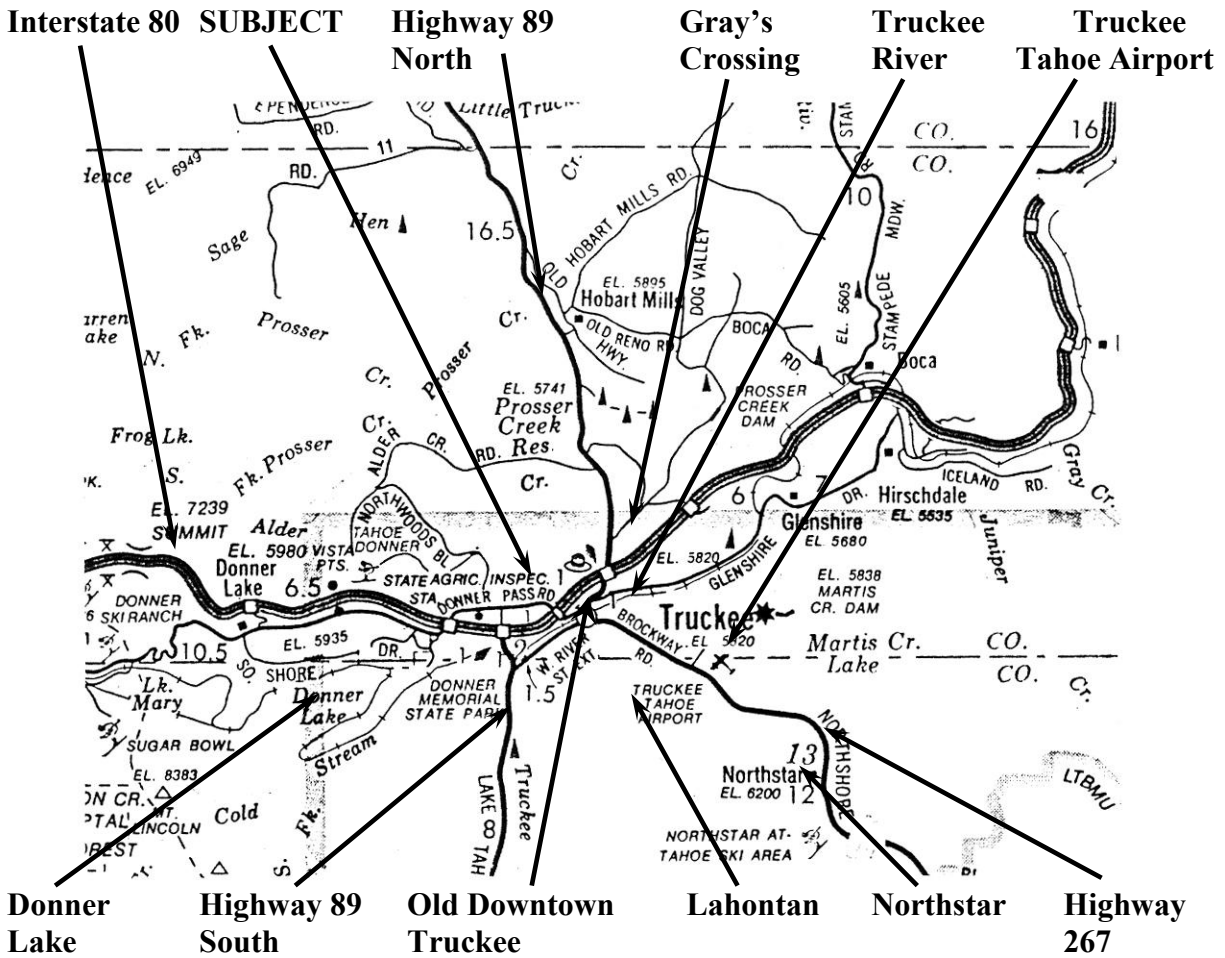
EFFECTIVE DATE OF VALUATION

The opinions of value set forth in this report apply as of September 11, 2014.

DATE OF COMPLETION OF REPORT

This report was completed on October 7, 2014.

AREA MAP



Reno ■ Lake Tahoe

AREA DESCRIPTION

The Town of Truckee is located in the easterly portion of Nevada County, California and includes a portion of Placer County. The greater Truckee area is bounded on the north by the Tahoe-Donner residential subdivision, the Prosser Reservoir and the Boca Reservoir. The area is bounded on the west by Donner Summit and on the east by Juniper Creek. The area is bounded on the south by the Northstar Resort. Truckee is approximately 35 miles west of Reno, 15 miles north of Lake Tahoe and 115 miles east of Sacramento. The Truckee area is situated 20 miles west of the Nevada-California state line along Interstate 80 which accesses California from the east. The climate varies with four distinct seasons throughout the year. The current year round population is estimated to be in excess of 15,000 people. Prior to the 1970s, the chief industry was logging. The primary industry for the Truckee area is now tourism.

The dramatic topographical features of the area are the result of several geological forces. Fundamental to the entire geological structure of the Sierra Nevada Mountains was the uplift of intrusive molten magma which has given the area its underlying granite bedrock. Much of the area was later subject to volcanic activity and to glaciation. Erosion has exposed the underlying bedrock along the crests and ridges and has produced the steep mountain canyons and mountain meadow areas. Erosion is also responsible for the many lakes, rivers and streams incorporated within the area.

Soils in the area typically consist of sands and sandy loam derived from decomposed granite, volcanic rock and decomposed vegetation. Soils in the meadow areas along the valley floors are alluvial and rich in nutrients.

The soils in the area combined with the climate are responsible for the heavy forestation consisting primarily of red and white fir, pine, and lodgepole pine, incense cedar, mountain hemlock and mountain juniper, in addition to a wide variety of riparian vegetation adjacent to lakes and streams and in areas with high water tables. During the late spring and

summer, the open meadows and the occasional un-forested mountain slopes support the growth of a wide variety of grasses, chaparral and wildflowers.

The area is abundant with numerous species of wildlife including bald and golden eagles, cougars, black bears and many varieties of deer and trout.

The climate of the area is typical for the north central section of the Sierra Nevada. During the summer months, average temperatures range in the 70s and 80s at the lower elevations and in the 60s and 70s at the higher elevations. During the winter months, maximum temperatures range from the 30s to the low 40s at the lower elevations and from the upper 20s to the 30s in the higher regions.

During the winter months, the area is subject to heavy snowfall resulting from the rapid rise of moisture-laden clouds from the Pacific Ocean up the western slopes of the mountain range. The average annual snowfall in portions of the area approaches 400 inches.

Truckee enjoys excellent accessibility from Sacramento and the San Francisco Bay area to the west, and the Reno/Sparks area to the east, by means of Interstate 80. Interstate 80 is a major transcontinental highway which passes through the Town of Truckee just east of Donner Pass.

Additional access to the area is provided by California State Routes 89 and 267. These roadways are two-lane, two-way asphalt paved highways. State Route 89 runs south from Interstate 80 and Truckee to Tahoe City on the north shore of Lake Tahoe. State Route 89 runs north from Interstate 80 and Truckee, terminating at Interstate 5 in northern California near Mt. Shasta.

State Route 267 originates at Interstate 80 on the east side of Truckee. It runs south through the Martis Valley Recreational Area and the Northstar Resort, terminating in Kings Beach on the north shore of Lake Tahoe, approximately 15 miles south of Truckee.

In addition to vehicular access by these highways, the Truckee area is serviced by Amtrak, the Greyhound Bus Line and the Truckee Tahoe Airport which is located approximately two miles southeast of downtown Truckee. The Truckee Tahoe Airport is a public airport with two fixed base operators that provide aircraft maintenance, aircraft rental, air charter, flight instruction, aerial photography services and a glider port. The airport also offers numerous storage hangers and a new administration building. Although the Truckee Tahoe Airport is not currently served by scheduled airline service, the existing runway length, instrument approach capability, and local population have the potential to attract air service.

Truckee's history dates back to the 1840s when Pioneers migrating west were attempting to cross the Sierra Nevada mountain range. The area is located at the eastern base of Donner Pass, which served as a primary crossing through the mountains for immigrants to California. The harshness of the immigrant passage through the Sierra Nevada Mountains is largely identified today with the Donner Party story. The Donner Memorial State Park, dedicated to the ill-fated Donner Party, is located at Donner Lake.

The California gold rush of 1849 brought increased traffic through the Truckee area. In 1868, the Central Pacific Railroad established a railway through the Truckee area. This in turn allowed the lumber and ice harvest industries to boom. After 1920, Truckee began a 40 year period of little growth and development, particularly during and after the war years. In 1960, the Winter Olympics were held 10 miles to the south at Squaw Valley, putting the Truckee area on the Map as part of a major destination for year round recreation. Tourism has become the area's leading industry.

The Town of Truckee was incorporated in 1992. A Town Council was elected in March of 1993 and the Town boundaries were established. To the west, the new boundaries include all of Donner Lake and the residential development known as Tahoe Donner. The north boundary is approximately 2 1/2 miles north of Interstate 80 and includes portions of the Prosser Reservoir. The east boundary includes portions of the Glenshire Subdivision development and the south boundary includes portions of the Truckee River and Martis Valley.

The Truckee area is a thriving mountain community which includes numerous services and amenities. Schools in Truckee are under the jurisdiction of the Tahoe Truckee Unified School District and include grades kindergarten through 12th. Sierra College, which offers community college level study, provides additional educational opportunities. A general hospital and one convalescent hospital service the area. County services include the Health Department and Mental Health Services to supplement private health care. Police protection is provided by the Nevada County Sheriff's Department and fire protection is provided by the Truckee Fire Protection District. The fire protection district is staffed with volunteers and paid personnel.

All utilities and public services are available in the Truckee area. Electrical service is provided by the Truckee Donner Public Utility District which purchases power from Liberty Utilities. Telephone service is provided by AT&T. Water service is provided by the Truckee Donner Public Utility District. Sewer service is provided by the Truckee Sanitary District and the Tahoe Truckee Sanitation Agency. Refuse collection is provided by Tahoe Truckee Sierra Disposal.

Several churches of various denominations and numerous service organizations are located within the Truckee community. In addition, Truckee enjoys two museums, two art galleries and one County Library.

Recreational amenities in the area are numerous. Lake Tahoe, located approximately 15 miles south of Truckee, offers unlimited year round recreational opportunities and provides much of the tourist base for the Truckee area. Winter sports enthusiasts can find an abundance of ski resorts within a short driving distance from the area. The more prominent resorts include Squaw Valley, Alpine Meadows, Northstar and Sugar Bowl. All of these resorts are located within 10 miles of Truckee. Smaller ski resorts include Boreal Ridge and Donner Ski Ranch. The Truckee area is accessible to numerous other alpine ski areas within the Sierra Nevada Mountains. The Truckee area is also well known for its cross country skiing. The Royal Gorge at Donner Pass, Northstar and Tahoe Donner provide extensive cross country ski trails as well as rentals and lessons. Additionally, there are numerous recreational and open areas available for back country skiing as well as snowmobiling.

The area affords many summer outdoor recreational activities. Several lakes within the area provide good boating and fishing opportunities. Boca Reservoir, Prosser Reservoir and Stampede Reservoir are in the northeast portion of the area. Donner Lake, often referred to as the "Gem of the Sierras," is located in the western portion of the area. The Martis Creek Lake Recreation area is located immediately southeast of the Truckee Tahoe Airport and includes Martis Creek Lake. Another major recreational resource is the Truckee River. The Truckee River is a popular rafting and fishing resource.

There are also a number of campgrounds, beaches and marinas which serve the general public. Other outdoor recreational opportunities within the area include hiking and biking. The area also incorporates numerous championship golf courses. Additionally, horse stable and riding trails can be found at Tahoe-Donner and Northstar, as well as at Squaw Valley.

The Truckee area offers additional tourist amenities aside from outdoor recreation. One can enjoy first class restaurants and good quality lodging establishments throughout the area. First class accommodations can be found at the Northstar Resort and the Resort at

Squaw Creek. In addition, long-term vacation home and condominium rentals can be found at the various resorts in the Truckee area. Additionally, legalized gaming opportunities are available a short distance to the south at Crystal Bay and Incline Village, Nevada as well as in Reno, Nevada, a short distance to the east.

According to information provided on the Town of Truckee website, as of January 1, 2011, the total population for Truckee was 16,212. The total number of housing units was 12,807, of which only 6,343 were occupied units, resulting in 50.47% of the housing units being vacant or second homes.

Employment opportunities in the Truckee area are comprised primarily of the service sector. The local economy is highly dependent upon tourism. Of the estimated 4,000 employed residents of the area, approximately 25% of the residents commute to their employment in the greater Reno area. It is also estimated that approximately 500 residents work in the Lake Tahoe Basin, while an additional 500 find employment elsewhere in Nevada County. The larger employers in the Truckee area include the Tahoe Forest Hospital and local government agencies. Seasonal employment is offered by the surrounding ski resorts in the winter and by the heavy tourist trade during the summer months. Due to the economic recession, jobs in the Truckee area decreased and unemployment increased. According to websites reviewing local towns, such as Sperling's Best Places, the unemployment rate in Truckee as of June 2012 was 9.80%, slightly higher than the nationwide unemployment rate at the time of 8.60%. According to the Bureau of Labor Statistics, the unemployment rate for all of Nevada County, including the Grass Valley area, as of June 2012 was 9.70%. However, these unemployment rates are one to two percentage points lower than the highs reached in the past couple of years. As the recession is considered by many to be over, and the economy has been improving, it is anticipated that the unemployment rates have continued to decline since June 2012, the most recent date for which the data was available.

Residential subdivisions in the area include Tahoe-Donner, Prosser Lake View Estates, Glenshire, Juniper Creek, Ponderosa Palisades, Sierra Meadows, Summit, Donner Lake, Northstar, Lahontan, Martis Camp and Schaffer's Mill. The largest subdivision is the Tahoe-Donner residential community, located in the northwest portion of the area which involves in excess of 6,000 acres. Tahoe-Donner is primarily a vacation home subdivision. It is oriented toward recreation and includes a golf course, a Nordic skiing complex and a small alpine skiing facility. The Tahoe Donner subdivision is nearing build-out.

The Donner Lake area is another large residential area which includes approximately 1,600 private homes. The majority of these homes are vacation homes. This area is also nearly built out.

Another large residential area, known as Glenshire, is located in the southeast portion of the area and includes approximately 1,400 existing housing units on lots typically ranging from one-quarter acre to over one acre in size. These subdivisions cater primarily to year round residents. This area still has a reasonably large inventory of raw subdivision land to accommodate continued growth. In addition, there is the Cambridge Estates development, with a total of 196 lots, located directly north of Glenshire. Also, the Tahoe Boca Estates is located to the east of Glenshire. The Prosser Lakeview Estates are located in the northeasterly portion of the area. This subdivision is located in close proximity to the Prosser reservoir. The Juniper Creek area is located to the south of Glenshire. The properties in the Juniper Creek subdivisions range in size from 10 acres to 40 acres. Access is by private paved and dirt roadways.

Additional residential subdivisions can be found a short distance south of Truckee, near the airport. These subdivisions are accessed via State Route 267. The major subdivisions in this area are known as Ponderosa Palisades and Sierra Meadows. These

subdivisions are typically developed with smaller, average quality, single family homes on lots containing 7,000 to 10,000 square feet.

Newer upscale residential communities in the Martis Valley include Lahontan, Martis Camp and Schaffer's Mill. The Lahontan subdivision features a private golf course, a recreation center with a swimming pool, tennis courts, picnic areas etc, and a spa and fitness center. The residences in the Lahontan subdivision are of very good to excellent quality. Martis Camp is a development of DMB Highlands Group, which purchased the 2,177± acres of raw land in Martis Valley approximately ten years ago. Upon build out, there will be 653 homes in this subdivision. Some of these lots have ski-in, ski-out access to the adjacent Northstar ski resort. In addition to a golf course, tennis pavilion, recreation complex, clubhouse with restaurants, spa and fitness center, Martis Camp offers a private express quad lift to Northstar. Schaffer's Mill features 218 single family homesites and 188 townhomes. Existing and planned amenities include a 19-hole championship golf course, clubhouse, fine dining, swimming pool, spa and fitness facilities, meeting rooms, tennis courts, a fly casting pond and hiking trails.

The Northstar development includes the Northstar Ski Resort, two golf courses and equestrian facilities. East-West Partners has developed residential lots in the Northstar Resort.

Gray's Crossing, with 377 planned residential lots, 23 townhomes, 21 loft units, and retail space, is located on the north side of Interstate 80 at its northerly junction with State Highway 89. This project was developed and marketed by East-West Partners.

The demand for homes in the Truckee area was strong through the middle of this past decade. Demand for homes in the Truckee area arose from two distinct sources. The first is from individuals or families with permanent homes outside the area who seek vacation homes. The second source of demand arose from permanent residents employed in the

Tahoe-Truckee-Reno region. The growth of Martis Valley was sparked by the strong success of the Lahontan subdivision, which sold out in the late 1990s. Sale prices in general for typical homes in the Truckee area increased dramatically through 2005. The real estate market began slowing down in 2006 and has continued to show declines each of the following years. The number of sales increased in 2009; however, the average sale price was much lower. The average sale price continued to decline through 2012, then began rebounding in 2013. The average home sale prices in the Truckee area for the past ten years, according to data in the local MLS, are shown on the following chart.

Home Sales Activity In The Truckee Area

Year	# Sales	Average Sale Price	% Change
2004	589	\$568,986	----
2005	491	\$743,008	+23.42%
2006	385	\$738,595	- 0.59%
2007	354	\$715,229	-3.16%
2008	348	\$676,558	-5.41%
2009	425	\$588,044	-13.08%
2010	434	\$526,298	-10.50%
2011	494	\$475,713	-9.61%
2012	545	\$478,579	+ .06%
2013	547	\$566,255	+18.32%
2 nd Qtr 2014	190	\$604,103	+6.68%

As indicated by the above data, 2005 showed a healthy increase over 2004, although the number of sales was fewer. 2005 appears to have been the height of the market, with 2006 essentially holding steady. 2007 and 2008 showed modest declines of roughly 3% to 5% per year. In 2009, there was a large increase in the number of sales, but the average sale price decreased approximately 13%. The number of sales increased slightly in 2010; however, the average sales price continued to decline roughly 10%. 2011 showed a minor gain in the number of sales, but the average sales price continued to decline. 2012 showed a

further increase in the number of sales and showed a minor gain in the average sale price, the first gain observed since 2005. 2013 has shown a sustained number of sales and has shown a very healthy increase in the average sales price. So far, the first half of 2014 has continued to show a positive increase in the average sales price.

It is noted that typically an increase in sales activity is one of the first signs of a recovering real estate market. Increasing prices typically will follow increased sales activity.

Homesite sales have also shown a dramatic decrease in number of sales and average sale price, as shown on the following chart.

Residential Lot Sales Activity In The Truckee Area

Year	# Sales	Average Sale Price	% Change
2004	244	\$221,744	----
2005	200	\$330,257	+48.94%
2006	108	\$334,383	+1.25%
2007	83	\$283,836	-15.12%
2008	68	\$259,682	- 8.51%
2009	40	\$142,596	-45.09%
2010	80	\$ 99,765	-30.04%
2011	82	\$ 60,545	-39.31%
2012	85	\$ 92,061	+52.05%
2013	178	\$92,489	+0.46%
2 nd Qtr 2014	66	\$124,572	+34.69%

As indicated by the above data, 2005 showed a strong increase over 2004, although the number of sales was fewer. 2006 continued to show a slight increase, although the number of sales decreased by nearly half. Accordingly, 2005/2006 appears to have been the height of the market. Beginning in 2007, the market showed a decrease of approximately 15% and a further decrease in the number of sales. 2008 showed a further modest decline

both in activity and in the average sale price. In 2009, the number of sales dropped substantially and the average sale price dropped by a significant 45%. In 2010 and 2011, the number of sales appears to be rebounding; however, the average sales price is continuing to show strong decreases of roughly 30% to 40% per year. However, in 2012 residential lot sale prices showed a very strong increase. There were four homesite sales over \$300,000 in 2012. The number of sales also continued to increase. In 2013, the number of sales has increased greatly and has surpassed the total annual sales in the past seven years. A large number of these sales are in the new Gray's Crossing development. The average sale price essentially held steady, showing only a negligible increase over 2012. However, the average sale price for 2013 is 53% higher than the average sale price in 2011. In comparison to 2010, the average sales price is still down 7.29%. So far, the first half of 2014 shows a very strong increase in the average sales price of nearly 35% and a continued strong number of sales.

Residential homesites were severely impacted by the burst in the real estate market, the poor economy, and the lack of available financing for land. Due to the large number of existing homes available and the large price reductions, there was little demand for vacant land upon which to build a residence from the ground up. Additionally, with the strong drop in the price of existing homes, you could buy an existing home for less than it would cost to build a new home. However, it does appear that this trend is beginning to change for the better.

Commercial development is located in three main areas. The immediate area surrounding Donner Pass Road and Highway 89 is known as the "Gateway" area. The Gateway is anchored by several public service facilities including the Tahoe Forest Hospital and Cancer Center, the Nevada County Government Center, the California Highway Patrol, the California Department of Motor Vehicles and the Truckee-Donner Public Utility District headquarters. This area has attracted significant retail and office development during the last decade. The Tahoe Forest Cancer, a state of the art cancer center, was completed in 2012. The Gateway Shopping Center was completed in 1992. The center incorporates in excess of

100,000 square feet of gross commercial building area. Anchor tenants are Safeway Stores and Rite Aid Drugs. Approximately one mile west of the intersection of Donner Pass Road and State Route 89 is the Factory Store Outlet Mall.

Additional commercial development can be found in old downtown Truckee. Downtown Truckee is located two miles east of the intersection of State Route 89 and Donner Pass Road, adjacent to the railroad corridor. Through the preservation and rehabilitation of older historic buildings in Downtown Truckee, the historical quaintness which attracts many tourists has been preserved. A block of unique retail shops, restaurants and hotels located in historic restored buildings provides a focal point for visitors to the area.

There is commercial, professional office and industrial development in the vicinity of the Truckee Tahoe Airport, including the offices of the Town of Truckee. A new commercial/retail district is growing in this area. The primary commercial/retail development in this area is located in the center known as The Rock. In addition to the commercial/retail development in The Rock, which includes restaurants, professional offices and services, there is also located in the vicinity a newer average to good quality motel, a good quality home furnishings store, a wine and cheese shop, and a newer service station and car wash. A small townhouse development has been constructed between the motel and the Ponderosa Golf Course.

Industrial development is located primarily in the vicinity of the Truckee Tahoe Airport and in the Pioneer Commerce Center and surrounding area. The Pioneer Commerce Center is located in the area northwest of the intersection of Interstate 80 and State Route 89 North. Both neighborhoods involve relatively new light industrial parks developed within the past twenty or so years. There is also limited older industrial development along West River Street in the downtown area.

There has been little commercial sales activity over the past few years and the commercial vacancy rate increased noticeably. Commercial building sales have remained slow with only two per year in 2010, 2012, and 2013. In 2011 however, there were six commercial building sales, three of which were Trustee's sales of three properties under the same ownership. There are currently about ten listings. Accordingly, it seems that the commercial market is still slow. A review of data available on LoopNet indicates that there is still quite a bit of vacant commercial space in the Truckee area, including six vacancies along Donner Pass Road in the Commercial Row and Brickelltown area. This historic strip has seen increased activity in the past year and a half with vacancies decreasing. However, by the end of the second quarter of 2014, vacancies appear to be increasing again. The vacant commercial land market is also still very slow, with only five to six sales having occurred in the past three and a half years.

Overall, the residential market appears to be improving, while the commercial market remains somewhat stagnant.

However, in the Old Downtown area of Truckee, the economy and commercial leasing activity have been improving. There is less vacant space along Commercial Row than there has been in recent years. There are also several new businesses.

In summary, the Truckee area includes an incorporated community located within a major outdoor recreational region. The primary industry for the area is tourism. The area enjoys excellent accessibility from California and western Nevada. Historically, Truckee has experienced a growth trend in the residential and commercial markets. This growth has recently been slowed substantially by the downturn in the real estate market and the economy. However, due to its location in a popular recreational destination, as well as its easy access to Reno and Sacramento, Truckee has not seen downturns as dramatic as those observed in more metropolitan markets. Overall, the economic outlook for the subject area is currently cautious.

NEIGHBORHOOD MAP

Northwoods Blvd. SUBJECT Donner Pass Road S.R. 89 North



S.R. 89 South Interstate 80 Commercial Row S.R. 267

NEIGHBORHOOD DESCRIPTION

The subject neighborhood essentially involves the Donner Pass Road corridor as it extends through Truckee. The neighborhood is bordered on the west by Northwoods Boulevard, on the east by State Route 89 North, on the north by the Tahoe Donner and Alder Creek residential neighborhoods, and on the south by the Truckee River. The neighborhood includes the historic Old Downtown Truckee, the Gateway area of Truckee, the Pioneer Commerce Center area and the Gray's Crossing area.

Donner Pass Road is the main east-west road through the neighborhood and generally follows the direction of Interstate 80, which also extends through the neighborhood in an east-west direction. State Route 89 South provides access into the neighborhood from the south, along the west side of the neighborhood and State Route 89 North provides access from the north into the eastern portion of the neighborhood. State Highway 267 extends southerly from this point, providing access into Martis Valley and the Lake Tahoe Basin.

Development in Old Downtown Truckee began in the mid to late 1800's as the railroad was built over Donner Pass connecting San Francisco, California to the west and Carson City, Nevada to the east. The arrival of the railroad led to dramatic growth in the town. The logging and ice harvesting industries thrived. This downtown area was developed with businesses including stores, restaurants, saloons and hotels as well as with private residences. Donner Pass Road, which is also known as Commercial Row in the subject neighborhood, was the focal point for this commercial development. Many of these old buildings remain today and significant efforts have been made to preserve the historical character of the neighborhood. Old Downtown Truckee is popular with tourists and residents alike. There are many upscale retail outlets, restaurants and bars along Commercial Row. There are several older residences in this area that date back to the late 1800s, many of which have been converted to commercial uses, particularly to the west of Bridge Street, in the Brickelltown District. The railroad corridor passing through this area is still active today.

The Truckee River flows through the southerly portion of downtown, in a generally northeast-southwest direction. Development along Donner Pass Road between Bridge Street and roughly Spring Street is known as Commercial Row. Extending westerly from Commercial Row, the area is known as Brickelltown. The development is primarily commercial/retail, with some residential development extending up the hillside toward Interstate 80.

Extending easterly from Commercial Row, between the south and east sides of Donner Pass Road and the railroad tracks, in the southeastern portion of the neighborhood, is an area planned to be developed in accordance with the recently adopted Railyard Master Plan. This area currently involves primarily railroad uses and some light industrial type utilizations. The Railyard Master Plan has been in the works for many years. The final EIR was adopted by the Town Council and the final Railyard Master Plan has been adopted. The Railyard Master Plan calls for a realignment/extension of Donner Pass Road and the creation of several new streets. The intent of the Plan is to create a mixed use, pedestrian friendly extension of Downtown Truckee. It is planned to be a physical extension of Commercial Row with retail shops, restaurants and lodging and will also provide new housing, recreation and civic uses. The Plan allows 500+ new residential units and 200,000 square feet of commercial space, along with a hotel and a movie theater. The Railyard Master Plan is a joint effort between the Town of Truckee and Truckee Development Inc. Truckee Development Inc. owns a large portion of the area and plans to develop it in accordance with the Railyard Master Plan. The implementation of the Railyard Master Plan is expected to be a great benefit to the immediate area, greatly improving the quality of the neighborhood. According to Mr. Rick Holliday, of Holliday Development and Truckee Development Inc., construction of the initial infrastructure is anticipated to begin in the spring of 2015, with construction of the first two “blocks” of the planned development anticipated to begin in the summer or fall of 2015. According to the Railyard Master Plan, the first two “blocks” will involve the Hotel block and the westerly portion of the Theater block. It is anticipated to take 10-20 years for development of the entire planned project.

The Gateway area is located along Donner Pass Road in the vicinity of its intersection with State Route 89 South. The Gateway area is primarily commercial including the Gateway Shopping Center, public and utility offices, the Tahoe Forest Hospital and the newly constructed Tahoe Forest Cancer Center. The subject property is located in this area, across Donner Pass Road from the Tahoe Forest Hospital and the Tahoe Forest Cancer Center.

The Pioneer Commerce Center is located in the northeastern portion of the neighborhood, along the north side of Interstate 80, west of State Route 89 North. The Pioneer Commerce Center is a mixed use development designed to meet the needs of the light industrial and business community. The development is generally of average to good quality, with service areas being screened by fencing and landscaping. Nine buildings comprising 159,000± square feet are complete and reportedly near full occupancy. Full build-out is reportedly planned at 241,000 square feet. The development includes industrial, warehouse, and secondary retail space. Additional light industrial development extends north of the Commerce Center.

Residential development is located throughout the neighborhood. Residential development is located to the northwest of the Pioneer Commerce Center, along Comstock Drive. The Coachland Mobile Home Park is located in this area. Located on the east side of State Route 89 North, is the recently developed Gray's Crossing. Gray's Crossing is a planned community which is planned to eventually include 377 residential lots, 23 townhomes, 21 loft units, and retail space. Residential lot sales in Gray's Crossing have been very strong in the past year. Northwoods Boulevard, at the west end of the subject neighborhood, leads to Tahoe Donner, a very large residential development.

In summary, the subject neighborhood involves the Donner Pass Road corridor extending through Truckee, including Old Downtown Truckee, along with commercial, light industrial and residential development. Overall, the neighborhood is considered to be desirable and is considered to involve the core of Truckee.

SUBJECT EXTERIOR PHOTOGRAPHS



**VIEW OF SUBJECT BUILDING LOOKING NORTHERLY FROM
LEVON AVENUE AND DONNER PASS ROAD**



**VIEW OF SUBJECT BUILDING LOOKING NORTHEASTERLY FROM
NEAR DONNER PASS ROAD**

SUBJECT EXTERIOR PHOTOGRAPHS



VIEW OF THE REAR OF THE SUBJECT BUILDING LOOKING SOUTHEASTERLY FROM THE NORTHERLY PORTION OF THE PROPERTY



VIEW OF THE ENTRANCE DRIVEWAY AND A PORTION OF THE PARKING LOT LOOKING NORTHWESTERLY FROM DONNER PASS ROAD

SUBJECT EXTERIOR PHOTOGRAPHS



**VIEW OF SUBJECT BUILDING AND PARKING LOT LOOKING EASTERLY
FROM THE WESTERLY END OF THE PROPERTY**



**VIEW OF THE NORTHEAST CORNER OF THE SUBJECT BUILDING, SHOWING
THE SUBJECT SUITE ON THE 3RD FLOOR, LOOKING SOUTHWESTERLY
FROM THE EASTERLY PORTION OF THE PROPERTY**

SUBJECT EXTERIOR PHOTOGRAPHS

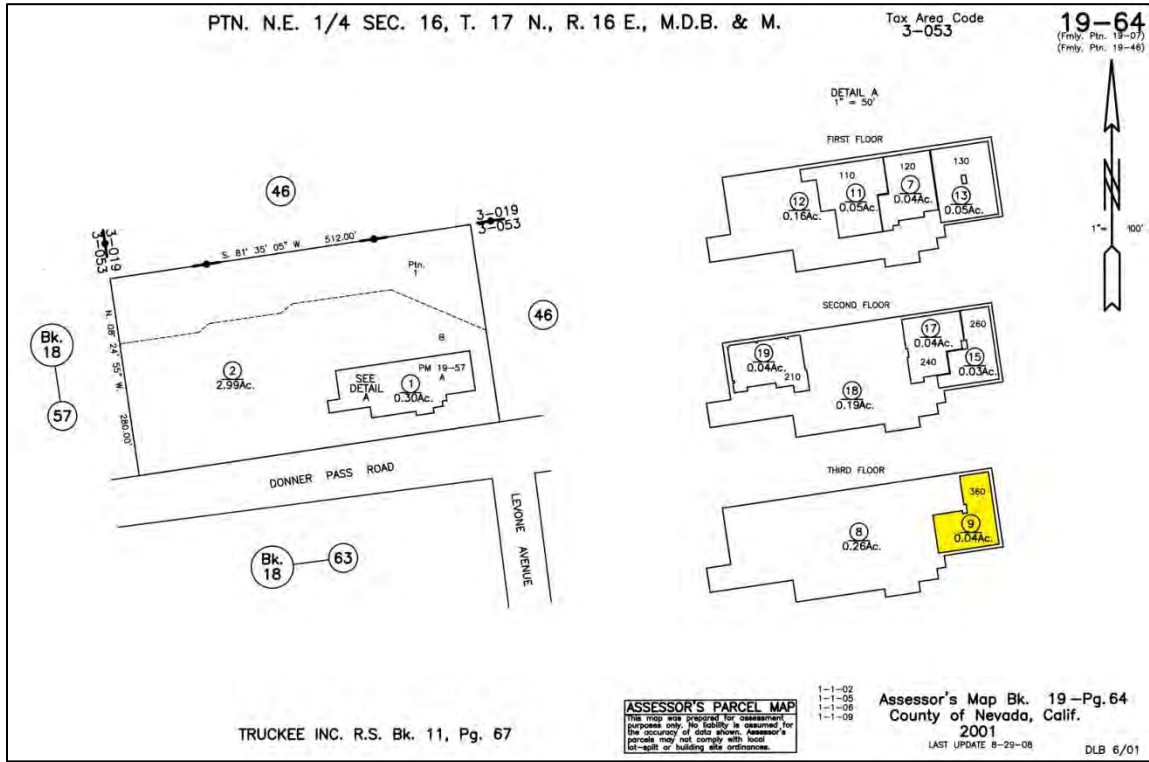


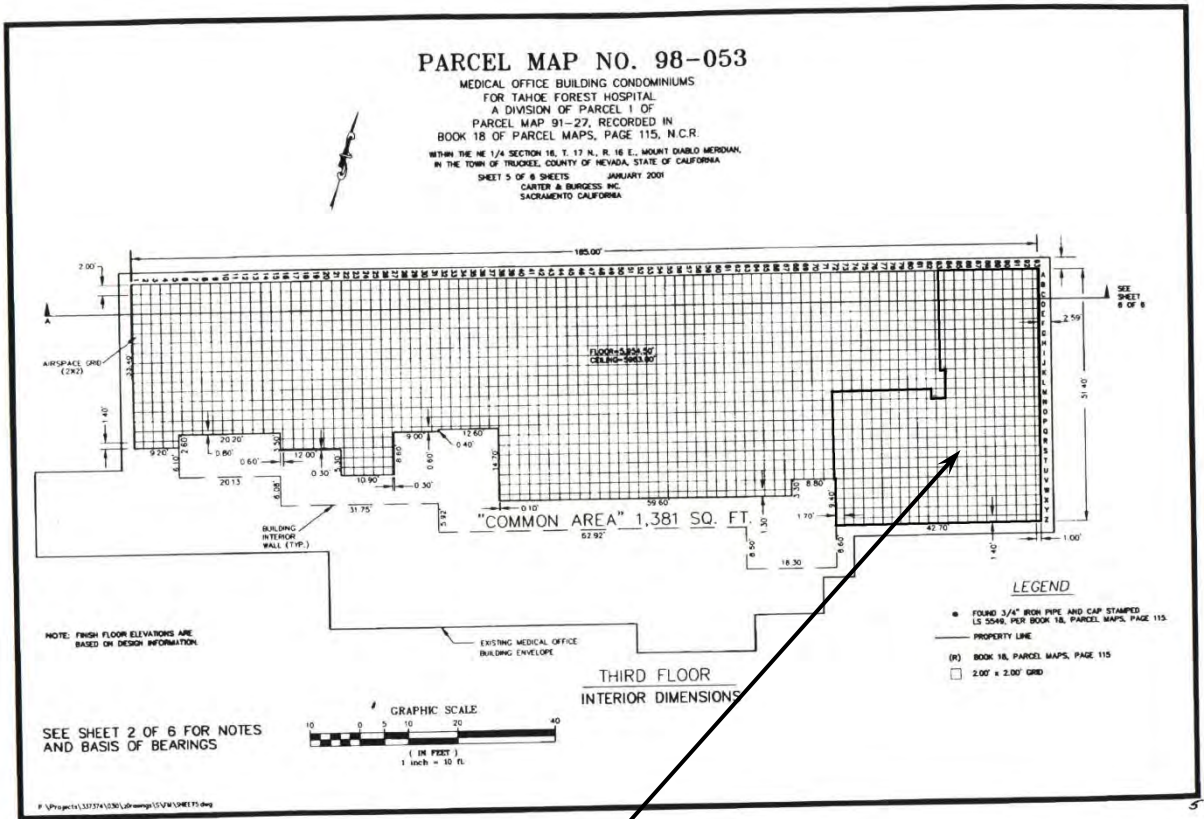
**STREET SCENE LOOKING EASTERLY ALONG DONNER PASS ROAD AND
SHOWING THE NEW CANCER CENTER, SUBJECT AT LEFT OF PHOTO**



**STREET SCENE LOOKING WESTERLY ALONG DONNER PASS ROAD,
SUBJECT AT RIGHT OF PHOTO**

SUBJECT ASSESSOR'S PARCEL MAP
 Nevada County A.P.N. 19-640-09





**Approximate Location of Subject Unit Within the
 Tahoe Forest Medical Offices Building**

SUBJECT PROPERTY IDENTIFICATION AND DESCRIPTION

Property Name	Tahoe Forest Medical Offices
Assessor's Parcel Number	19-640-09
Address	10956 Donner Pass Road, Suite 360, Truckee, California
Owner of Record	John Christden Richards and Nancy Clare Richards, Trustees of the Richards Family Trust dated August 27, 2002

Legal Description

In summary, the subject's legal description is Unit 360, and an undivided 1,630.110/22,631.83 square foot interest in Parcel A, as shown on Parcel Map Number 98-053, recorded March 5, 2001 in Book 19 of Parcel Maps, Page 57, Nevada County, California. A complete legal description is included in the addenda to this appraisal report.

Parcel Shape	Irregular
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Dimensions and Land Area

The subject property involves a condominium unit located at the eastern end of the third floor of the Tahoe Forest Medical Offices building. The subject property has an undivided proportional share in the common area of the building and the underlying parcel. The overall property contains 3.29± acres of land area.

The condominium unit is of an irregular shape. The unit involves the airspace between the finished surfaces of the walls, the carpeted floor and the suspended ceilings. The unit area, according to the legal description, is 1,630.11± square feet, which is rounded to 1,630± square feet, and is assumed to be correct. The reader is referred to the maps set forth previously for a visual depiction of the parcel.

Total Net Useable Office Area	1,630± square feet
--------------------------------------	--------------------

Zoning

CG – General Commercial

Both Nevada County and the Town of Truckee have jurisdiction over the subject property's land use. The County has adopted the Town of Truckee zoning ordinances. Accordingly, the zoning under Nevada County and the Town of Truckee is the same. The subject property is zoned CG - General Commercial. The CG zoning district is applied to areas appropriate for a wide range of retail shopping uses. This district may also accommodate mixed-use developments with residences. The Floor Area Ratio is .20. The CG zoning district is consistent with the Commercial land use classification of the General Plan. The allowed uses include a wide range of commercial, retail, office, and tourist accommodation uses.

The effect of the zoning associated with the subject property will be discussed subsequently in the *Highest and Best Use Analysis* section of this report.

Topography

The topography of the parcel supporting the office building is gently upsloping from street grade, becoming moderately upsloping toward the rear, or northerly portion of the property. The property is above street grade. The improved portion of the property is basically level.

Vegetation

The supporting parcel is landscaped with deciduous trees and shrubs. The site also has scattered intermediate growth conifers, particularly along the perimeter of the property.

Flood Zone

According to the Federal Emergency Management Agency's Flood Insurance Rate Map, Community Panel No. 06057C0529E, effective February 3, 2010, the subject property is located within Flood Zone X. Flood Zone X indicates areas located outside the limits of the 100-year and 500-year flood plain. Federal flood insurance is not required in Flood Zone X.

Earthquake Zone

According to the most recent edition of the Uniform Building Code, the subject property is located in Seismic Risk Zone 3. This zone encompasses areas which have a number of local faults, and where there is a relatively strong probability of moderate to strong seismic activity. Seismic Zone 3 is characteristic of the entire area. As far as these appraisers were able to determine, there is no special risk associated with the subject property which would render it more vulnerable than other comparable properties in the area.

Hazardous Materials

These appraisers have inspected the subject property with the due diligence expected of professional real estate appraisers. During the course of our inspection, these appraisers noted no obvious evidence of hazardous waste or toxic materials on the property. However, the reader should note that these appraisers are not qualified to detect hazardous waste or soil contamination on a property. The value estimates derived in this report are based upon the assumption that there is no soil or water contamination on the subject property, and that there are no hazardous materials contained within the improvements on the subject property.

Elevation

5,950± feet above sea level

Access and Exposure

The subject property involves a condominium unit located in a medical office building located on the north side of Donner Pass Road. Access is directly from Donner Pass Road, a main arterial roadway through Truckee. In the vicinity of the subject, Donner Pass Road is a two lane asphalt paved roadway with a center turn lane. The property is considered to have very good access and exposure.

Utilities

Utilities including water, sewer, electricity, natural gas, telephone, and cable have been extended to the improvements on the subject property. The utilities are installed underground.

Surrounding Development

The subject property is located in the Gateway area of Truckee. The Gateway area is located on the north side of Interstate 80 in the vicinity of the junction with State Highway 89 South. The surrounding development is primarily commercial, with a mix of older buildings and newer good quality buildings. The Tahoe Forest Hospital is located across Donner Pass Road from the subject. Also located across Donner Pass Road from the subject is the new Tahoe Forest Cancer Center. Older residential development is also scattered to the north and south of Donner Pass Road. Overall, the subject is considered to enjoy a favorable commercial location. In particular, the subject has a desirable medical office location as it is located across the street from the Tahoe Forest Hospital and Cancer Center.

Easements, Encumbrances and Restrictions

These appraisers were provided with only the title page and legal description page from a Preliminary Title Report prepared for the subject property by California Land Title Company of Nevada dated June 8, 2004, and referenced by Order Number 0039496-KB.

We did obtain a copy of the Recorded Parcel Map for the project, a copy of which is included in the addenda to this report. The Parcel Map lists a non-exclusive easement across Parcel B, appurtenant to Parcel A, for the purpose of access, parking, landscaping, snow removal, drainage, utilities and maintenance. Parcel A is the building envelope; Parcel B is the remainder of the underlying parcel. There is also an easement for the condominium association for access to repair and maintain utilities, conduits and common facilities located within a condominium unit or between floor spaces. The Map also shows several utility easements. Finally, the Map indicates that Covenants, Conditions and Restrictions have been recorded for the project.

These appraisers were provided with a few excerpts from these Covenants, Conditions and Restrictions. The CC&Rs appear to be typical for a medical office building. The condominium units must be used and occupied by licensed California physicians and

members on the active medical staff at Tahoe Forest Hospital. The units may not be used to provide any services which would compete with services offered at the Hospital.

Additionally, the Hospital must be granted first right of refusal for any potential sale or lease of a condominium unit.

Most of these items are felt to be typical for a property such as the subject and are not considered to have any adverse effect on the subject property. However, the requirement that the condominium units must use and occupied by Doctors on staff at the hospital does restrict the use of the subject property. This appraisal has been prepared based upon the assumption that there are no other easements, encumbrances or restrictions which would prevent development of the subject property to its highest and best use, and that title to the property is free, clear and marketable.

Encroachments

None observed

Subject Sales History

Tahoe Forest Hospital constructed the Tahoe Forest Medical Offices building with the intent to lease a certain percentage of the building to doctors on staff at the hospital and retain ownership of the remainder of the building. The hospital entered into lease-option agreements with the doctors requiring that they lease the unit for a specified number of years before being able to exercise their purchase option. Additionally, it was reported that only doctors who were on staff at the hospital could lease or purchase a unit in the building.

Dr. Richards, who is a doctor on staff at the Tahoe Forest Hospital, negotiated a lease-option agreement with the hospital for the subject unit in 1996. The hospital required that the unit be leased for five years, after which time the Doctor could then exercise the option to purchase the unit. The purchase price appears to have been agreed to at the time of the commencement of the lease and the signing of the Option to Purchase in 1996, although the Option to Purchase was amended in September of 1998 and the Lease was amended in July of 1999 and renewed in November of 2001. Dr. Richards purchased the subject condominium

suite from Tahoe Forest Hospital by a deed recorded on September 7, 2004 for a reported price of \$449,000, which equates to \$275.46 per square foot of unit area.

To the best of these appraisers' knowledge, the property has not been listed for sale within the past twelve months, although the property owners are now considering selling the unit.

Existing Improvements

The subject property involves a medical office suite within the Tahoe Forest Medical Offices building. The Tahoe Forest Medical Offices building is a three story building containing 22,632± square feet of gross building area which was constructed in 1997. The building is of a unique architectural style. The roof is basically flat. Much of the exterior of the building has brick siding. There is a large glass enclosed atrium along the front of the building. The building is of very good quality, is in good condition, and exhibits good appeal.

The subject suite contains 1,630± square feet of net useable building area on the third floor of the building. The suite is accessed from the lobby/common area of the first floor of the building via an elevator or stairway leading to a common hallway on the third floor. Dr. Richards utilizes the majority of the suite, and leases a portion of the suite to Truckee Counseling Services. Dr. Richards' suite involves a waiting room, reception/open work area, a nurse's station, an examination room, a procedure room, an office/consultation room, a break room, a restroom and a storage closet. The portion of the suite leased to the counseling service involves a waiting area and two private offices. The suite is also considered to be of good quality and to be in good condition.

Site improvements include a large asphalt paved parking lot, sidewalks, a monument sign and landscaping. The improvements on the subject property will be described in detail in the following section of this report, entitled *Description of Subject Improvements*.

Tax Data

Parcel Number	19-640-09
2013-2014 Assessed Value	
Land	\$126,775
Improvements	<u>\$325,999</u>
Total	\$452,774
2013-2014 Tax Rate	<u>\$1.0883/\$100 Assessed</u>
2013-2014 Taxes	\$4,927.54

According to the Nevada County Tax Collector's office, the taxes are current and there are no delinquent taxes owed.

Based upon the enactment of Proposition 13 in the State of California, the assessed value of a property is equivalent to the Assessor's opinion of its taxable value as of a base year, plus annual increases not to exceed 2%. Unless a property has transferred ownership in the interim, the base year is 1975. As the last sale of the subject property occurred in 2004, the base year is 2004. Under Proposition 13, the Assessor is required to re-appraise every parcel upon transfer of ownership, expansion, or redevelopment.

General Assessments

In addition to the above taxes, there is an additional direct charge for the Truckee Fire Prevention District in the amount of \$168.92 per year, a direct charge for the Truckee Recreation District in the amount of \$8.00 per year, and a direct charge for the Tahoe Truckee Unified School District in the amount of \$135.00 per year.

Summary

In summary, the subject property involves a unit in a condominium medical office building. The building is located on the north side of Donner Pass Road, across from the Tahoe Forest Hospital and Cancer Center, located between Pine and Levon Avenues. The property is located in the Gateway area of Truckee, a busy commercial neighborhood located north of Interstate 80 in the vicinity of the junction with State Highway 89 South. The

surrounding development is primarily commercial and includes the Tahoe Forest Hospital and Cancer Center. The office building is supported by a 3.29± acre common area parcel of which the condominium owners have an undivided interest. The topography is gently to moderately upsloping from street grade. The property is considered to have very good access and exposure. All utilities have been installed to the improvements on the property. The Tahoe Forest Medical Offices building was constructed in 1997 and contains 22,632± square feet of gross building area. The building is three stories and is of an appealing design. The building is of very good quality, is in good condition and enjoys good appeal. Site improvements include a large asphalt paved parking lot, sidewalks, monument sign and landscaping. The subject suite is located at the east end of the third floor of the building and contains 1,630± square feet of net useable area. The suite involves a good quality medical office.

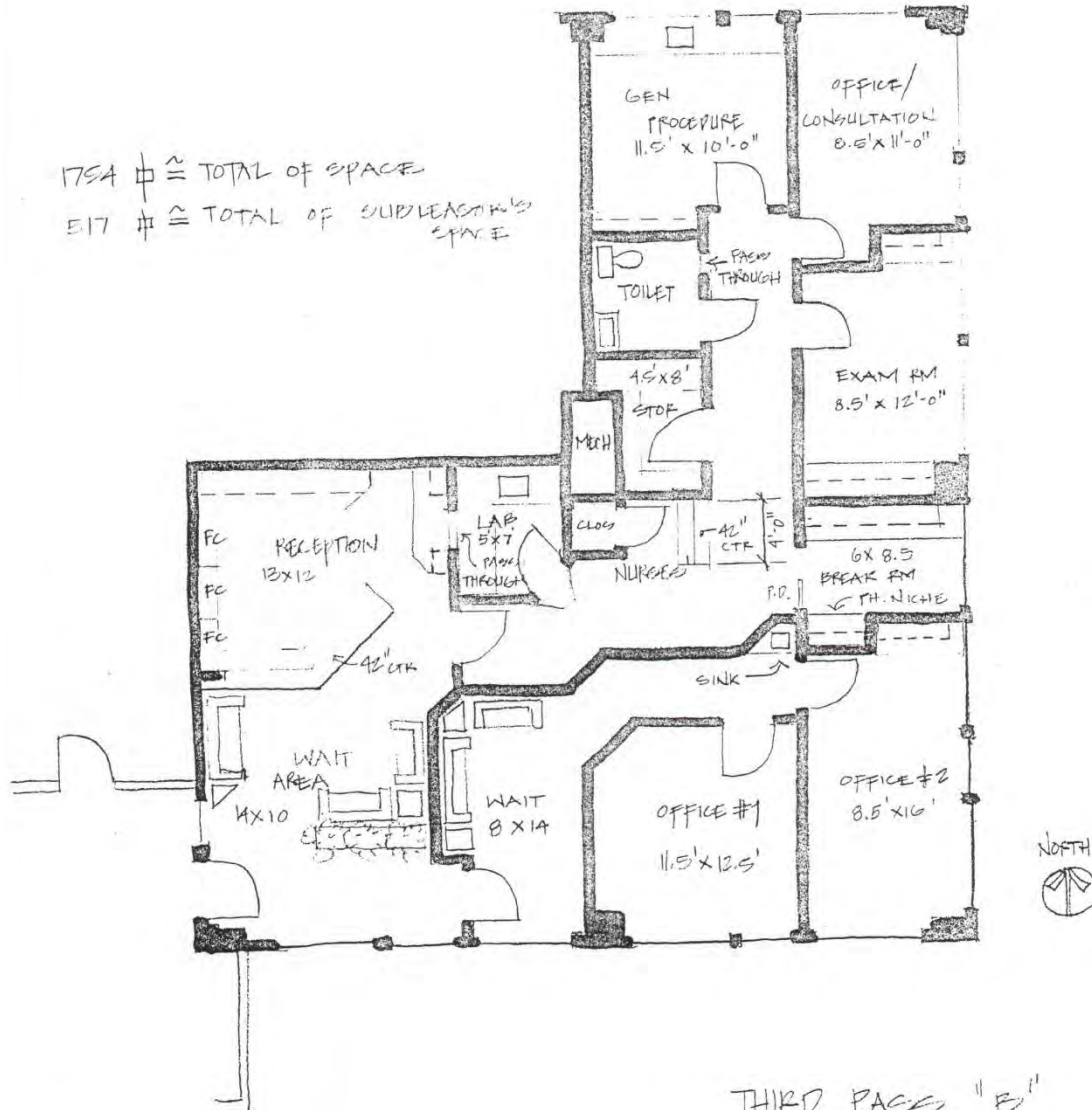
Overall, the subject property is considered to be very desirable. The reader is referred to the maps and photographs set forth previously for a visual depiction of the subject property.

SUBJECT FLOOR PLAN

ROC GETCO CONSTRUCTION
 DR. CHRIS RICHARDS' T.I.

6-12-97

1754 # \approx TOTAL OF SPACE
 E17 # \approx TOTAL OF SUBLEASEABLE SPACE



THIRD PASS "B"
 SCALE: 1/8" = 1'-0"

SUBJECT INTERIOR PHOTOGRAPHS



VIEW OF BUILDING ENTRANCE



VIEW OF THE FIRST FLOOR COMMON AREA AND THE STAIRWAY LEADING TO THE SECOND FLOOR

SUBJECT INTERIOR PHOTOGRAPHS



VIEW OF THE ENTRANCE TO THE SUBJECT SUITE AND THE WAITING AREA



VIEW OF THE RECEPTION COUNTER AND WORK STATIONS

SUBJECT INTERIOR PHOTOGRAPHS



VIEW OF THE INTERIOR HALLWAY AND NURSES STATION



ADDITIONAL VIEW OF THE INTERIOR HALLWAY

SUBJECT INTERIOR PHOTOGRAPHS



VIEW OF THE BREAKROOM



VIEW OF THE NURSES STATION AND LAB AREA

SUBJECT INTERIOR PHOTOGRAPHS



VIEW OF THE EXAMINATION ROOM



VIEW OF THE PROCEDURE ROOM

SUBJECT INTERIOR PHOTOGRAPHS



VIEW OF THE DOCTOR'S OFFICE AND COSULTATION ROOM



VIEW OF THE RESTROOM

SUBJECT INTERIOR PHOTOGRAPHS



VIEW OF THE WAITING AREA FOR THE LEASED PORTION OF THE SUITE



ADDITIONAL VIEW OF THE ENTRANCE AND WAITING AREA FOR THE LEASED PORTION OF THE SUITE

DESCRIPTION OF SUBJECT IMPROVEMENTS

The subject property involves a 1,630± square foot medical office condominium unit in the Truckee Forest Medical Offices building. The Truckee Forest Medical Offices building was constructed in 1997 and contains 22,632± square feet of gross building area. The building is three stories and is of masonry construction with a metal roof. The building is of a unique architectural style that has been popular in Truckee in recent years. The exterior siding is primarily brick. There is a large covered entryway. The building has extensive windows. The majority of the south face of the building involves an atrium area with full floor to ceiling windows, rising to a height of approximately two stories. Site improvements involve a large asphalt paved parking lot containing roughly 130 parking spaces, sidewalks, landscaping, and a sign. The subject unit includes an undivided proportional interest in the common area, which includes the parking lot and the common areas of the building.

Access into the building is via a covered walkway leading to two glass doors in metal frames. The doors lead into the entry area providing access to the first floor suites, a pharmacy, elevator, mailboxes, and stairway leading to the second level. The flooring involves a combination of carpeting and tile. The walls involve a combination of dual pane glass, brick and drywall which has been taped, textured and painted. A portion of the ceiling is open to the second story. The remainder involves a dropped acoustic tile ceiling. Lighting is provided by a combination of recessed fluorescent lights and recessed incandescent lights. The common area on the first level includes a large waiting area with chairs, a men's and a women's restroom, and the aforementioned elevator and stairway. The stairway is an open metal stairway providing access to the second floor. Access to the third floor is by elevator or by the enclosed stairwells located at each end of the building. Common areas on the second and third levels basically involve hallways providing access to the individual suites as well as sitting areas for the business patrons. Each suite has windows and a door opening out to the common area. Heating and air conditioning is provided by an HVAC system. The ventilation ducts are exposed and are painted to match the décor of the building. A mechanical room is located above the third floor and is accessed by the interior stairwell. The building is fully

fire sprinklered. Reportedly, the building was constructed with energy efficiency in mind and was selected under the Department of Energy exemplary buildings program. This reportedly resulted in the National Renewable Energy Laboratory providing an energy consultant who assisted in the design of the building. Some of the energy-efficient features include load avoidance, renewable energy at the site including lighting, passive solar heating and cooling strategies and day lighting, and energy-efficient equipment. It was reported that energy savings could be as much as 40% to 80%.

The subject unit is located at the east end of the third floor of the building. As the subject suite is located at the end of the building, it has three exterior walls. The suite extends the depth of the building from the front to the rear. The subject suite also abuts the eastern end of the building. The suite's exterior walls enjoy several large windows. These tall windows provide a large amount of daylight and passive solar heat to the suite, as well as good views of the surrounding area and the forest to the rear of the building.

The subject unit is currently divided into two suites, one of which is occupied by the owner and the other of which is leased by the owner to a counseling group. Entry into the subject unit is via a wood door with a large glass insert. This main entry door leads to a short hallway common to both suites. Another similar entry door leads to the leased suite. A wood and glass partition with door leads to the waiting area and reception office area for the main portion of the suite. This suite also includes a nurses' station, an examination room, a procedure room, an office/consultation room, a break room, a restroom and a storage closet. There is a wood door with a glass insert between the reception area and the remainder of the suite. The interior finish involves a combination of good quality commercial grade carpeting and wood flooring. The walls are sheetrock which has been taped, textured and painted. The ceiling is primarily a dropped acoustic tile ceiling. The ceiling height in the unit varies from 8 to 10 feet. The exam room, procedure room, and office have interior clerestory windows providing daylight to the interior of the suite. Lighting is provided by both fluorescent and incandescent ceiling mounted fixtures. The unit has several built-in base cabinets, wall-

mounted cabinets, built-in desks and counters. The break room also has built-in cabinets and a stainless steel sink. The restroom has a wall mounted sink and toilet and appears to be handicap accessible. The suite also has a high efficiency heat pump system, sound proofing in the interior walls, CAT5 wiring and an alarm system.

The portion of the suite leased to the counseling group involves a small waiting area, a small built in kitchenette area with a built-in cupboard, cabinet and small aluminum sink, and two private offices. The offices were in use at the time of our inspection and we therefore were not able to inspect the interior of these offices. The waiting area consisted of commercial grade wall to wall carpeting, sheetrock walls which had been taped, textured and painted and a dropped acoustic tile ceiling.

Overall, the suite is considered to be of good quality, typical for a medical office, and is considered to be in good condition. The building is considered to be of very good quality, to be in good condition, and to enjoy good appeal.

The reader is referred to the photographs set forth previously for a visual depiction of the improvements.

HIGHEST AND BEST USE ANALYSIS

Highest and Best Use is defined as the most reasonable and probable use that supports the highest present value of the vacant land and/or improved property, as defined, as of the effective date of valuation. Implicit in this definition is that the highest and best use must be physically possible, legally permissible, economically feasible and maximally productive. As the subject property involves a condominium unit, as opposed to a freestanding building with land, only the highest and best use for the subject property as improved will be analyzed.

The subject property involves a condominium unit with 1,630± square feet of net useable office space, located in a professional medical office building with a total gross building area of 22,632± square feet. The improvements, which were constructed in 1997, are considered to be of good quality, to be in good condition and to exhibit good appeal. The building fronts on Donner Pass Road in the Gateway area of Truckee, across from the Tahoe Forest Hospital and Cancer Center. The property enjoys very good access and exposure. The subject property has General Commercial zoning, allowing for a wide variety of commercial, retail, office, and tourist accommodation uses, as well as mixed-use developments including residential units. However, the CC&Rs restrict use of the condominium units to medical use by Doctors on staff at the hospital, which does limit the potential market for this property.

Based upon the zoning, the existing improvements, and the location fronting on Donner Pass Road across from a hospital, and the restriction of the units to medical use by Doctors on staff at the hospital, it is our opinion that the highest and best use of the subject property is as currently improved with a medical office.

INTRODUCTION TO VALUATION ANALYSIS

In order to estimate the Market Value of the subject property based upon its highest best use, these appraisers considered the three approaches to value. These approaches include the Cost Approach to Value, the Income Approach to Value, and the Sales Comparison Approach to Value.

In the following sections of this report, value indications for the subject property will be developed utilizing the Sales Comparison Approach and the Income Approach. The Cost Approach to Value has not been analyzed in this report. This is due primarily to the fact that the subject involves a condominium unit, not an entire building. Additionally, it is our opinion that an investor purchasing the subject property would not base an investment decision on the Cost Approach. Furthermore, no land sales of condominium office sites are available.

Under the Income Approach, both the Direct Capitalization Method and the Gross Income Multiplier Method will be utilized. Under the Direct Capitalization Method, the potential gross rental income that the property should be able to generate will be estimated. Then, a vacancy and credit loss allowance will be deducted to establish the effective gross income for the subject property. From this figure will be subtracted the expenses that will be incurred in order to generate the income. A capitalization rate will then be estimated utilizing capitalization rates extracted from the local market. The capitalization rate will be applied to the net operating income in order to establish an estimate of the Market Value of the subject property by the Direct Capitalization Method of the Income Approach.

Under the Gross Income Multiplier Method, a gross income multiplier will be estimated and applied to the effective gross annual income projected for the subject property to establish an estimate of the Market Value of the subject property by the Gross Income Multiplier Method of the Income Approach.

Under the Sales Comparison Approach, sales of similarly improved commercial properties will be analyzed and compared to the subject based upon the sale price per square foot of gross building area.

The results of the approaches to value will then be analyzed for their respective strengths and weaknesses and correlated to a Market Value conclusion of the fee simple interest in the subject property.

INTRODUCTION TO THE INCOME APPROACH TO VALUE

The Income Approach to Value is the procedure in the appraisal analysis that converts anticipated future benefits (income) that will be derived from the ownership of a property into a value estimate. This approach is predicated on the assumption that value is typically viewed and measured as the present worth of the anticipated future income that will be derived from the possession of ownership rights in real estate. Two methods will be utilized under the Income Approach to Value, the Direct Capitalization method and the Effective Gross Income Multiplier method.

The first step in the Direct Capitalization method will be to estimate the potential gross annual income that the subject property could reasonably be expected to produce as of the effective date of valuation. Once an appropriate potential gross annual income is projected, the next step is to establish an appropriate allowance for vacancy and credit loss to arrive at an effective gross annual income estimate. Projected operating expenses will then be subtracted from the effective gross income to establish an estimate of the net operating income which the subject property could reasonably be expected to generate as of the effective date of valuation.

An overall capitalization rate will be developed through direct extraction from sales of commercial buildings in the region and a review of market data from other sources. The capitalization rate will be applied to the net annual income to estimate the Market Value of the subject property by the Direct Capitalization Method of the Income Approach.

Under the Gross Income Multiplier method, an effective gross income multiplier will be developed through direct extraction from the sales of the commercial buildings in the region. The effective gross income multiplier will then be applied to the effective gross income projected for the subject property in order to arrive at an indication of value by the Gross Income Multiplier method of the Income Approach.

DIRECT CAPITALIZATION METHOD

The first step in the Direct Capitalization analysis is to estimate the potential gross annual income that the property would most likely be able to generate. The majority of the subject office is currently owner occupied. The owner does lease a small portion of the office to the Truckee Counseling Group. This group has occupied this 517± square foot space for several years, although they have never signed a lease agreement. According to Dr. Richards, they are currently paying \$1,601 per month, which equates to \$3.10 per square foot per month. The lease payment includes all expenses. Dr. Richards has also recently listed the remainder of his unit for lease on LoopNet at an asking rate of \$3.08 per square foot, for the remaining 1,113± square feet of the condominium unit. This lease rate is based upon triple net lease terms whereby the tenant is responsible for all costs associated with the property. Dr. Richards stated that he has not received any interest or calls on this listing.

In order to determine an appropriate market rental rate for the subject property, a market rent analysis will be conducted. In this analysis, the subject property is viewed as being available for lease based upon triple net lease terms where the tenant pays for all expenses associated with the property.

These appraisers were unable to locate any medical office rentals in the Truckee area other than the lease of a portion of the subject unit. However, there is a new good quality office building on Donner Pass Road with a small office suite available for lease, and the adjacent older commercial building located on the west side of the subject building also has two spaces available for lease. We then expanded our search to the areas adjacent to the major hospitals in Reno and Carson City. We have included two medical buildings in Carson City and one in Reno. We have also included the lease of a portion of the subject's unit.

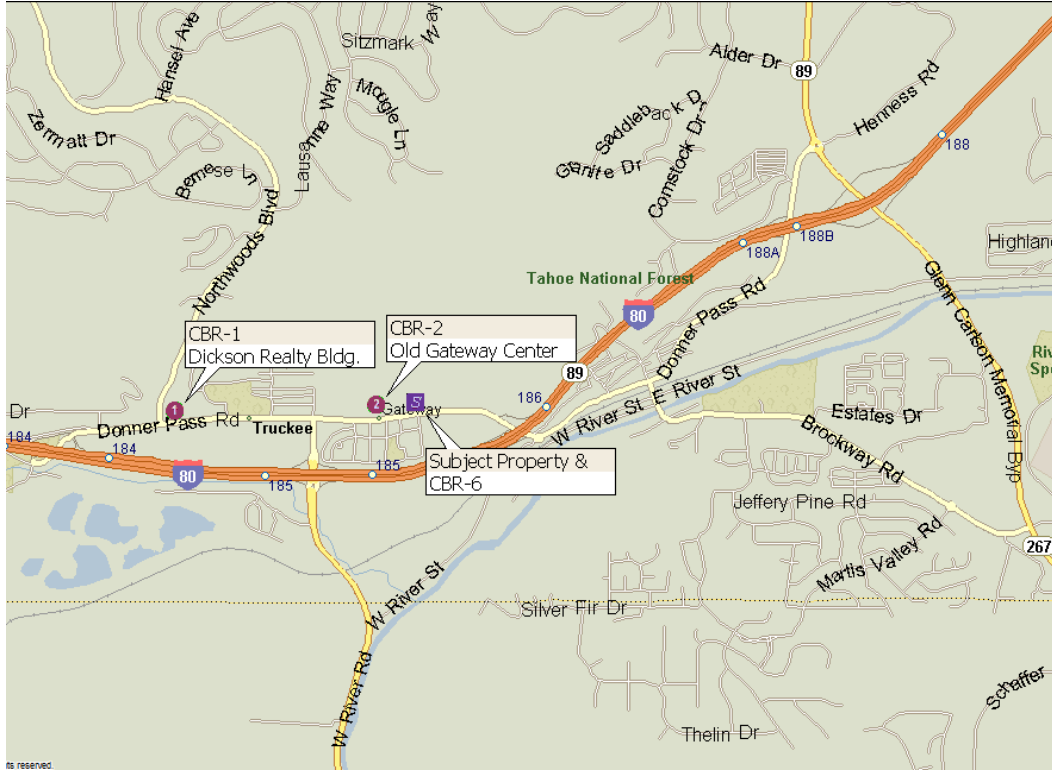
These comparable rentals are set forth on the following Comparable Commercial Rental Chart, followed by a Comparable Commercial Rental Map. These comparable rentals will then be analyzed and compared with the subject property in order to derive a market rental rate for the subject unit, based upon triple net lease terms.

COMPARABLE COMMERCIAL BUILDING RENTAL CHART

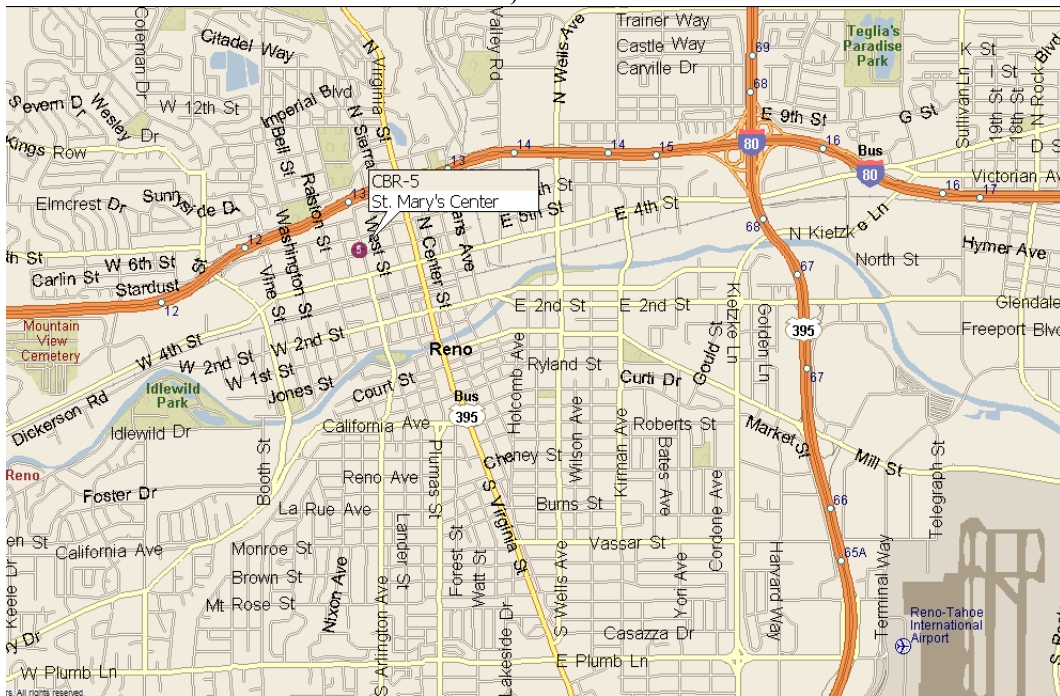
Rental No.	Property Identification Address	Lease Date	Suite Size	Building Age Building Type	Lease Terms	Lease Rate
CBR-1	Dickson Realty Office Building 11836 Donner Pass Road, Truckee, California	Available	508± sf	New Professional Office	NNN	\$2.75
CBR-2	Old Gateway Center 11073-75 Donner Pass Road Truckee, California	Available	911± sf & 1,161± sf	52 years Retail/Office	NNN	\$2.15
CBR-3	Eagle Medical Center 2874 N. Carson Street Carson City, Nevada	Available	1,255± sf	12 years Medical Office	NNN	\$2.10
CBR-4	Carson Tahoe Regional Medical Center Campus 1470 Medical Parkway Carson City, Nevada	Available	1,039± sf to 6,300± sf	7 years Medical Office Connected to hospital by breezeway	NNN	\$1.75
CBR-5	Saint Mary's Center for Health 645 N. Arlington Avenue Reno, Nevada	2014	917± sf to 4,962± sf	10 years Medical Office on site of Saint Mary's Regional Medical Center campus	NNN	\$1.85
CBR-6	Truckee Counseling Services 10956 Donner Pass Road, #360 Truckee, California	2006	517± sf	17 years Within Subject Unit	Full Service	\$3.10
Subject	Tahoe Forest Medical Offices 10956 Donner Pass Road, #360 Truckee, California	9-11-14	1,630± sf	17 years Medical Office	NNN	-----

COMPARABLE COMMERCIAL BUILDING RENTAL MAPS

Truckee, California



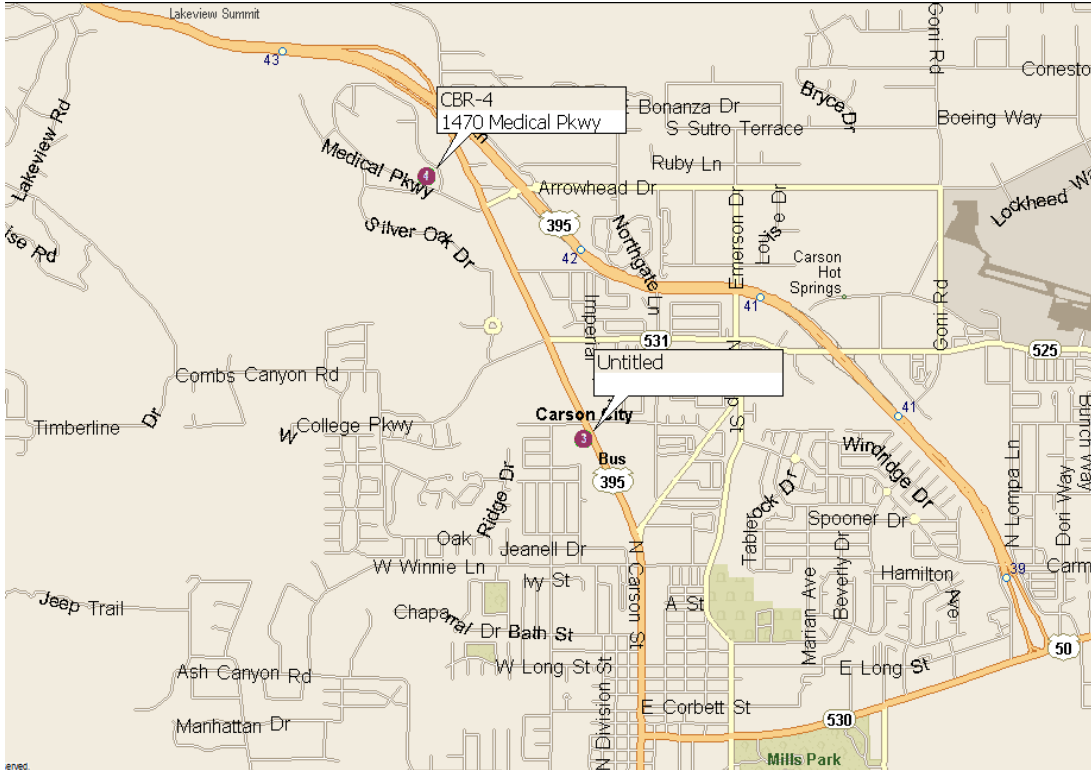
Reno, Nevada



Reno ■ Lake Tahoe

COMPARABLE COMMERCIAL BUILDING RENTAL MAP

Carson City, Nevada



Reno ■ Lake Tahoe

COMPARABLE COMMERCIAL BUILDING RENTAL CBR-1



Rental CBR-1 involves the new Dickson Realty office building located on the northeast corner of Donner Pass Road and Northwoods Boulevard, at the west end of Truckee. This property enjoys a favorable location at a busy intersection located at the entrance to the Tahoe Donner neighborhood, Truckee's largest residential neighborhood. This comparable involves a recently constructed good to very good quality office building which is primarily owner occupied. However, there is one small 508± square foot office which is available for rent. This office enjoys a favorable location at the front of the building with good exposure to Donner Pass Road. The asking rent is \$2.75 per square foot, per month, based upon triple net lease terms. In an interview with Mr. Ron Hemig, one of the owners, he indicated that they have a good prospective tenant and he anticipates that they will lease the space at the asking rate of \$2.75. Mr. Hemig stated that they do not want to go lower than \$2.75.

In comparing this rental with the subject property, some upward adjustment is made as the comparable suite is not finished as a medical office. Medical offices typically have a higher quality of finish and include extra plumbing and electrical fixtures. On the other hand, some downward adjustment is made as this does still reflect an asking rent and not a signed lease. A further downward adjustment is made for the small size of the comparable suite. Some additional downward adjustment is made for the new condition of the comparable building.

Overall, the \$2.75 per square foot per month rental rate for this comparable is considered to be a slightly high indicator for the subject property.

COMPARABLE COMMERCIAL BUILDING RENTAL CBR-2



Rental CBR-2 involves the Old Gateway Center located at 11073-11075 Donner Pass Road, on the west side of the subject property. This property enjoys very good exposure and has ample on-site parking. This center was constructed in 1962; however, it has been reasonably well maintained and is in reasonably good condition for its age. This is a multi-tenant building with a diverse mix of primarily retail oriented tenants including ski shops. The two units at the west end of the building are vacant and available for lease. One unit is 911± square feet and the other is 1,161± square feet. The asking rental rate is \$2.15 per square foot, per month, based upon triple net lease terms. In an interview with Robin of Truckee River Associates, she stated that they have an offer for the larger suite. She anticipates that this unit will lease for very close to the asking rate. The anticipated use is for retail fitness. Robin also stated that this building is within the Hospital plan area.

In comparing this rental with the subject property, a moderately large upward adjustment is made for the older age and inferior quality and condition of the comparable property. On the other hand, some downward adjustment is made as this does still reflect an asking rent and not a signed lease.

Overall, the \$2.10 per square foot per month rental rate for this comparable is considered to be a slightly low indicator for the subject property.

COMPARABLE COMMERCIAL BUILDING RENTAL CBR-3



Rental CBR-3 involves the Eagle Medical Center located at 2874 N. Carson Street, just south of W. Nye Lane, in Carson City, Nevada. The Eagle Medical Center is very good quality medical office building which was constructed in 2002. The three-story, multi-tenant building is occupied by a variety of medical related tenants. The property is located approximately one mile south of the newer Carson Tahoe Regional Medical Center, and a little over a mile north of the old Carson Hospital. There is currently only one vacancy in the building. This vacant suite contains 1,255± square feet. The asking rental rate is \$2.10 per square foot, per month, based upon triple net lease terms. In an interview with Cheryl Evans, the leasing agent, with NAI Alliance, she stated that suites in this building generally lease for \$2.00 to \$2.50 per square foot. She indicated that the Eagle Medical Center generates the highest rental rates in Carson City, higher than the building located on the Carson Tahoe Regional Medical Center campus.

In comparing this rental with the subject property, a moderately large upward adjustment is made for the comparable's inferior Carson City location. On the other hand, some downward adjustment is made as this does reflect an asking rent and not a signed lease.

Overall, the \$2.10 per square foot per month rental rate for this comparable is considered to be a slightly low indicator for the subject property.

COMPARABLE COMMERCIAL BUILDING RENTAL CBR-4



Rental CBR-4 involves the building located at 1470 Medical Parkway in Carson City, Nevada. This building is located on the Carson Tahoe Regional Medical Center campus, located at the north end of Carson City. This building is also owned by the Carson Tahoe Regional Medical Center. There are additional medical buildings located in this vicinity, including the Sierra Surgery Center. Reportedly, this building is connected to the hospital by a breezeway. This 40,000± square foot building was constructed in 2007 and is considered to be of good to very good quality. There is currently reportedly 6,309± square feet of space remaining for lease in this building. The space is in a shell condition; however, there is a \$45 per square foot tenant improvement allowance. The asking rental rate is \$1.75 per square foot, per month, based upon triple net lease terms. Ms. Cheryl Evans is also the leasing agent for this property. She indicated that the lease rates in this building are typically \$1.70 to \$1.80 per square foot.

In comparing this rental with the subject property, a moderately large upward adjustment is made for the comparable's inferior Carson City location. A further upward adjustment is made for the shell condition of the suite, although this is somewhat offset by the tenant improvement allowance. On the other hand, some downward adjustment is made as this does reflect an asking rental rate.

Overall, the \$1.75 per square foot rental rate for this comparable is considered to be a low indicator for the subject unit.

COMPARABLE COMMERCIAL BUILDING RENTAL CBR-5



Rental CBR-5 involves the St. Mary's Center For Health located at 645 N. Arlington Avenue in Reno, Nevada. Reno is located approximately 35 miles to the east of Truckee and involves the nearest metropolitan area with the nearest major hospitals. The building is located on the St. Mary's Regional Medical Center campus. This building was constructed in 2004 and is considered to be of very good quality. There are five spaces remaining available for lease in this building ranging in size from 917± square feet to 4,962± square feet. All five suites are located on the fifth and sixth floor of the building. The asking lease rate was \$1.75 per square foot, per month, based upon triple net lease terms. In an interview with Ms. Jamie Krahn, with Ensemble Real Estate Solutions, she stated that the lease rate is increasing to \$1.85 per square foot in January of 2015 and that two of the five suites have recently been leased at a rate of \$1.85 per square foot. The leases will be effective January 1, 2015 and involve a ten year term and include a tenant improvement allowance of \$75 per square foot. Furthermore, she has proposals for two of the other vacant suites and anticipates that these leases will be signed soon based upon the same terms of \$1.85 per square foot, for a ten year lease with a \$75 per square foot tenant improvement allowance.

In comparing this rental with the subject property, a moderately large upward adjustment is made for the comparable's inferior Reno location. Due to the greater supply of commercial property in Reno, the rental rates are typically lower than the rates in Truckee. A

further upward adjustment is made for the shell condition of the suite, although this is mostly offset by the tenant improvement allowance. No downward adjustments are noted.

Overall, the \$1.85 per square foot rental rate for this comparable is considered to be a low indicator for the subject unit.

COMPARABLE COMMERCIAL BUILDING RENTAL CBR-6



Rental CBR-6 involves the lease of a portion of the subject unit to Truckee Counseling Services. Truckee Counseling Services leases 517± square feet in the southeast corner of the subject unit. The leased space involves a small waiting room and two private offices. A lease was drafted with an effective date of March 1, 2006; however, the lease was never signed. According to the property owner, the tenant is currently paying \$1,601 per month, which equates to \$3.10 per square foot, per month. The lease is essentially a full service lease and includes predicted amounts for utilities, common area maintenance charges, and property taxes.

In comparing this rental with the subject property, a moderately large downward adjustment is made as this lease rate includes an allowance for utilities, CAM charges and property taxes. A further downward adjustment is made for the small size of the leased space. All else being equal, a small space will typically lease at a higher rate per square foot.

Overall, the \$3.10 per square foot rental rate for this comparable is considered to be a high indicator for the subject unit.

Comparable Commercial Building Rentals Analysis and Discussion

In summary, six comparable rentals, including the lease of a portion of the subject unit, were analyzed and compared with the subject property. Two of the comparables are located in Truckee; one involving a new very good quality office building and one involving an older commercial building on the west side of the subject building. Two of the comparables are located in Carson City, adjacent and nearby to the Carson Tahoe Regional Medical Center. One of the comparables is located on the St. Mary's Regional Medical Center campus in Reno. The comparable rental rates ranged from \$1.75 to \$2.75 per square foot, per month, all based upon triple net lease terms. The subject's lease is at a rate of \$3.10 per square foot, based upon full service lease terms.

Comparable Rentals CBR-4 and CBR-5, at \$1.75 and \$1.85 per square foot, respectively, were considered to be low indications of an appropriate rental rate for the subject property. Both of these comparables involve shell space in relatively new buildings, although they do include tenant improvement allowance. One property is located on the Carson Tahoe Regional Medical Center campus in Carson City, and the other is located on the St. Mary's Regional Medical Center campus in Reno.

Comparable Rentals CBR-2 and CBR-3, at \$2.15 and \$2.10 per square foot, respectively, were considered to be slightly low indicators for the subject property. In the case of CBR-2, this was due primarily to the older age and inferior quality and condition of the comparable property. In the case of CBR-3, this was due primarily to its inferior Carson City location.

Comparable Rental CBR-1, at \$2.75 per square foot, was considered to be a slightly high indicator for the subject, due primarily to the small size of the comparable suite and due to the new condition of the comparable building.

Comparable Rental CBR-6, at \$3.10 per square foot, involves the lease of a portion of the subject unit, based upon full service lease terms. As this rental rate includes an allowance for utilities, CAM charges and property taxes it is felt to be a high indication of an appropriate rental rate for the whole subject unit, based upon triple net lease terms. Additionally, this lease involves only 517± square feet.

Finally, some consideration is given to the lease listing of the remaining 1,113± square feet of the subject unit at a rate of \$3.08 per square foot, per month, based upon triple net lease terms. The property owner has posted this listing on LoopNet, without a leasing agent, and indicated that he has not received any interest or calls. This asking rate is considered to be a high indication of an appropriate market rental rate for the subject unit.

In determining an appropriate market rental rate for the subject, consideration is given to the good to very good quality of the subject's building and the subject unit. Consideration is also given to the medical office utilization and the location across the street from the Tahoe Forest Hospital. There are very few good quality medical office buildings in Truckee.

Based upon an analysis of the comparable rentals, it is our opinion that an appropriate market rent for the subject property, based upon triple net lease terms, is \$2.50 per square foot per month. Applying this rate to the subject's 1,630± square feet, results in a monthly rent of \$4,075. Multiplying this figure by 12 months results in the potential gross annual income for the subject property of \$48,900.

POTENTIAL GROSS ANNUAL INCOME

\$48,900

VACANCY AND CREDIT LOSS ANALYSIS

Once an appropriate potential gross annual income is estimated, the next step in the Income Approach is to project a reasonable vacancy and credit loss allowance. The potential gross annual rental income estimated in the preceding section of this report was based upon 100% occupancy. As it is not reasonable to expect the property to generate 100% of its potential gross income over a typical holding period, certain allowances must be made for future vacancies as well as for normal credit losses.

The subject property involves a good quality medical office condominium located across Donner Pass Road from the Tahoe Forest Hospital. The subject building is fully occupied. There do not appear to be very many good quality medical office suites in Truckee, particularly in close proximity to the hospital. However, it is our opinion that a prudent and knowledgeable buyer of the subject property would make some allowance for vacancy and credit loss expenses. There are currently several commercial office spaces available for rent in the Truckee area; however, they are primarily considered to be inferior to the subject due either to their location or to the age and quality of the improvements.

Based upon review of the available data, it is these appraisers' opinion that a prudent investor purchasing the subject property would deduct a vacancy and credit loss allowance of 5.00%. Applying this 5.00% vacancy and credit loss factor to the \$48,900 potential gross annual income estimated for the subject property results in a vacancy and credit loss factor of \$2,445. Subtracting this figure from the potential gross annual income results in an estimate of the effective gross annual income of \$46,455.

EFFECTIVE GROSS ANNUAL INCOME

\$46,455

OPERATING EXPENSE ANALYSIS

The next step in the Income Approach is to estimate the expenses that would be incurred in order to generate the effective gross income. The operating expenses will be deducted from the effective gross income estimate to arrive at an estimate of the net operating income for the subject property.

The rental rate projected for the subject property was based upon triple net lease terms where the tenant pays for all expenses associated with the property. However, it is our opinion that the owner of the building would anticipate some expenses associated with operating the property such as management, accounting, legal and miscellaneous expenses.

It is our opinion that an expense allowance of 5% is adequate to cover these expenses. For the purposes of this analysis, a 5% expense factor has been utilized. Applying a 5% expense ratio to the effective gross annual income projected for the subject property of \$46,455, results in an expense allowance of \$2,323 per year. Subtracting this figure from the effective gross income results in a projected net annual operating income of \$44,132.

NET ANNUAL OPERATING INCOME

\$44,132

CAPITALIZATION RATE ANALYSIS

The final step in the Direct Income Capitalization method is to estimate an overall capitalization rate applicable to the subject's projected net operating income. In estimating the capitalization rate, the net operating income that a sale property was producing, or was capable of producing at the time of sale, is divided by the sale price to arrive at an overall capitalization rate. The rate selected should reflect the return necessary to attract investment capital.

In order to estimate an overall capitalization rate for the subject, typically the overall capitalization rates indicated by the Comparable Commercial Building Sales utilized in the Sales Comparison Approach Analysis are analyzed. However, half of the comparable sales utilized in the Sales Comparison Approach to Value section of this appraisal report involve owner occupied units in the subject building. No financial data was available for these comparable sales. The remaining comparables involve a sale and a listing in Reno, and a listing in Truckee for which financial data was roughly estimated. Accordingly, we have also reviewed the data in our files regarding sales of commercial buildings in the adjacent Lake Tahoe Basin. We have included a chart showing the sales of four commercial buildings located in South Lake Tahoe. In order to derive additional indications of an appropriate capitalization rate for the subject property, we will also review national surveys including the *PwC Real Estate Investor Survey* and the *Investor Survey* as reported by RealtyRates.com. The information indicated by these various sources will then be compiled into a determination of an appropriate overall capitalization rate for the subject property.

The capitalization rates indicated from the comparable sales analyzed in the Sales Comparison Approach to Value section of this report are as follows:

OVERALL CAPITALIZATION RATE SUMMARY

Sale CBS-1	N/A
Sale CBS-2	N/A
Sale CBS-3	N/A
Sale CBS-4	6.31%
Listing CBL-5	3.90%
Listing CBL-6	3.78%

The first three sales involved sales of owner occupied units in the subject building; therefore no financial data was available. Sale CBS-4 involves the sale of a professional office condominium in a large professional office center located in Reno. This unit was sold as a net lease investment with four years remaining on the lease and two five-year renewal option periods. This rate is felt to be somewhat low for the Truckee area and the subject property. The listings reflect very low capitalization rates. Listing CBL-5 involves another professional office condominium in Reno which is currently leased and has renewal options. This tenant leased the suite when the market was very down and rents were low. Accordingly, the property is currently generating a low, below market, rental income. Therefore, this property reflects a low return, or capitalization rate. Listing CBL-6 involves an office condominium located in Truckee near the Truckee Airport. Approximately half of this unit is leased and the other half is vacant. The income and expense figures for this property were roughly estimated based upon the asking rent for the vacant portion of the unit. It is noted that these both reflect listings. The final sale prices will most likely be lower, resulting in higher indicated capitalization rates. Overall, the capitalization rates indicated by these three comparables are not felt to provide a good indication of an appropriate capitalization rate for the subject property.

Accordingly, we have also included a chart from our files with four sales of commercial buildings in South Lake Tahoe. The Lake Tahoe market is felt to be similar to the Truckee market in that they are both tourist destination and recreation markets with a limited supply of property. This chart is set forth on the following page.

COMPARABLE COMMERCIAL BUILDING SALES CHART

Sale No.	Property Name/ Property Address/ Property APN(s)	Sale Date/ Sale Price	Total Land Coverage (± sf)/ Total Land Area (± sf)/ Land Coverage To Building Area Ratio	Year Built/ Gross Building Area (± sf)/ Sale Price Per Square Foot	Effective Gross Income/ EGIM	Expense Ratio/ Net Operating Income	Overall Capitalization Rate
CBS-1	League to Save Lake Tahoe 2608 Lake Tahoe Boulevard South Lake Tahoe, CA 031-081-10	06-14-10 \$740,000	16,858± sf 22,477± sf 6.88:1	2004 2,450± sf \$302.04	\$64,972 11.39	5.0% \$61,723	8.34%
CBS-2	Former Blockbuster Video 2030 Dunlap Drive South Lake Tahoe, CA 023-201-67	08-22-11 \$965,000	17,642± sf 19,602± sf 3.80:1	1995 4,648± sf \$207.62	\$92,768 10.40	5% 88,129	9.13%
CBS-3	Tallac Professional Center 2501 Lake Tahoe Blvd. South Lake Tahoe, CA 031-290-36	9-28-12 \$2,150,000	101,822± sf 119,790± sf 9.52:1	1988 10,700± sf \$200.93	\$292,594 7.35	42.1% \$169,313	7.875%
CBS-4	Kaelin Haus 2197 Lake Tahoe Blvd. South Lake Tahoe, CA 023-211-40	8-19-14 \$550,000	21,736± sf 15,215± sf (est) 3.91:1	1942 3,895± sf \$141.21	\$54,000 10.19	20% \$43,200	7.85%

The capitalization rates indicated by the comparable sales set forth on the previous chart form a relatively narrow range of from 7.85% to 9.13%, or essentially 8% to 9%.

Based upon a review of the identified comparable sales and the comparables utilized in this report, a capitalization rate of anywhere from 7.00% to 9.00% would appear to be reasonable.

These appraisers also reviewed the *Second Quarter 2014 Korpacz Real Estate Investor Survey* report which presents current capitalization rates for various types of investment grade commercial properties. The subject property is most closely associated with the National Medical Office Buildings market. According to the *Korpacz Survey*, the overall capitalization rate for the National Medical Office Buildings market, through the second quarter of 2014, ranges from 5.25% to 11.00%, with the average being 7.64%.

We also reviewed the RealtyRates.com Investor Survey for the 2nd quarter of 2014. This Survey sets forth the average Overall Capitalization Rates for Medical Office Buildings based upon three different methodologies. According to the Survey, the average rate based upon the debt coverage ratio technique was 7.73%; the average rate based upon the Band of Investment technique was 9.29%; and the average surveyed rate was 8.83%. Therefore, according to this survey, the average overall capitalization rate for Medical Office Buildings ranged from 7.73% to 9.29%, with the data predominantly indicating an average rate of 8.62%.

In summary, an analysis of the comparable sales indicates an appropriate capitalization rate for the subject of from 7.00% to 9.00%. The *Korpacz Real Estate Investor Survey* indicates an average capitalization rate for the National Medical Office Buildings market of 7.64%. RealtyRates.com indicates an average capitalization rate for the overall medical offices market of 8.62%.

Overall, with consideration given to the fact that the subject involves a good quality medical office condominium in Truckee, across the street from the Tahoe Forest Hospital, it is our opinion that an appropriate capitalization rate is 8.00%.

Applying the 8.00% capitalization rate to the net annual income projected for the subject property, at \$44,132, results in an indication of value of \$551,650.

Based upon careful analysis of the available data, it is these appraisers' opinion that the indicated Market Value of the subject property by the Direct Capitalization Method of the Income Approach to Value, as of September 11, 2014, is \$550,000. The Direct Capitalization Method of the Income Approach Analysis is summarized on the following page.

INCOME APPROACH SUMMARY AND VALUE INDICATION

Potential Gross Annual Rental Income	
1,630± sf x \$2.50 x 12 months	\$ 48,900
Less Vacancy and Credit Loss (5.00%)	(\$ 2,445)
Effective Gross Annual Income	\$ 46,455
Less Operating Expenses (5%)	(\$ 2,323)
Net Operating Income	\$ 44,132
Overall Capitalization Rate	<u>8.00%</u>
Indicated Value	\$551,650
<u>INDICATED VALUE BY THE INCOME APPROACH</u>	<u>\$550,000</u>
Direct Capitalization Method	

EFFECTIVE GROSS INCOME MULTIPLIER ANALYSIS

The second method utilized under the Income Approach to Value is the Effective Gross Income Multiplier method. The effective gross income multiplier is derived by dividing the sale price by the effective gross annual income that the property was producing or was capable of producing at the time of sale. The effective gross income is the gross income less vacancy and credit loss. This method of comparison takes into consideration the income producing capabilities of a property. Differences in quality, location, condition etc. are accounted for in these multipliers as superior quality properties generally sell for higher prices and typically generate higher gross income levels. Inferior quality projects, on the other hand, typically sell for less and generate lower gross income levels.

In an effort to establish an indication of an appropriate effective gross income multiplier for the subject, the multipliers indicated by the comparable sales and listings utilized to derive a capitalization rate in the previous section of this report will be analyzed. The effective gross income multipliers illustrated by the comparable sales and listings utilized in the Sales Comparison Approach to Value section of this report are set forth below:

Sale CBS-1	N/A
Sale CBS-2	N/A
Sale CBS-3	N/A
Sale CBS-4	15.05
Listing CBL-5	19.82
Listing CBL-6	25.13

As with the overall capitalization rates indicated by these comparables, the effective gross income multipliers indicated by these comparables are felt to be somewhat skewed and to be primarily very high.

The effective gross income multipliers illustrated by the four sales of commercial buildings in South Lake Tahoe are set forth below:

Sale CBS-1	11.39
Sale CBS-2	10.40
Sale CBS-3	7.35
Sale CBS-4	10.16

These sales indicate gross income multipliers ranging from 7.35 to 11.39. With one exception, the indicated multipliers form a tight range of from 10.40 to 11.39. Sale CBS-3, with a lower multiplier of 7.35 has a much higher expense ratio of 42%, as compared to the Sales CBS-1 and CBS-2, which, along with the subject, have a projected expense ratio of 5%. Sale CBS-4 has an estimated expense ratio of 20%. A property with a higher expense ratio will generally have a higher gross income as the lease payments will typically be based upon modified or full gross lease terms, with the lessor then paying more of the expenses, therefore resulting in a higher expense ratio. A higher gross income when compared to the sale price will result in a lower multiplier. Sales CBS-2 through CBS-4 involve older buildings which are of inferior quality and condition as compared to the subject unit. Sale CBS-1 does involve a newer good quality office building.

In determining an appropriate gross income multiplier for the subject property, consideration is given to the good quality of the subject's improvements, to the medical office utilization and to its Truckee location. Consideration is also given to the 5% expense ratio projected for the subject. Based upon the limited data, it is felt that an appropriate Effective Gross Income Multiplier for the subject property would fall between the ranges indicated by the two sets of data.

Overall, it is these appraisers' opinion that an appropriate Effective Gross Income Multiplier for the subject property is from 12.00 to 13.00. Applying the 12.00 multiplier to the subject's projected effective gross income of \$44,132, results in a value indication of

\$529,584. Applying the 13.00 gross income multiplier, results in a value indication of \$573,716.

Based upon a careful review of the available data, it is these appraisers' opinion that the indicated value of the subject property by the Gross Income Multiplier Method of the Income Approach to Value, as of September 11, 2014, is \$550,000.

INDICATED VALUE BY THE INCOME APPROACH
(Effective Gross Income Multiplier Analysis)

\$550,000

SALES COMPARISON APPROACH TO VALUE

In order to establish an indication of value by the Per Square Foot Method of the Sales Comparison Approach, the Official Records of Nevada and Placer Counties, California were searched for sales of medical office condominiums similar to the subject property. We were able to locate Grant Deeds showing the sale of three condominium units within the subject building within the past seven years. However, we were unable to locate any other medical office or condominium sales in the Truckee area, although we did locate a current listing of a professional office condominium near the Tahoe Truckee Airport. The subject's Tahoe Forest Medical Offices Building is unique to the area. We then expanded our search to Reno. Reno is the closest city with a major medical hospital and is also the nearest metropolitan area. Truckee is somewhat of a bedroom community for Reno which is located only 35 miles to the east along Interstate 80. We have included a sale of a medical office condominium and a current listing of a professional office condominium, both in southwest Reno.

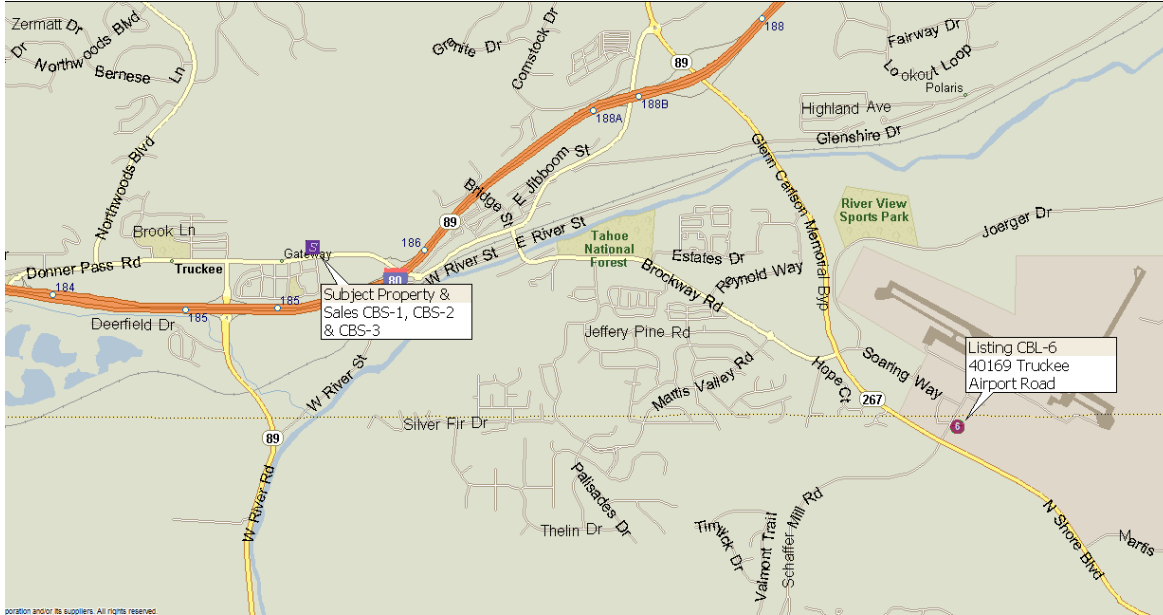
The sales and listings set forth on the following chart are considered to represent the best data available in order to estimate the Market Value of the subject property. Following the chart will be a comparable commercial building sales map. Following the map will be a sale profile sheets for each of the sales and listings utilized. Then, each sale and listing will be analyzed and compared to the subject property, based upon the sale price per square foot of gross building area, in order to estimate an indication of Market Value for the subject property by the Sales Comparison Approach to Value.

COMPARABLE COMMERCIAL BUILDING SALES CHART

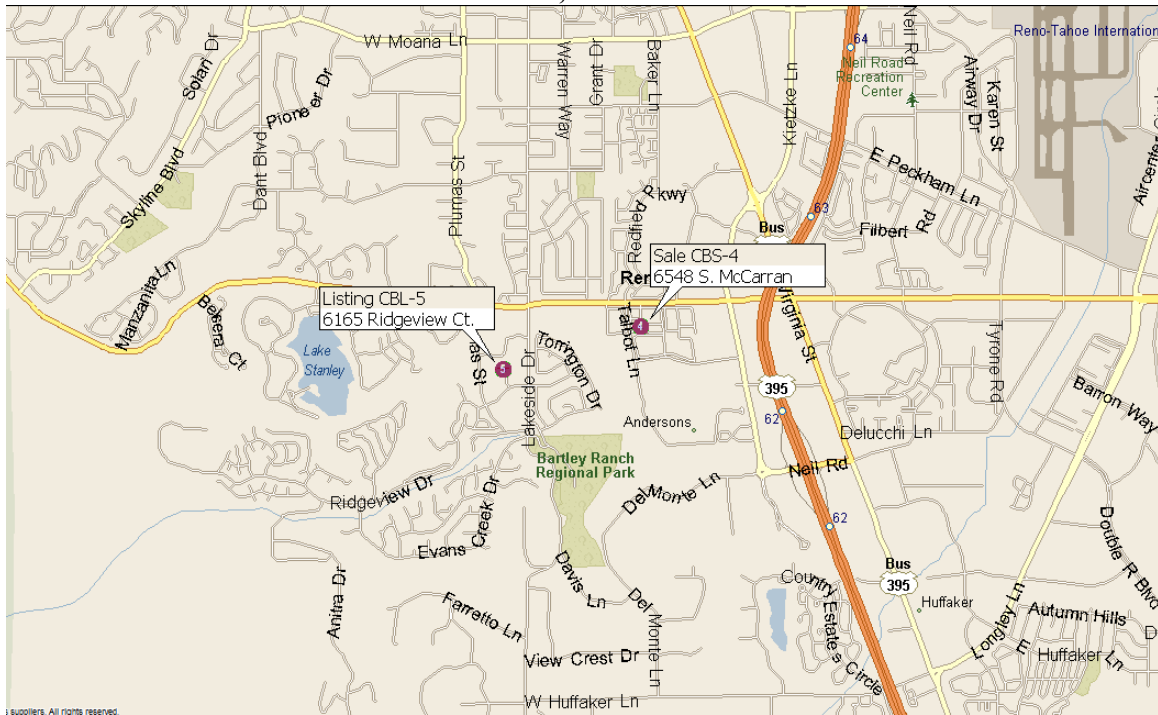
Sale No.	Address A.P.N.	Sale Date Price per S.F.	Year Built Quality/Cond. G.B.A.	Other	Effective Gross Income/ EGIM	Expense Ratio/ Net Operating Income	Overall Capitalization Rate
CBS-1	Tahoe Forest Medical Offices 10956 Donner Pass Road, #210 Truckee, Nevada County, California 19-640-19	4-04-08 \$448,000 \$264.00	1997 Good 1,697± sf	Medical Office Condo	N/A	N/A	N/A
CBS-2	Tahoe Forest Medical Offices 10956 Donner Pass Road, #120 Truckee, Nevada County, California 19-640-07	5-14-10 \$510,000 \$306.12	1997 Good 1,666± sf	Medical Office Condo	N/A	N/A	N/A
CBS-3	Tahoe Forest Medical Offices 10956 Donner Pass Road, #240 Truckee, Nevada County, California 19-640-17	12-14-11 \$421,500 \$274.06	1997 Good 1,538± sf	Medical Office Condo	N/A	N/A	N/A
CBS-4	Quail Corners Professional Office Center 6548 S. McCarran Blvd. Reno, Washoe County, Nevada 040-920-31	1-27-12 \$747,000 \$214.35	1999 Good 3,485± sf	Medical Office (Net Lease investment)	\$49,647 15.05	5% \$47,165	6.31%
CBL-5	Ridgeview Court 6165 Ridgeview Court Reno, Washoe County, Nevada 042-400-05	Listing \$355,000 \$328.70	1996 Good 1,080± sf	Professional Office Condo	\$17,912 19.82	22.72% \$13,843	3.90%
CBL-6	Town and Country Center 40169 Truckee Airport Road Truckee, Placer County, California 107-090-004	Listing \$685,000 \$358.08	2008 Good 1,913± sf	Professional Office Condo	\$27,260 25.13	5% \$25,897	3.78%
Subject	Tahoe Forest Medical Offices 10956 Donner Pass Road, #360 Truckee, Nevada County, California 19-640-09	(9-07-04 \$449,000 \$275.46) DOV 9-11-14	1997 Good 1,630± sf	Medical Office Condo	----- ---	--- -----	----- -----

COMPARABLE COMMERCIAL BUILDING SALES MAPS

Truckee, California

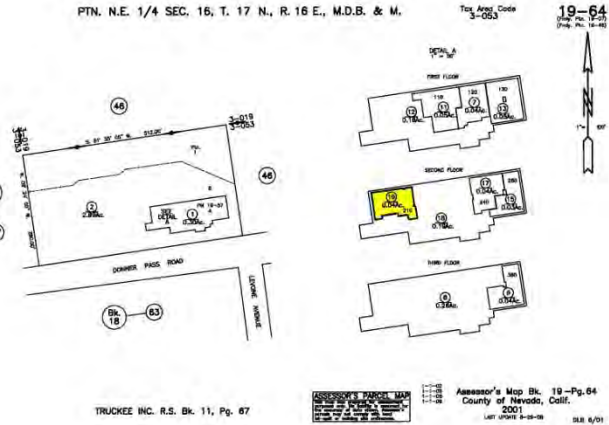


Reno, Nevada



Reno ■ Lake Tahoe

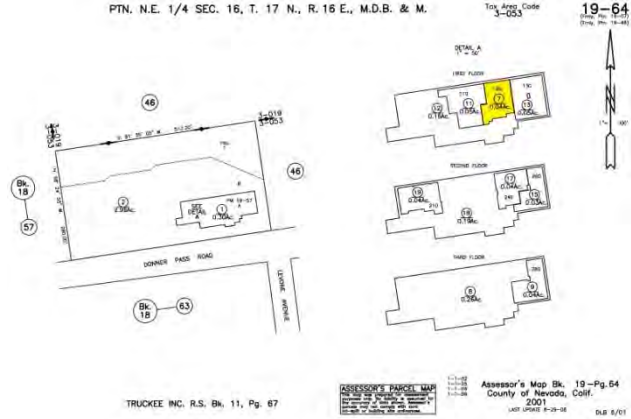
COMPARABLE COMMERCIAL BUILDING SALE PROFILE SHEET
(Sale CBS-1)



Property Name:	Tahoe Forest Medical Offices Building	City:	Truckee
Address:	10956 Donner Pass Road, Suite 210	County:	Nevada
A.P.N.:	19-640-19	State:	California
Location:	N/S Donner Pass Rd., btwn. Pine and Levon Avenues	Legal Description:	Unit 210, and an undivided 1,697/22,631.83 square foot interest in Parcel A, as shown on Parcel Map Number 98-053, recorded March 5, 2001 in Book 19 of Parcel Maps, Page 57, Nevada County, California
Total Land Area:	N/A	Project Type:	Condominium
Gross Building Area:	1,697± Square Feet	Land to Building Ratio:	N/A
Sale Price:	\$448,000	Sale Price Per SF of Gross Building Area:	\$264.00
Sale Date:	4-04-08	Document Number:	2008-0008201
Grantor:	Tahoe Forest Hospital	Terms Of Sale:	Cash
Grantee:	Kitts MD	Verification:	Official Records

Comments: This sale involves the sale of Suite 210 in the subject building. Suite 210 is located on the second floor of the building, on the west side of the building. This suite is occupied by North Tahoe Surgical Associates.

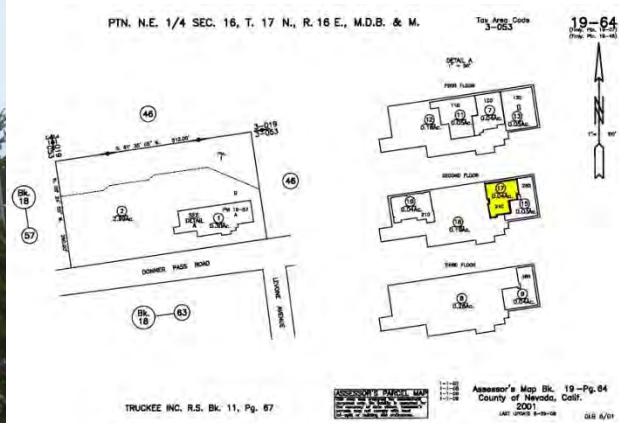
**COMPARABLE COMMERCIAL BUILDING SALE PROFILE SHEET
 (Sale CBS-2)**



Property Name:	Tahoe Forest Medical Offices Building	City:	Truckee
Address:	10956 Donner Pass Road, Suite 120	County:	Nevada
A.P.N.:	19-640-07	State:	California
Location:	N/S Donner Pass Rd., btwn. Pine and Levon Avenues	Legal Description:	Unit 120, and an undivided 1,666.37/22,631.83 square foot interest in Parcel A, as shown on Parcel Map Number 98-053, recorded March 5, 2001 in Book 19 of Parcel Maps, Page 57, Nevada County, California
Total Land Area:	N/A	Project Type:	Condominium
Gross Building Area:	1,666± Square Feet	Land to Building Ratio:	N/A
Sale Price:	\$510,000	Sale Price Per SF of Gross Building Area:	\$306.12
Sale Date:	5-14-10	Document Number:	2010-0016767
Grantor:	Ritchie Family Trust	Terms Of Sale:	Cash
Grantee:	Jeffrey T. Camp Trust	Verification:	Kenneth Ritchie and Official Records

Comments: This sale involves the sale of Suite 120 in the subject building. Suite 120 is located toward the eastern end of the first floor of the building. This suite sold from one Doctor to another and is now occupied by an optometrist.

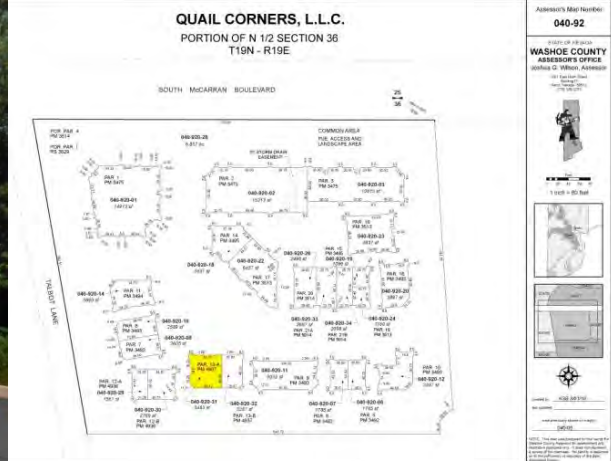
COMPARABLE COMMERCIAL BUILDING SALE PROFILE SHEET
(Sale CBS-3)



Property Name:	Tahoe Forest Medical Offices Building	City:	Truckee
Address:	10956 Donner Pass Road, Suite 240	County:	Nevada
A.P.N.:	19-640-17	State:	California
Location:	N/S Donner Pass Rd., btwn. Pine and Levon Avenues	Legal Description:	Unit 240, and an undivided 1,537.72/22,631.83 square foot interest in Parcel A, as shown on Parcel Map Number 98-053, recorded March 5, 2001 in Book 19 of Parcel Maps, Page 57, Nevada County, California
Total Land Area:	N/A	Project Type:	Condominium
Gross Building Area:	1,538± Square Feet	Land to Building Ratio:	N/A
Sale Price:	\$421,500	Sale Price Per SF of Gross Building Area:	\$274.06
Sale Date:	12-14-11	Document Number:	2011-0029751
Grantor:	Anthony G. and Sandi L. Zissimos	Terms Of Sale:	Cash
Grantee:	Tahoe Forest Hospital District	Verification:	Mr. Rick McConn, Chief-Facilities Development with Tahoe Forest Health System, 9/30/14 by KKS and Official Records

Comments: This sale involves the sale of Suite 240 in the subject building. Suite 240 is located toward the eastern end of the second floor of the building. This Doctor sold his suite back to the Hospital. As stated previously in this report, the Tahoe Forest Medical Offices CC&Rs state that the Hospital has a first right of refusal for the sale or lease of any unit in the subject building. Mr. McConn stated that the purchase price was based upon an appraisal. The purchase did not include any personal property or equipment.

**COMPARABLE COMMERCIAL BUILDING SALE PROFILE SHEET
 (Sale CBS-4)**

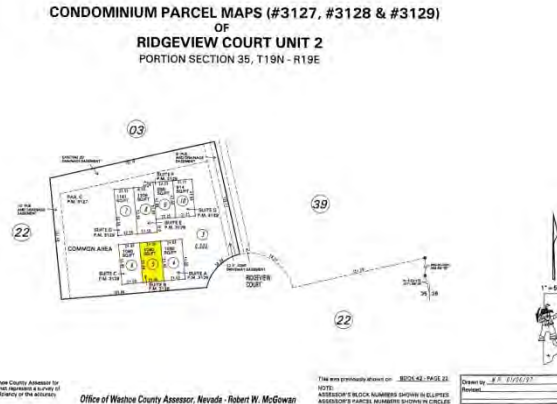


Property Name:	Quail Corners Professional Office Center	City:	Reno
Address:	6548 S. McCarran Blvd.	County:	Washoe
A.P.N.:	040-920-31	State:	Nevada
Location:	SEC S. McCarran Blvd. & Talbot Lane	Legal Description:	Par. 13-A, PM 4937
Total Land Area:	3,485± square feet	Project Type:	PUD
Gross Building Area:	3,485± square feet	Land to Building Ratio:	N/A
Sale Price:	\$747,000	Sale Price Per SF of Gross Building Area:	\$214.35
Sale Date:	01-27-12	Document Number:	4078561
Grantor:	Premier Trust, Inc., Custodian fbo Darrel Handke IRA	Terms Of Sale:	Cash
Grantee:	Roland B. Gysen	Verification:	Ryan Johnson, the listing agent, 10/1/14 by KKS and Official Records

Comments: This sale involves a unit within the Quail Corners PUD. This is a large professional office planned unit development located at the southeast corner of S. McCarran Boulevard and Talbot Lane, in southwest Reno. The complex consists of many single and multiple unit buildings. The sale unit is part of a two unit building constructed in 1999. The center has covered and open parking spaces providing ample parking. There are also landscaped areas. This unit backs to a very nicely landscaped area with a small putting green and a water feature. At the time of sale, this unit was one year into a five year lease, with two five year options to renew. The tenant is using the space for a medical office use.

**COMPARABLE COMMERCIAL BUILDING LISTING PROFILE SHEET
 (Listing CBL-5)**

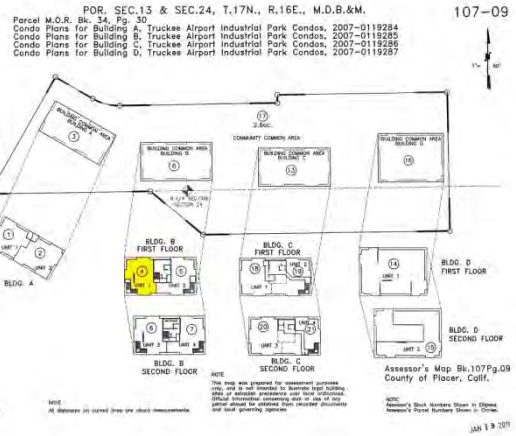
42-40



Property Name:	Ridgeview Court	City:	Reno
Address:	6165 Ridgeview Court	County:	Washoe
A.P.N.:	042-400-05	State:	Nevada
Location:	NW terminus Ridgeview Court	Legal Description:	Ridgeview Court Unit 2, Lot B, PM 3128
Total Land Area:	N/A	Project Type:	Condominium
Gross Building Area:	1,080± square feet	Land to Building Ratio:	N/A
List Price:	\$355,000	List Price Per SF of Gross Building Area:	\$328.70
List Date:	9-27-13 Current as of DOV	Document Number:	N/A
Grantor:	Sojo Investments	Terms Of Sale:	N/A
Grantee:	N/A	Verification:	Ryan Johnson, the listing agent, 10/01/14 by KKS and LoopNet

Comments: This listing involves a unit within the Ridgeview Court professional office condominium center. Ridgeview Court involves two good quality, single story, condominium office buildings located at the northern terminus of Ridgeview Court in southwest Reno. An asphalt paved parking lot provides sufficient parking. This listing involves one unit in the westerly building. This building contains seven units and was constructed in 1996. This unit is currently leased and has options to renew. As this unit was leased when the market was down and rents were low, the property is currently generating a below market rental income. Mr. Johnson indicated that he has received some interest in this property, but that the low return is somewhat of a deterrent.

COMPARABLE COMMERCIAL BUILDING LISTING PROFILE SHEET
(Listing CBL-6)



Property Name:	Town and Country Center	City:	Truckee
Address:	40169 Truckee Airport Road	County:	Placer
A.P.N.:	107-090-004	State:	California
Location:	SE/S Truckee Airport Road, 450±' NE of S.R. 267	Legal Description:	Building B, Unit 1, Truckee Airport Industrial Park Condos
Total Land Area:	N/A	Project Type:	Condominium
Gross Building Area:	1,913± Square Feet	Land to Building Ratio:	N/A
List Price:	\$685,000	List Price Per SF of Gross Building Area:	\$358.08
List Date:	9-17-14	Document Number:	N/A
Grantor:	Gene Martin Barrie & Barbara Eakins Barrie	Terms Of Sale:	N/A
Grantee:	N/A	Verification:	Christy at Truckee River Homes, and MLS

Comments: This listing involves a unit in the Town and Country Center extending easterly from Truckee Airport Road. The center is located in an area of light industrial and professional office development near the Truckee Tahoe Airport and the Town of Truckee offices. The center involves four buildings with a total of twelve units. The buildings were constructed in 2008. An asphalt paved parking lot provides ample parking. Adjacent offices in the complex involve both professional office uses and medical office uses. The listed unit involves a ground floor unit in the second building from Truckee Airport Road. Roughly half of the listed unit is currently leased to Aspen Developers, and the other half is vacant and available for lease at a rate of \$1.25 per square foot, per month.

**COMPARABLE COMMERCIAL BUILDING SALES
DISCUSSION AND COMPARISON**

Four sales and two listings were set out on the previous chart and profiled on the previous pages. The sales occurred between April of 2008 and January of 2012. The listings are current as of the date of this report. Three of the sales involve condominium suites within the subject's building. The fourth sale is of a medical office condominium in southwest Reno. One listing is of a professional office condominium in southwest Reno. The other listing is of a professional office condominium in Truckee, near the Truckee Tahoe Airport. The comparables range in size from 1,080± square feet to 3,485± square feet in comparison with the subject property at 1,630± square feet. The sale and list prices per square foot of gross building area range from \$214.35 to \$358.08.

Sale CBS-1 involves Suite 210 within the Tahoe Forest Medical Offices Building. This unit, which is located on the second floor, contains 1,697± square feet and was purchased in April of 2008 for \$448,000, or \$264.00 per square foot.

In comparing this sale with the subject property, an upward adjustment is made for the lease option terms of the sale agreement. The doctors had to lease the units for five years before they could exercise the lease option and purchase the property. Accordingly, an additional upward adjustment is made as the purchase price was negotiated several years before, when prices were lower. On the other hand, some downward adjustment is made for the sale's second floor location as compared to the subject's third floor location with less visibility.

Overall, the \$264.00 per square foot of gross building area sale price for this comparable is considered to be a low indication of value for the subject property.

Sale CBS-2 involves Suite 120 within the Tahoe Forest Medical Offices Building. This unit, which is located on the first floor, contains 1,666± square feet. This unit was sold from one doctor to another in May of 2010 for \$510,000, or \$306.12 per square foot.

In comparing this sale with the subject property, an upward adjustment is made for the 2010 date of sale, during a lower point in the market. Some further upward adjustment is made as this unit is an interior unit, as compared to the subject's end unit location with more windows. On the other hand, a downward adjustment is made for the sale's first floor location as compared to the subject's third floor location with less visibility.

Overall, the \$306.12 per square foot of gross building area sale price for this comparable is considered to be a slightly low indication of value for the subject property.

Sale CBS-3 involves Suite 240 within the Tahoe Forest Medical Offices Building. This unit, which is located on the second floor, contains 1,538± square feet. This unit was sold back to the Tahoe Forest Hospital District in December of 2011 for a price of \$421,500, or \$274.06 per square foot.

In comparing this sale with the subject property, a moderately large upward adjustment is made for the late 2011 date of sale, near the bottom of the real estate market. Some additional upward adjustment is made for the comparable's interior unit location, as compared to the subject's end unit location. On the other hand, some downward adjustment is made for the sale's second floor location as compared to the subject's third floor location with less visibility.

Overall, the \$274.06 per square foot of gross building area sale price for this comparable is considered to be a low indication of value for the subject property.

Sale CBS-4 involves a unit in the Quail corners professional office center located at the southeast corner of S. McCarran Boulevard and Talbot Avenue. The property, located at 6548 S. McCarran, involves a PUD unit with 3,485± square feet of gross building area. As this involves a PUD, the property includes the underlying 3,485± square feet of land area. This unit is utilized as a medical office. This property sold in January of 2012 for \$747,000, or \$214.35 per square foot of gross building area.

In comparing this sale with the subject property, a moderately large upward adjustment is made for the early 2012 date of sale, near the bottom of the real estate market. A further moderately large upward adjustment is made to the unit price indicator for the larger size of the sale's improvements. All else being equal, a larger building will tend to sell for a lower price per square foot. A further moderately large upward adjustment is made for the sale's Reno location. Due to the much greater supply of property in the Reno area, the prices are lower than in Truckee. Truckee is more of a resort community with a more limited supply of property. On the other hand, a downward adjustment is made as the sale property involves a PUD as opposed to a condominium unit. The property does include the underlying land. A further downward adjustment is made in comparison to the subject's third floor location, with reduced visibility.

Overall, the \$214.35 per square foot sale price for this comparable is considered to be a very low indication of value for the subject property.

Listing CBL-5 involves a condominium unit located at 6165 Ridgeview Court, also in southwest Reno. The listing involves one unit in a professional office building with seven units. This unit is currently leased. The 1,080± square foot condominium is currently listed for sale for \$355,000, or \$328.70 per square foot of gross building area.

In comparing this listing with the subject property, a large upward adjustment is made for the listing's inferior location in Reno, without frontage on a major roadway. An additional

upward adjustment is made for the inferior condition of the comparable unit as it is not finished as a medical office. Medical offices typically have a higher degree of finish and additional plumbing fixtures. Some further upward adjustment is made for the comparable's interior unit location, as compared to the subject's end unit location. On the other hand, a moderately large downward adjustment is made as this involves a listing and not a closed sale. A further downward adjustment is made to the unit price indicator for the smaller size of the comparable. A further downward adjustment is made in comparison to the subject's third floor location.

Overall, the \$328.70 per square foot of gross building area list price for this comparable is considered to be a reasonably good indication of value for the subject property.

Listing CBL-6 involves a condominium unit located in the Town and Country Center at 40169 Truckee Airport Road, near the Truckee Tahoe Airport. The Town and Country Center involves four multi-unit buildings. The listed unit is located on the ground floor of the second building in from State Route 267. This unit contains 1,913± square feet of building area and is currently listed for sale for \$685,000, or \$358.08 per square foot of gross building area.

In comparing this listing with the subject property, an upward adjustment is made for the sale's inferior location removed from downtown Truckee and not across from a major hospital. A further upward adjustment is made for the inferior condition of the comparable unit as it is not finished as a medical office. On the other hand, a moderately large downward adjustment is made as this involves a listing and not a closed sale. A further downward adjustment is made for the newer age of the comparable building. An additional downward adjustment is made in comparison to the subject's third floor location.

Overall, the \$358.08 per square foot of gross building area list price for this comparable is considered to be a high indication of value for the subject property.

RECONCILIATION AND MARKET VALUE INDICATION

In the previous analysis, four sales and two listings were analyzed and compared with the subject property based upon the sale price per square foot of gross building area. The sales occurred between April of 2008 and January of 2012. The listings are current as of the date of value of this report. The sale and asking prices of the comparables range from \$214.35 to \$358.08 per square foot of gross building area.

Sale CBS-4, at \$214.35 per square foot, was considered to be a very low indication of value for the subject property, due primarily to the date of sale, near the bottom of the real estate market, due to the larger size of the unit, and due to the sale's inferior location in Reno.

Sales CBS-1 and CBS-3, at \$264.00 and \$274.06 per square foot of building area, respectively, were considered to be low indications of value for the subject property. Both of these sales represent sales of units within the subject's building. Sale CBS-1 reflects the sale of Unit 210 which was recorded in April of 2008. This sale reflects one of the original purchases of a unit from the hospital. Accordingly, the price was agreed to much earlier and the buyer had to lease the unit for a number of years before being eligible to purchase the unit. Accordingly, this sale is felt to be a low indication of a current value for the subject unit. Sale CBS-3 involves the resale of Unit 240 by a Doctor back to the hospital in December of 2011. This sale occurred near the bottom of the real estate market. Therefore, this sale is also felt to be a low indication of a current value for the subject unit.

Sale CBS-2, at \$306.12 per square foot, was considered to be a slightly low indication of value for the subject. Sale CBS-2 reflects the sale of Unit 120 in the subject's building. This unit was purchased by another Doctor, without the involvement of the hospital. This sale occurred in May of 2010. On the other hand, this unit involves a superior first floor location.

Listing CBL-5, at \$328.70 per square foot, was considered to be a reasonably good indication of value for the subject. Listing CBL-5 involves the current listing of a

professional office condominium in Reno. This does reflect an asking price and not a closed sale. Additionally, the unit is smaller, at only 1,080± square feet. On the other hand, the unit is of inferior quality and has an inferior location in Reno.

Listing CBL-6, at \$358.08 per square foot, was considered to be a high indication of value for the subject, due primarily to the fact that this represents an asking price and not a closed sale, as well as to the unit's newer age and ground floor location.

In the final analysis, some consideration must also be given to the original purchase of the subject unit by the current owner. The current owners negotiated a lease-option agreement with the hospital for the subject unit in 1996. The hospital required that the unit be leased for five years, after which time the Doctor could then exercise the option to purchase the unit. The purchase price appears to have been agreed to at the time of the commencement of the lease and the signing of the Option to Purchase in 1996, although the Option to Purchase was amended in September of 1998 and the Lease was amended in July of 1999 and renewed in November of 2001. Dr. Richards purchased the subject condominium suite from Tahoe Forest Hospital by a deed recorded on September 7, 2004 for a reported price of \$449,000, which equates to \$275.46 per square foot of unit area. The date of recording is ten years ago. Furthermore, it is likely that the price was agreed upon much earlier than that. Accordingly, this sale price is very dated and is felt to be a low indication of a current value for the subject unit.

In determining an appropriate per square foot value for the subject property, primary consideration is given to the fact that the subject involves a condominium unit. Additional strong consideration is given to the good quality and condition of the subject unit and the subject's overall building as well as to its medical office utilization and location across the street from the hospital. The subject was constructed with several energy efficient features. Additionally, the subject enjoys an end unit location with large exterior windows on three sides of the unit. Consideration is also given to the size of the subject unit. On the other

hand, some consideration is given to the subject's third floor location within the building, resulting in less visibility. Additionally, while the economy and real estate market have been showing signs of recovery and increases in activity and sale prices, the market is still somewhat weak and uncertain, particularly for commercial properties.

Overall, it is these appraisers' opinion that an appropriate per square foot value for the subject is \$325.00. Applying the \$325.00 figure to the subject's 1,630± square feet of building area results in a value indication of \$529,750, which will be rounded to \$530,000.

Based upon a careful review of all available data, it is these appraisers' opinion that the Market Value of the subject property by the Per Square Foot Method of the Sales Comparison Approach, as of September 11, 2014, is \$530,000.

INDICATED VALUE BY THE SALES COMPARISON APPROACH **\$530,000**
(Price Per Square Foot Method)

RECONCILIATION AND FINAL PROPERTY VALUE CONCLUSION

In the final property value correlation, the appraiser weighs the relative significance, applicability and defensibility of the indications of value derived from each of the Approaches utilized. Based upon this analysis, the appraiser determines the level of credibility which each method deserves. Through this comparison of the degree of credibility, the appraiser employs his or her professional judgment to develop a final value estimate.

Value indications for the subject property were developed utilizing the Income Approach to Value and the Sales Comparison Approach to Value. Under the Income Approach, the Direct Capitalization Method and the Gross Income Multiplier method were utilized. Under the Sales Comparison Approach, a value indication was estimated by the Sale Price Per Square Foot of Building Area method. The Cost Approach was not analyzed.

The indicated values of the subject property as estimated through the approaches analyzed are summarized below:

Income Approach

Direct Capitalization Method	\$550,000
Effective Gross Income Multiplier Method	\$550,000

Sales Comparison Approach

Per Square Foot Method	\$530,000
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The methods of analysis based upon the income producing capability of the property both resulted in the same value indication of \$550,000. The Sales Comparison Approach analysis, based upon the principle of substitution, resulted in a slightly lower value indication of \$530,000.

The Income Approach is based upon the appraisal Principle of Anticipation in which the price a prudent and knowledgeable buyer is willing to pay for a property is founded on his expectations as to its income producing capabilities. The appraiser's judgment as to the credibility of this method depends upon the quality of the data utilized to establish reasonable

market rents, vacancy rates, normalized anticipated expenses and an appropriate capitalization rate. The subject property involves a medical office condominium which is unique to the area. Accordingly, it was difficult to obtain truly comparable data. However, the data utilized to develop an appropriate market rent, an appropriate vacancy rate, expense ratio and capitalization rate is felt to have provided a reasonable basis for the value indication estimated under the Direct Capitalization Method of the Income Approach.

A second indication of value by the Income Approach has been established by utilizing the Effective Gross Income Multiplier Method. The value derived by this approach supports the value derived by the Direct Capitalization Method.

The Sales Comparison Approach is based upon the appraisal Principle of Substitution wherein it is stated that no prudent and knowledgeable buyer would pay more for a property than the cost of acquiring another of equal utility. As stated previously, the subject property is unique and truly comparable properties were difficult to locate. However, we were able to identify sales of three other units within the subject building over the past six years. Unfortunately, even the most recent of these three sales is still very dated, having occurred in December of 2011, nearly three years ago. These sales were supplemented with the current listing of a professional office condominium in Truckee near the Truckee Tahoe Airport, and with the sale and listing of two professional office condominiums in Reno. Overall, it is felt that the value indication derived by the Per Square Foot Method of the Sales Comparison Approach deserves reasonable credence.

In the final analysis, emphasis is given to the condominium nature of the subject property, to the good quality of the subject suite and the building, to its medical office utilization, and to its location in Truckee across from the Tahoe Forest Hospital. On the other hand, consideration is given to the fact that the subject unit may only be used for medically related purposes and may only be purchased by a doctor on staff at the hospital or by the hospital itself. Accordingly, the use and marketability of the property is restricted.

After careful review of all data available, it is these appraisers' opinion that the Market Value of the subject property, not including any furniture, fixtures or equipment, as of September 11, 2014, is \$540,000.

FINAL MARKET VALUE CONCLUSION

\$540,000

APPRAISERS' CERTIFICATION

Each of the undersigned does hereby certify that, to the best of his/her knowledge and belief:

I have made a personal inspection of the property that is the subject of this report.

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions in this report are limited only by the reported assumptions and limiting conditions stated in this report and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

I have no present or prospective interest in the property that is the subject of this appraisal report and no personal interest with respect to the parties involved.

I have no bias with respect to any property that is the subject of this appraisal report or to the parties involved with this assignment.

My engagement in this assignment was not contingent upon developing or reporting predetermined results.

My compensation for completing this assignment is not contingent upon the developing or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

No one provided significant real property appraisal assistance to the persons signing this certification.

This appraiser has not performed any services on the subject property within the prior 3 years, as an appraiser or any other capacity.

This appraisal report has been made in conformity with, and is subject to, the requirements of the *Code of Professional Ethics* of the Appraisal Institute and the *Uniform Standards of Professional Appraisal Practice* of the Appraisal Foundation.

The Appraisal Institute conducts a mandatory program of continuing education for its designated members. As of the date of this report, Stephen R. Johnson has completed the requirements under the continuing education program of the Appraisal Institute.

The Appraisal Institute has the right to review this appraisal report.

The Market Value of the subject property, not including any furniture, fixtures or equipment, as of September 11, 2014, is:

FIVE HUNDRED FORTY THOUSAND DOLLARS
(\$540,000)

Respectfully Submitted,



Stephen R. Johnson, MAI, SREA
California Certified General Appraiser
License #AG007038



Karen K. Sanders
California Certified General Appraiser
License #AG044652

STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are contingent upon the following assumptions and limiting conditions.

LIMITS OF LIABILITY

This report was prepared by Johnson-Perkins & Associates, Inc. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of Johnson-Perkins & Associates, as employees, not as individuals. The liability of Johnson-Perkins & Associates, Inc. and its employees and associates is limited to the client only and to the fee actually received by the appraisal firm. There is no accountability, obligation, or liability to any third party. If the appraisal report is disseminated to anyone other than the client, the client shall make such party or parties aware of all limiting conditions and assumptions affecting the appraisal assignment. Neither the appraisers nor the appraisal firm is in any way to be responsible for any costs incurred to discover or correct any physical, financial and/or legal deficiencies of any type present in the subject property. In the case of limited partnerships or syndication offerings or stock offerings in real estate, the client agrees that in the event of a lawsuit brought by a lender, a partner or part owner in any form of ownership, a tenant or any other party, the client will hold the appraiser(s) and the appraisal firm completely harmless in such action with respect to any and all awards or settlements of any type in such lawsuits.

COPIES, PUBLICATION, DISTRIBUTION AND USE OF REPORT

Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for any purpose or any function other than its intended use, as stated in the body of the report. The appraisal fee represents compensation only for the analytical services provided by the appraiser(s). The appraisal report remains the property of the appraisal firm, though it may be used by the client in accord with these assumptions and limiting conditions.

This appraisal is to be used only in its entirety, and no part is to be used without the whole report. All conclusions and opinions concerning the analysis as set forth in the report were prepared by the appraiser(s) whose signature(s) appears on the appraisal report, unless it is indicated that one or more of the appraisers was acting as "Review Appraiser." No change of any item in the report shall be made by anyone other than the appraiser(s). The appraiser(s) and the appraisal firm shall bear no responsibility for any such unauthorized changes.

CONFIDENTIALITY

Except as provided for subsequently, neither the appraiser(s) nor the appraisal firm may divulge the analyses, opinions or conclusions developed in the appraisal report, nor may they give a copy of the report to anyone other than the client or his designee as specified in writing. However, this condition does not apply to any requests made by the Appraisal Institute for purposes of confidential ethics enforcement. Also, this condition does not apply to any order or request issued by a court of law or any other body with the power of subpoena.

INFORMATION SUPPLIED BY OTHERS

Information (including projections of income and expenses) provided by informed local sources, such as government agencies, financial institutions, Realtors, buyers, sellers, property owners, bookkeepers, accountants, attorneys, and others is assumed to be true, correct and reliable. No responsibility for the accuracy of such information is assumed by the appraiser(s). Neither the appraiser(s) nor the appraisal firm is liable for any information or the work product provided by subcontractors. The client and others utilizing the appraisal report are advised that some of the individuals associated with Johnson-Perkins & Associates, Inc. are independent contractors and may sign the appraisal report in that capacity. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit or other sources thought reasonable. To the best of our judgment and knowledge, all such information is considered appropriate for inclusion. In some instances, an impractical and uneconomic expenditure of time would be required in attempting to furnish absolutely unimpeachable verification. The value conclusions set forth in the appraisal report are subject to the accuracy of said data. It is suggested that the client consider independent verification as a prerequisite to any transaction involving a sale, a lease or any other commitment of funds with respect to the subject property.

TESTIMONY, CONSULTATION, COMPLETION OF CONTRACT FOR APPRAISAL SERVICE

The contract for each appraisal, consultation or analytical service is fulfilled and the total fee is payable upon completion of the report. The appraisers(s) or those assisting in the preparation of the report will not be asked or required to give testimony in court or in any other hearing as a result of having prepared the appraisal, either in full or in part, except under separate and special arrangements at an additional fee. If testimony or a deposition is required, the client shall be responsible for any additional time, fees and charges, regardless of the issuing party. Neither the appraiser(s) nor those assisting in the preparation of the report is required to engage in post- appraisal consultation with the client or other third parties, except under a separate and special arrangement and at an additional fee.

EXHIBITS AND PHYSICAL DESCRIPTIONS

It is assumed that the improvements and the utilization of the land are within the boundaries of the property lines of the property described in the report and that there is no encroachment or trespass unless noted otherwise within the report. No survey of the property has been made by the appraiser(s) and no responsibility is assumed in connection with such matters. Any maps, plats, or drawings reproduced and included in the report are there to assist the reader in visualizing the property and are not necessarily drawn to scale. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.

TITLE, LEGAL DESCRIPTIONS, AND OTHER LEGAL MATTERS

No responsibility is assumed by the appraiser(s) or the appraisal firm for matters legal in character or nature. No opinion is rendered as to the status of title to any property. The title is presumed to be good and merchantable. The property is appraised as if free and clear, unless otherwise stated in the appraisal report. The legal description, as furnished by the client, his designee or as derived by the appraiser(s), is assumed to be correct as reported. The appraisal is not to be construed as giving advice concerning liens, title status, or legal marketability of the subject property.

ENGINEERING, STRUCTURAL, MECHANICAL, ARCHITECTURAL CONDITIONS

This appraisal should not be construed as a report on the physical items that are a part of any property described in the appraisal report. Although the appraisal may contain information about these physical items (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed report on these physical items. The appraiser(s) is not a construction, engineering, or architectural expert, and any opinion given on these matters in this report should be considered tentative in nature and is subject to modification upon receipt of additional information from appropriate experts. The client is advised to seek appropriate expert opinion before committing any funds to the property described in the appraisal report.

Any statement in the appraisal regarding the observed condition of the foundation, roof, exterior walls, interior walls, floors, heating system, plumbing, insulation, electrical service, all mechanicals, and all matters relating to construction is based on a casual inspection only. Unless otherwise noted in the appraisal report, no detailed inspection was made. For instance, the appraiser is not an expert on heating systems, and no attempt was made to inspect the interior of the furnace. The structures were not investigated for building code violations, and it is assumed that all buildings meet the applicable building code requirements unless stated otherwise in the report.

Such items as conditions behind walls, above ceilings, behind locked doors, under the floor, or under the ground are not exposed to casual view and, therefore, were not inspected, unless specifically so stated in the appraisal. The existence of insulation, if any is mentioned, was discovered through conversations with others and/or circumstantial evidence. Since it is not exposed to view, the accuracy of any statements regarding insulation cannot be guaranteed.

Because no detailed inspection was made, and because such knowledge goes beyond the scope of this appraisal, any comments on observed conditions given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is given as to the adequacy or condition of the foundation, roof, exterior walls, interior walls, floors, heating systems, air conditioning systems, plumbing, electrical service, insulation, or any other detailed construction matters. If any interested party is concerned about the existence, condition, or adequacy of any particular item, we would strongly suggest that a mechanical and/or structural inspection be made by a qualified and licensed contractor, a civil or structural engineer, an architect or other experts. This appraisal report is based on the assumption that there are no hidden, unapparent or apparent conditions on the property or improvements which would materially alter the value as reported. No responsibility is assumed for any such conditions or for any expertise or engineering to discover them. All mechanical components are assumed to be in operable condition and standard for the properties of the subject type. Conditions of heating, cooling, ventilating, electrical and plumbing equipment are considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. No judgment is made in the appraisal as to the adequacy of insulation, the type of insulation, or the energy efficiency of the improvements or equipment which is assumed to be standard for the subject's age, type and condition.

TOXIC MATERIALS AND HAZARDS

Unless otherwise stated in the appraisal report, no attempt has been made to identify or report the presence of any potentially toxic materials and/or condition such as asbestos, urea formaldehyde foam insulation, PCBs, any form of toxic waste, polychlorinated biphenyl, pesticides, lead-based paints or soils or ground water contamination on any land or improvements described in the appraisal report. Before committing funds to any property, it is strongly advised that appropriate experts be employed to inspect both land and improvements for the existence of such potentially toxic materials and/or conditions. If any potentially toxic materials and/or conditions are present on the property, the value of

the property may be adversely affected and a re-appraisal at an additional cost may be necessary to estimate the effects of such circumstances.

SOILS, SUB-SOILS, AND POTENTIAL HAZARDS

It is assumed that there are no hidden or unapparent conditions of the soils or sub-soil which would render the subject property more or less valuable than reported in the appraisal. No engineering or percolation tests were made and no liability is assumed for soil conditions. Unless otherwise noted, the land and the soil in the area being appraised appeared to be firm, but no investigation has been made to determine whether or not any detrimental sub-soil conditions exist. Neither the appraiser(s) nor the appraisal firm is liable for any problems arising from soil conditions. These appraisers strongly advise that, before any funds are committed to a property, the advice of appropriate experts be sought.

If the appraiser(s) has not been supplied with a termite inspection report, survey or occupancy permit, no responsibility is assumed and no representation is made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained.

Neither the appraiser(s) nor the appraisal firm assumes responsibility for any costs or for any consequences arising from the need or lack of need for flood hazard insurance. An Agent for the Federal Flood Insurance Program should be contacted to determine the actual need for flood hazard insurance.

ARCHEOLOGICAL SIGNIFICANCE

No investigation has been made by the appraiser and no information has been provided to the appraiser regarding potential archeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archeological significance.

LEGALITY OF USE

This appraisal report assumes that there is full compliance with all applicable federal, state and local environmental regulations and laws, unless non-compliance is stated, defined and considered in the appraisal report. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the appraisal report. It is assumed that all required licenses, consents, or other legislative or administrative authority from any local, state or national government, private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

COMPONENT VALUES

Any distribution of the total value between the land and improvements, between partial ownership interests or any other partition of total value applies only under the stated use. Moreover, separate allocations between components are not valid if this report is used in conjunction with any other analysis.

COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT

The Americans with Disabilities Act ("ADA") became effective January 26, 1992. It is assumed that the property is in direct compliance with the various detailed requirements of the ADA.

AUXILIARY AND RELATED STUDIES

No environmental or impact studies, special market studies or analyses, special highest and best use studies or feasibility studies have been requested or made by the appraiser(s) unless otherwise specified in an agreement for services and so stated in the appraisal report.

DOLLAR VALUES AND PURCHASING POWER

The estimated market value set forth in the appraisal report and any cost figures utilized are applicable only as of the date of valuation of the appraisal report. All dollar amounts are based on the purchasing power and price of the dollar as of the date of value estimates.

ROUNDING

Some figures presented in this report were generated using computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded. Thus, these figures may be subject to small rounding errors.

QUANTITATIVE ANALYSIS

Although this analysis employs various mathematical calculations to provide value indications, the final estimate is subjective and may be influenced by our experience and other factors not specifically set forth in this report.

VALUE CHANGE, DYNAMIC MARKET, ALTERATION OF ESTIMATE BY APPRAISER

All values shown in the appraisal report are projections based on our analysis as of the date of valuation of the appraisal. These values may not be valid in other time periods or as conditions change. Projected mathematical models set forth in the appraisal are based on estimates and assumptions which are inherently subject to uncertainty and variations related to exposure, time, promotional effort, terms, motivation, and other conditions. The appraiser(s) does not represent these models as indicative of results that will actually be achieved. The value estimates consider the productivity and relative attractiveness of a property only as of the date of valuation set forth in the report.

In cases of appraisals involving the capitalization of income benefits, the estimate of market value, investment value or value in use is a reflection of such benefits and of the appraiser's interpretation of income, yields and other factors derived from general and specific client and market information. Such estimates are as of the date of valuation of the report, and are subject to change as market conditions change.

This appraisal is an estimate of value based on analysis of information known to us at the time the appraisal was made. The appraiser(s) does not assume any responsibility for incorrect analysis because of incorrect or incomplete information. If new information of significance comes to light, the value

given in this report is subject to change without notice. The appraisal report itself and the value estimates set forth therein are subject to change if either the physical or legal entity or the terms of financing are different from what is set forth in the report.

ECONOMIC AND SOCIAL TRENDS

The appraiser assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of value of this appraisal. The appraiser is not obligated to predict future political, economic or social trends.

EXCLUSIONS

Furnishings, equipment, other personal property and value associated with a specific business operation are excluded from the value estimate set forth in the report unless otherwise indicated. Only the real estate is included in the value estimates set forth in the report unless otherwise stated.

SUBSURFACE RIGHTS

No opinion is expressed as to the value of subsurface oil, gas or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

PROPOSED IMPROVEMENTS, CONDITIONED VALUE

It is assumed in the appraisal report that all proposed improvements and/or repairs, either on-site or off-site, are completed in an excellent workmanlike manner in accord with plans, specifications or other information supplied to these appraisers and set forth in the appraisal report, unless otherwise explicitly stated in the appraisal. In the case of proposed construction, the appraisal is subject to change upon inspection of the property after construction is completed. The estimate of market value is as of the date specified in the report. Unless otherwise stated, the assumption is made that all improvements and/or repairs have been completed according to the plans and that the property is operating at levels projected in the report.

MANAGEMENT OF PROPERTY

It is assumed that the property which is the subject of the appraisal report will be under typically prudent and competent management which is neither inefficient nor superefficient.

FEE

The fee for any appraisal report, consultation, feasibility or other study is for services rendered and, unless otherwise stated in the service agreement, is not solely based upon the time spent on any assignment.

LEGAL EXPENSES

Any legal expenses incurred in defending or representing ourselves concerning this assignment will be the responsibility of the client.

CHANGES AND MODIFICATIONS

The appraiser(s) reserves the right, at the cost of the client, to alter statements, analyses, conclusions, or any value estimates in the appraisal if any new facts pertinent to the appraisal process are discovered which were unknown on the date of valuation of this report.

DISSEMINATION OF MATERIAL

Neither all nor any part of the contents of this report shall be disseminated to the general public through advertising or sales media, public relations media, new media or other public means of communication without the prior written consent and approval of the appraiser(s).

The acceptance and/or use of the Appraisal Report by the client or any third party constitutes acceptance of the Assumptions and Limiting Conditions set forth in the preceding paragraphs. The appraiser's liability extends only to the specified client, not to subsequent parties or users. The appraiser's liability is limited to the amount of the fee received for the services rendered.

**QUALIFICATIONS OF APPRAISER
STEPHEN R. JOHNSON**

Professional Designations

MAI - Member Appraisal Institute	1976
SREA - Senior Real Estate Analyst; Society of Real Estate Appraisers	1984

State Licensing and Certification

Certified General Appraiser-State of Nevada License #A.0000003-CG (Certified through 04/30/2015)	1991
Certified General Appraiser-State of California License #AG007038 (Certified through 06/18/2015)	1992

Association Memberships and Affiliations

Member Reno Board of Realtors	
Member Nevada Association of Realtors	
International Right-of-Way Association	
Member Nevada State Board of Equalization - (Appointed by Governor Richard Bryan, January 1984 & 1988)	1984-1991
(Appointed by Governor Kenny C. Guinn, March 2000 & 2004)	2000-2008
Member Nevada Commission of Appraisers of Real Estate - (Appointed by Governor Bob Miller, August 7, 1989)	1989-1994
Commissioner, Nevada Commission of Appraisers of Real Estate (Appointed by Governor Jim Gibbons, 2009)	2009-Present
(Appointed by Governor Sandoval, 2012)	
President, Nevada Commission of Appraisers of Real Estate	2012-2014

Offices Held

Chairman, National Ethics Administration Division	1995
Vice Chairman, National Ethics Commission	1993/94
Regional Member, Ethics Administration Appraisal Institute, Region 1	1989-1992
President, Sierra-Nevada Chapter #60, AIREA -	1989
Vice President, Sierra-Nevada Chapter #60, AIREA -	1988
Secretary, Sierra-Nevada Chapter #60, AIREA -	1987
Vice Governor District 3 (Northern California & Nevada) Society of Real Estate Appraisers (SREA) -	1980-1981
Past President & Membership Chairman - Reno/Carson/Tahoe Chapter #189	
Member 1976 Young Men's Council, SREA, Atlanta, Georgia	

**QUALIFICATIONS OF APPRAISER
STEPHEN R. JOHNSON**

Offices Held (continued)

Discussion Leader 1977 Young Men's Council, SREA, Las Vegas, Nevada	
Elected 1 of 2 National Representatives to the Inter- National Board of Governors of the SREA, representing the Young Men's Council -	1977
International Professional Practice Committee, SREA -	1978-1981
International Conference Committee, SREA -	1978 & 1979
National Candidates Guidance Committee of the American Institute of Real Estate Appraisers (AIREA) -	1978-1981
Chairman National Division of Member and Chapter Services, AIREA -	1981
Board of Directors Northern California Chapter #11, AIREA -1	1980
Admissions Committee, Sierra-Nevada Chapter #60, AIREA	
Board of Directors, Sierra-Nevada Chapter #60, AIREA	1984-1986
Board of Directors, Reno-Carson-Tahoe Chapter	

Appraisal Experience

Independent Fee Appraiser	1976 to present
President, Stephen R. Johnson & Associates	1976-1992
President, Johnson - Wright & Associates	
President, Johnson - Perkins & Associates (Staff of 11 Appraisers)	1994 to present
Alves Appraisal Associates	1972-1976
Alves-Kent Appraisal Associates	1970-1972

Qualified as an Expert Witness

Nevada District Courts:
Washoe County, Carson City, Douglas County,
and Elko County

U.S. Bankruptcy Courts:
Reno, Las Vegas, Sacramento, and Los Angeles

U.S. District Court, San Francisco, California

United States Tax Court

Arizona Superior Court, Maricopa County, Phoenix

Douglas County Board of Equalization

Washoe County Board of Equalization

Nevada State Board of Equalization

King County Superior Court, Seattle, Washington

**QUALIFICATIONS OF APPRAISER
STEPHEN R. JOHNSON**

Formal Education

Reno High School Graduate - 1966
Bachelor of Science Degree in Business Administration
Majoring in Real Estate, from the University of
Nevada, Reno - 1972

Appraisal Education

University of Nevada:
B.A. 430 Real Estate Evaluation 1970
B.A. 432 Real Estate Appraisal Problems 1971
American Institute of Real Estate Appraisers:
Course 1A Basic Appraisal Principles, Methods
& Techniques, San Francisco, CA 1972
Course 1B Capitalization Theory & Techniques,
San Francisco, California 1973
Course 2 Urban Properties,
San Francisco, California
Course 6 Investment Analysis,
Memphis, Tennessee 1976
Society of Real Estate Appraisers:
Course 301 Special Applications of Appraisal
Analysis, Pomona, California 1974

Numerous Continuing Education Seminars and Courses

Appraisal Instructor

Nevada Association of Realtors
Department of Commerce, Real Estate Division, State of Nevada
Appraisal "A" Residential Appraising
Appraisal "B" Apartment and Commercial Property Appraising
Western Nevada Community College
R.E. 206 Real Estate Appraising
Northern Nevada Real Estate School
Real Estate Appraisal

**QUALIFICATIONS OF APPRAISER
STEPHEN R. JOHNSON
REPRESENTATIVE APPRAISAL CLIENTS AND PROPERTIES**

BARTON MEMORIAL HOSPITAL
CITY OF RENO
CITY OF SPARKS
COLONIAL BANK
R.J.B. DEVELOPMENT COMPANY, CARSON CITY
DOUGLAS COUNTY
LINCOLN COUNTY
LYON COUNTY
WASHOE COUNTY
MINERAL COUNTY
EMERALD BAY POST OFFICE
NEVADA STATE PARK SYSTEM
NEVADA STATE DEPT. OF TRANSPORTATION
NEVADA STATE DIVISION OF LANDS
NEVADA ATTORNEY GENERAL'S OFFICE
U.S. DEPARTMENT OF NAVY
U.S. FOREST SERVICE
FNMA - REGIONAL OFFICE
INTERNAL REVENUE SERVICE
FEDERAL TRADE COMMISSION
WASHOE COUNTY REGIONAL TRANS.
RENO TAHOE AIRPORT AUTHORITY
TAHOE REGIONAL PLANNING AGENCY
CALIFORNIA ATTY GENERAL'S OFFICE
CALIFORNIA TAHOE CONSERVANCY
CITY OF SOUTH LAKE TAHOE
PLACER COUNTY REDEVELOPMENT AGENCY
NEW HAMPSHIRE DEPARTMENT OF JUSTICE
MISSOURI HWY AND TRANS. DEPT COMMISSION
IDAHO TRANSPORTATION DEPARTMENT
COLONIAL BANK
PLUMAS BANK
SECURITY BANK OF NEVADA
LIBERTY BANK
FIRST INDEPENDENT BANK OF NV
NORTHERN NEVADA BUSINESS BANK
NEVADA STATE BANK
UNION BANK
VALLEY BANK OF NEVADA
BANK OF AMERICA
THE BANK OF CALIFORNIA
CROCKER NATIONAL BANK
WELLS FARGO BANK
B OF A TRUST DEPARTMENT
FIRST FEDERAL SAVINGS & LOAN
FIRST WESTERN SAVINGS & LOAN
AMERICAN SAVINGS AND LOAN
NEVADA SAVINGS & LOAN
DILORETO CONST. & DEVELOPMENT
DERMODY PROPERTIES
TRAMMELL CROW CO.
MCKENZIE PROPERTIES
HOMEWOOD HIGH & DRY MARINA
TAHOE KEYS MARINA
TAHOE CITY MARINA
WASHOE MEDICAL CENTER
PLAZA RESORT CLUB
ROYAL BANK OF SCOTLAND
CARSON-TAHOE HOSPITAL
JOHNNY RIBEIRO BUILDER
KEEVER CONSTRUCTION COMPANY
SIERRA PACIFIC POWER COMPANY
SOUTH LAKE TAHOE PUBLIC UTILITY DIST.
TAHOE DOUGLAS SEWER DISTRICT
GLENBROOK WATER COMPANY
TAHOE PARK WATER COMPANY
NORTH FOOTHILL APARTMENTS
MEADOWOOD APARTMENTS
WOODSIDE VILLAGE APARTMENTS
SIERRA WOODS APARTMENTS
AMESBURY PLACE APARTMENTS
SUNDANCE APARTMENTS
KEYSTONE SQUARE SHOPPING CTR.
POZZI MOTORS
CARSON CITY DATSUN-AMC-JEEP
LEMMON VALLEY LAND COMPANY
CONSOLIDATED FREIGHTWAYS
RINGSBY UNITED
SYSTEMS 99
EASTMAN KODAK
HALLMARK CARDS
OSCAR MEYER AND COMPANY
GENERAL ELECTRIC
CHEMETRO
CITY SERVICES MINERAL CO.
SUPERIOR OIL COMPANY
TRAVELERS INSURANCE
FARMERS INSURANCE COMPANY
FIRST AMERICAN TITLE CO. OF NV.
FIDELITY TITLE INSURANCE CO
MERRILL LYNCH RELOCATION
YOUNG ELECTRIC SIGN COMPANY
THE TRUST FOR PUBLIC LANDS
THE TRUCKEE DONNER LAND TRUST
THE CONSERVATION FUND
THE NATURE CONSERVANCY
SUGAR BOWL SKI RESORT
THE FEATHER RIVER LAND TRUST
SKI INCLINE RESORT
KIRKWOOD ASSOCIATES
NORTHSTAR
SQUAW VALLEY U.S.A.
LEWIS HOMES OF NEVADA
SYNCON HOMES
MGM GRAND HOTEL CASINO & THEME PARK
EL DORADO HOTEL - CASINO
COMSTOCK HOTEL - CASINO
LAKESIDE INN HOTEL - CASINO
RAMADA EXPRESS HOTEL - CASINO

QUALIFICATIONS OF APPRAISER

KAREN K. SANDERS

State Licensing and Certification

Certified General Appraiser - State of Nevada
License Number A.0004704-CG
(Certified through May 31, 2015)

Certified General Appraiser - State of California
License Number AG044652
(Certified through September 20, 2014)

Appraisal Education & Technical Training

California State University, Northridge 1985
Real Estate Finance (Finance 400 course)

Appraisal Institute:

Course 110 "Appraisal Principles" 2000

Course 120 "Appraisal Procedures" 2000

Course 520 "Highest & Best Use and Market Analysis" 2001

Course 320 "General Applications" 2002

"Yellow Book Seminar –
Uniform Appraisal Standards for Federal Land Acquisitions" 2002

Course 410 "Standards of Professional
Appraisal Practice-Parts A & B" 2003

Nevada Revised Statutes 2003

Seminar: "Rates & Ratios and Supporting Capitalization Rates" 2004

Seminar: "Appraising From Blueprints & Specifications" 2005

Seminar: "Analyzing Distressed Real Estate" 2005

Course 1400 "USPAP Update" 2011

Seminar: "Attacking and Defending an Appraisal in Litigation" 2007

Seminar: "The Essentials, Current Issues & Misconceptions" 2007

Seminar: "California Conservation Easements" 2007

QUALIFICATIONS OF APPRAISER
KAREN K. SANDERS cont.

Appraisal Institute:

Course 510 "Advanced Income Capitalization"	2007
Course: "Valuation of Conservation Easements"	2008
Seminar: "Forecasting Revenue"	2009
Seminar: "Appraising Distressed Commercial Real Estate"	2009
Course: "Business Practices and Ethics"	2009
Seminar: "Yellow Book Issues and Divided Partial Interests:	2010
Seminar: "Corridor Valuation"	2010

Admitted as Expert Witness

Storey County, Nevada
Jackson County, Oregon

Formal Education

California State University, Northridge Bachelor of Science, Business Administration	1986
Pasadena City College, Pasadena Associate of Arts	1982
Arcadia High School Arcadia, California	1980

Occupational History

Johnson - Perkins & Associates	7/98-Present
Harvey's Resort and Casino	3/98-7/98
QM Resorts	6/97-3/98
Bur-Cal Management - Property Management	11/91-12/96
Joseph Solomon & Co.	5/90-11/91
Mann Theatres	11/89-12/90
California Security Mortgage Co.	3/85-11/89

JOHNSON~PERKINS & ASSOCIATES, INC.
 REAL ESTATE APPRAISERS & CONSULTANTS

2

RECORDING REQUESTED BY
 California Land Title Company of Nevada
 County

AND WHEN RECORDED MAIL TO:

JOHN CHRISTDEN RICHARDS
 NANCY CLARE RICHARDS
 10956 DONNER PASS ROAD, #360
 TRUCKEE, CA 96161



Nevada, County Recorder
 Kathleen Smith
DOC- 2004-0037436-00

Rect 1-California Land Title Co.
 Tuesday, SEP 07, 2004 10:00:00
 REC \$6.00 SBS \$1.00 TOT \$493.90
 MIC \$1.00 AUT \$2.00
 Ttl Pd \$503.90 Nbr-0000329273
 ALB/AB/1-2

ORDER NO.: 39496-KB

SPACE ABOVE THIS LINE FOR RECORDER'S USE

GRANT DEED

THE UNDERSIGNED GRANTOR(S) DECLARE(S)

unincorporated area
 THE Town of Truckee

A portion of/

Parcel No. 19-640-01 and 19-460-05

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

Tahoe Forest Hospital, a Public District

hereby GRANT(S) to

John Christden Richards and Nancy Clare Richards, trustees of the Richards Family Trust dated August 27, 2002

the following real property in the Town of Truckee County of Nevada, State of California:

See Exhibit A attached hereto and made a part hereof.

Dated: August 13, 2004

CUS

David W. Bottemille, CFO
 Tahoe Forest Hospital by: *David W. Bottemille, CFO*

STATE OF CALIFORNIA }
 COUNTY OF Nevada } ss:

On August 2004, September 03 2004, before me,

Kathleen A. Bender

a Notary Public in and for said County and State, personally appeared

David W. Bottemille

Personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature *Kathleen A. Bender*
 Kathleen A. Bender

FOR NOTARY SEAL OR STAMP



MAIL TAX STATEMENTS TO PARTY SHOWN ON FOLLOWING LINE: IF NO PARTY IS SHOWN, MAIL AS DIRECTED ABOVE.

Grantee

037436

Exhibit A

Parcel 1:

An undivided 1,630.11/22631.83 square foot interest in and to Parcel A, as shown on the Parcel Map recorded March 5, 2001 in Book 19 of Parcel Maps, Page 57, Official Records of Nevada County.

EXCEPTING THEREFROM all units as shown and defined upon the condominium plan recorded in Book 19, of Parcel Maps, Page 57, Official Records of Nevada County.

Parcel 2:

Unit 360 consisting of grid lines A through Z by the Easterly 1.70 feet of grid line 72 through grid line 93 as shown on Parcel A of Parcel Map Number 98-053 as recorded March 5, 2001 in Book 19 of Parcel Maps, Page 57 and bounded vertically by the third floor elevation depicted on the condominium plan.

EXCEPTING THEREFROM Grid Lines A through th Northerly 0.36 feet of Grid Line M by the Easterly 1.70 feet of Grid Line 72 through the Westerly 0.69 feet of Grid Line 83;

ALSO EXCEPTING THEREFROM the Southerly 1.73 feet of Grid Line K through the Northerly 0.43 feet of Grid Line N by the Easterly 1.31 feet of Grid Line 83 through the Westerly 0.31 feet of Grid Line 84;

ALSO EXCEPTING THEREFROM the Southerly 1.64 feet of Grid Line M through the Northerly 0.43 feet of Grid Line N by the Easterly 1.04 feet of Grid Line 82 through the Westerly 0.69 feet of Grid Line 83;

TOGETHER WITH an easement 100 feet in width for open space purposes, including but not limited to no tree removal by grantors and grantees herein, the Southerly line of which is identical to the Northerly line of the above described Parcel. Servient tenement for this easement is Parcel 4 of the hereinabove referenced Parcel Map.

ALSO TOGETHER WITH easements as described in the Declaration Establishing Easement for the Tahoe Forest Medical Office Building recorded March 5, 2001 as Document No. 2001-06202 and executed by Tahoe Forest Hospital District and Tahoe Forest Medical Office Building Owners' Association, Inc.

This deed is made and accepted upon the covenants and conditions set forth in that certain Declaration of Restrictions recorded March 5, 2001 as Document No. 2001-06201, Official Records, Nevada County Records, executed by the Grantor herein, all of which are incorporated herein by reference to said Declaration with same effect as though fully set forth herein.

NWB

END OF DOCUMENT

legal rev. (01/06/98)

COMMERCIAL APPRAISAL REVIEW FORM

The appraisal report which is the subject of this review is briefly identified and described as follows:

Name of Project/Property Tahoe Forest Medical Offices
 Location/Legal 10956 Donner Pass Road, Suite 360, Truckee CA 96161
 Type of Property Medical Office Existing Proposed Construction
 Name of Appraiser Johnson-Perkins and Associates Telephone 775-322-1155
 Address 295 Holcomb, Suite 1, Reno, Nevada 89502
 Report Addressed to: Rick McConn, Chief Facilities Development Telephone _____
 Address _____
 Type of Appraisal Report: Narrative Printed Form Other (identify)

Section I - Purpose and Function of Appraisal

Value Sought: Market Value Other (identify) _____ Date of Value: Current Future Past
 Interests Valued: Fee Simple Leased Interest _____ Definitions Given For: Value Sought Interest To Be Valued
 Easements Other (identify) _____ Market Rent Other (identify) _____
 Real Estate Valued Land Improvements _____ Assumptions and Standard Consistent with
 Ground Lease Personal Property _____ Limiting Conditions: Third Party Unreasonable or
 Other (identify) _____ Report Excessive

Comments: The purpose of the appraisal was to estimate the unencumbered fee simple Market Value of the subject property, as of 9/11/2014. This is consistent throughout the report and is typical type of valuation for this particular type of property. The appraisal report adequately addresses the scope, purpose and interest being appraised.

Section II - Property Identification, Ownership and Assessment

	Yes	No	N/A		Yes	No	N/A
Does the report adequately contain or identify:				Owners of Record	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Property Location/Address	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	History of Ownership	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Legal Description	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	If Applicable to Subject Property:			
Real Estate Tax Information	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Amount of Purchase Price	<input type="checkbox"/>	\$ _____	
Assessments, Bonds, etc.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Pending Sales Price	<input type="checkbox"/>	\$ _____	
Existence of:				Asking Price	<input type="checkbox"/>	\$ _____	
Deed Restrictions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Option Price	<input type="checkbox"/>	\$ _____	
Covenants, Conditions, Restrictions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Other	<input type="checkbox"/>	\$ _____	
Moratoriums	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>				

Comments: The appraisal adequately presents the property Identification, ownership and assessment of the subject. Description are consistent with the photos provided and the exhibits reviewed. The subject is a medical office condo unit with paved parking and landscaping. This is appropriately addressed within the appraisal.

Section III - Location Analysis

	Yes	No	N/A		Yes	No	N/A
Does the report adequately describe or identify:				Does Report:			
Region	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sum up and rate the area	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
City	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Identify and discuss important trends	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Neighborhood	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Identify nuisances or hazards	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments: The subject is located across the street from the Tahoe Forest Hospital along Donner Pass Road which is a main thoroughfare in the Town of Truckee. The subject is consistent with the immediate area and has good visibility and exposure to Donner Pass Road. The appraisal adequately address the location attributes of the subject.

Section IV - Property Description

	Yes	No		Yes	No
Comment upon the descriptions and analysis of the following:			IMPROVEMENTS:		
SITE:			Adequate description of physical features	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Adequate description of physical features	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Attention given to:		
Identification of encumbrances	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Quality	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Does report state adequacy of site for existing or proposed use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Functional Utility and Appeal	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Utilities available	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Age	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Special Problems:			Condition	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Flood	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Hazardous Conditions	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Environmental Hazards, Seismic, Toxic etc.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ZONING:		
Other (identify) _____	<input type="checkbox"/>	<input type="checkbox"/>	Statement	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			Definition	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Comments: The description of the improvements appear to be adequate and consistent with the photos provided. There did not appear to any major discrepancies noted which would have a negative effect on the overall valuation of the subject.

Section V - Highest and Best Use

	Yes	No		Yes	No
Definition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Does property conform to zoning and neighborhood	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Components	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is use legal and physically possible	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Conclusion of highest and best use <u>current use</u>			Has the report in this or other sections discussed:		
Current Zoning <u>General commercial</u>			Marketability (supply-demand, market trends, absorption occupancy levels)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Status zoning change <u>No change proposed</u>			Other (identify) _____		
Status of building permit (if proposed construction) _____			Were other studies/reports considered	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Does report discuss feasibility/profitability	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

Comments: The current highest and best use is noted to be a medical office condo. This is consistent with the current use and the surrounding neighborhood. The subject is located across the street from the Tahoe Forest Hospital and the current uses in the building are medical office. The Original appraiser adequately supports the concluded highest and best use within the OA

Section VI - Property Valuation

Comment and rate the approaches to value:

COST APPROACH:	Satisfactory	Unsatisfactory	DISCOUNTED CASH FLOW ANALYSIS (DCF)	Satisfactory	Unsatisfactory
Format	<input type="checkbox"/>	<input type="checkbox"/>	Format	<input type="checkbox"/>	<input type="checkbox"/>
Adequacy of data	<input type="checkbox"/>	<input type="checkbox"/>	Adequacy of data and support for:		
Source of costs	<input type="checkbox"/>	<input type="checkbox"/>	Holding Period	<input type="checkbox"/>	<input type="checkbox"/>
Land value estimate	<input type="checkbox"/>	<input type="checkbox"/>	Growth Rates	<input type="checkbox"/>	<input type="checkbox"/>
Estimated cost new	<input type="checkbox"/>	<input type="checkbox"/>	Discount Rate	<input type="checkbox"/>	<input type="checkbox"/>
Depreciation estimate	<input type="checkbox"/>	<input type="checkbox"/>	Development of Cash Flow Estimates	<input type="checkbox"/>	<input type="checkbox"/>
SALES COMPARISON APPROACH:			Reversionary Value	<input type="checkbox"/>	<input type="checkbox"/>
Format	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Other Methods of Processing		
Adequacy of data	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Income Stream (Mortgage Equity, Band of Investments, etc.)	<input type="checkbox"/>	<input type="checkbox"/>
Sources of data	<input checked="" type="checkbox"/>	<input type="checkbox"/>	RECONCILIATION:		
Summary of sales table	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Indicated values are:		
Use of adjustment grid table	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cost Approach	\$ <u>N/A</u>	
Comparative analysis of sales	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sales Comparison Approach	\$ _____	
INCOME CAPITALIZATION APPROACH:			Income Approach	\$ _____	
Format	<input checked="" type="checkbox"/>	<input type="checkbox"/>	DCF Analysis	\$ _____	
Selection of proper capitalization method	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Other (Pending Sale, etc.)	\$ _____	
Adequacy of data and support for:			Value Conclusion	\$ _____	
Comparable Rentals	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Allocation as Follows:		
Vacancy and Loss Factor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Land	\$ _____	
Operating History	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Improvements	\$ _____	
Rent Roll	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Personal Property	\$ _____	
Income Estimate	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Other	\$ _____	
Expense Estimate	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Total Value	\$ _____	
Net Operating Income	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Capitalization Rate	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

Comments: See attached addenda.

Section VII - Other Report Requirements

Does report contain a certification	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	Does principal appraiser make statement of concurrence with value conclusion	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the report co-signed	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	Does report contain appraiser(s) qualifications	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Did principal appraiser sign report	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No			
Did principal appraiser personally inspect subject property	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No			

Section VIII - Final Rating of Appraisal

Report Format	Acceptable	Unacceptable	Property Valuation:	Acceptable	Unacceptable
Readability and neatness	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Feasibility/Profitability	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Mathematical accuracy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Market Trends	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Exhibits (Photos, Maps, etc.)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cost Approach	<input type="checkbox"/>	<input type="checkbox"/>
Appraiser's analytical ability	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sales Comparison Approach	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Purpose and function of appraisal	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Income Approach	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Property identification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	DCF	<input type="checkbox"/>	<input type="checkbox"/>
Locational analysis	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Reconciliation	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Property Description:			Date of Appraisal	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Site	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Overall Rating of Appraisal	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Improvements	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Highest and Best Use	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Brief Comments on Unacceptable Ratings:	<u>There were no unacceptable items noted within the OA.</u>				

Section IX - Reviewer's Conclusions - Recommendations

Scope of Review:			If reviewer does not concur with the soundness of conclusion, then what is the recommended action:
Read report	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Totally reject appraisal
Interviewed appraiser	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Have appraiser rework, revise, update the appraisal
Field Review	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Have another appraisal prepared by someone else
Does the Reviewer concur with the soundness of conclusion:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Other
Concluding Comments:	<u>As stated within the addendum provided, the original appraisal appears to be well supported and the information and calculations appropriate and consistent. Under the Income approach the OA states a triple net lease, which may or may not include the Condo Association Fees. If the appraisal does assume that the tenant pays the association fees then the Income Approach is considered to be appropriate. If the fees are paid by the owner then the Income Approach would need to be adjusted. The Sales Comparison Approach is considered to be adequate based upon the limited sales available. The appraiser did utilize several sales within the complex, eventhough dated they were still considered to be good indicators of value with the appropriate adjustments for time. Overall the appraisal appears to be supported and the value conclusions appropriate.</u>		

Reviewer's Signature _____	Date <u>11/02/2014</u>
Name of Reviewer <u>Jonathan Milo Spaich</u>	
Position <u>Commercial Real Estate Appraiser</u>	Department _____
Address <u>11499 Sun Valley Road</u>	Telephone <u>530-386-5778</u>
City, State, Zip <u>Truckee, CA. 96161</u>	

Supplemental Addendum

File No.

Borrower				
Property Address 10956 Donner Pass Rd Ste 360				
City	Truckee	County	State	CA Zip Code 96161
Lender/Client				

• Commercial Appraisal Review: Property Valuation

The original appraiser adequately addresses the income approach. The rentals utilized within the appraisal were deemed to be appropriate and were comparable to the subject. There were limited rentals available and the original appraiser provided adequate support of the concluded rental rate. The estimated rental rate of \$2.50/sf was deemed to be appropriate and supported. The type of lease noted is Triple Net where the tenant is typically responsible for all expenses incurred by the owner in the operation and upkeep of the unit. There are HOA dues associated with the subject's unit, this is not adequately presented within the OA but it can be assumed that the triple net lease assumption, has the tenant paying the HOA dues. If this is not the fact then an adjustment would be needed within the Income Approach Summary. The estimated capitalization rate determined within the OA is approximately 8%. This capitalization rate is adequately supported by the comparable commercial sales within the immediate area and is presented within the OA. In addition the other multiple approaches support the capitalization rate. The Income Approach is adequately supported and there were no major discrepancies noted. The Income is supported, the only issue would be the Condo Association fees and if they are assumed to be included in the Triple Net Lease or not. If the Condo Association fees are paid by the owner and not the tenant there would be a change within the Capitalization approach and possible decrease in the estimated value of the subject under the Income Approach to value.

There are very limited number of sales available within the Truckee area which are considered to be similar to the subject. It is not unusual for sales to be dated and from different market areas. The OA utilized sales from within the subjects development and also from outside within the Reno area of the State of Nevada. The three sales within the subjects immediate building were of similar design and use to the subject and were reportedly sold based on market value at the time of the transaction. The OA also utilized two listings one within the town of Truckee and the other in Reno, Nevada. The two listings indicate a price per square foot of \$328.70 to \$358.08; however, these are not closed transactions and would be difficult to give much weight to these indicators. They may represent the higher range of comparables; however, until they actually sell little weight should be given to these two properties. The remaining four sales have an indicated range of \$214.35 to \$306.12 per square foot. Three of the four sales are located within the subjects building and transferred title from April 2008 to December 2011. The highest price per square foot paid is the May 2010 sale of a similar unit to the subject. None of the closed transactions bracket the OA estimated price per square foot of \$325. The estimated price square foot is not supported by the closed transactions unless adjustments are utilized. It would appear that a time adjustment is warranted for the older sales, as the market in the Truckee area has increased over the last several years. Three of the four sales as stated previously are within the subjects building and represent adequate indicators of value. Based upon the review of the comparable sales and the current two listings it is the reviewers opinion that more emphasis should be placed on the 4 closed transactions especially the three closed sales within the subjects complex. A minor time adjustment is warranted for the older transactions as the current market has strengthened over the last several years. The commercial market has not recovered as strong as the residential market in the area but has stabilized and seen minor increases since the decline in the real estate market since 2006. It would appear that the estimated price per square foot provided within the OA is adequate and supported by the comparables and the appropriate adjustments.

DEFINITION OF MARKET VALUE: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what they considers their own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

SCOPE OF REVIEW: The scope of this review is limited to the information being provided by the original appraiser, and is to form an opinion as to the apparent adequacy and relevance of the data and the propriety of any adjustments to the data; form an opinion as to the appropriateness of the appraisal methods and techniques used and develop the reasons for any disagreement; form an opinion as to whether the analyses, opinions, and conclusions in the report under review are appropriate and reasonable, and develop the reasons for any disagreement.

CERTIFICATION AND STATEMENT OF LIMITING CONDITIONS


CERTIFICATION: The reviewer certifies and agrees that, to the best of his/her knowledge and belief:

1. The facts and data reported by the Reviewer and used in the review process are true and correct.
2. The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analyses, opinion, and conclusions.
3. Unless stated elsewhere, I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved.
4. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this review report.
5. My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
6. Unless stated elsewhere in this report, I did not personally inspect the exterior subject property.
7. No one provided significant professional assistance to the person signing this review report.

CONTINGENT AND LIMITING CONDITIONS: The certification of the Reviewer appearing in the review report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Reviewer in the review report.

1. The Reviewer assumes no responsibility for matters of a legal nature affecting the property which is the subject of this review or the title thereto, nor does the Reviewer render any opinion as to the title, which is assumed to be good and marketable.
2. The Reviewer is not required to give testimony or appear in court because of having made the review, unless arrangements have been previously made therefor.
3. The Reviewer assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The Reviewer assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.
4. Information, estimates, and opinions furnished to the Reviewer, and contained in the review report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the Reviewer can be assumed by the Reviewer.
5. Disclosure of the contents of the report is governed by the Uniform Standards of Professional Appraisal Practice and the Bylaws and Regulations of the professional appraisal organizations with which the Reviewer is associated.
6. Neither all, nor any part of the content of the review report, or copy thereof (including the conclusions of the review, the identity of the Reviewer, professional designations, reference to any professional appraisal organizations, or the firm with which the Reviewer is connected), shall be used for any purpose by anyone but the client specified in the review report, its successors and assigns, professional appraisal organizations, any state or federally approved financial institution, any department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent and approval of the Reviewer.
7. No change of any item in the review report shall be made by anyone other than the Reviewer and the Reviewer shall have no responsibility for any such unauthorized change.

APPRAISER:

Signature: 
 Name: Jonathan Milo Spaich
 Date Signed: 11/02/2014
 State Certification #: AG005274
 or State License #: _____
 State: CA
 Expiration Date of Certification or License: 05/28/2014

SUPERVISORY APPRAISER (only if required):

Signature: _____
 Name: _____
 Date Signed: _____
 State Certification #: _____
 or State License #: _____
 State: _____
 Expiration Date of Certification or License: _____

Did Did Not Inspect Property



**U.S. SECURITIES AND EXCHANGE COMMISSION
DIVISION OF ENFORCEMENT**

**MUNICIPALITIES CONTINUING DISCLOSURE COOPERATION INITIATIVE
QUESTIONNAIRE FOR SELF-REPORTING ENTITIES**

NOTE: The information being requested in this Questionnaire is subject to the Commission's routine uses. A list of those uses is contained in SEC Form 1662, which also contains other important information.

1. Please provide the official name of the entity that is self-reporting ("Self-Reporting Entity") pursuant to the MCDC Initiative along with contact information for the Self-Reporting Entity:

Individual Contact Name: Crystal Betts
Individual Contact Title: Chief Financial Officer
Individual Contact telephone: 530-582-6656
Individual Contact Fax number: 530-587-2532
Individual Contact email address: cbetts@tfhd.com

Full Legal Name of Self-Reporting Entity: Tahoe Forest Hospital District
Mailing Address (number and street): 10121 Pine Avenue
Mailing Address (city): Truckee
Mailing Address (state): Select a state... California
Mailing Address (zip): 96160

2. Please identify the municipal bond offering(s) (including name of Issuer and/or Obligor, date of offering and CUSIP number) with Official Statements that may contain a materially inaccurate certification on compliance regarding prior continuing disclosure obligations (for each additional offering, attach an additional sheet or separate schedule):

State: Select a state... California
Full Name of Issuing Entity: Tahoe Forest Hospital District
Full Legal Name of Obligor (if any):
Full Name of Security Issue: Tahoe Forest Hospital District (Placer and Nevada Counties, California) General Obligation Bonds, Election of 2007, Series B (2010)
Initial Principal Amount of Bond Issuance: \$43,000,000
Date of Offering: 08/03/2010
Date of final Official Statement (format MMDDYYYY): 07/08/2010
Nine Character CUSIP number of last maturity: 873822DW7

3. Please describe the role of the Self-Reporting Entity in connection with the municipal bond offerings identified in Item 2 above (select Issuer, Obligor or Underwriter):

- Issuer
- Obligor
- Underwriter

4. Please identify the lead underwriter, municipal advisor, bond counsel, underwriter's counsel and disclosure counsel, if any, and the primary contact person at each entity, for each offering identified in Item 2 above (attach additional sheets if necessary):

Senior Managing Underwriting Firm: Wells Fargo Bank, National Association
Primary Individual Contact at Underwriter: Will Illingworth, Municipal Products

Financial Advisor: G.L. Hicks Financial, LLC
Primary Individual Contact at Financial Advisor: Gary Hicks, President

Bond Counsel Firm: Quint & Thimmig LLP
Primary Individual Contact at Bond Counsel: Brian Quint, Esq.

Law Firm Serving as Underwriter's Counsel:
Primary Individual Contact at Underwriter's Counsel:

Law Firm Serving as Disclosure Counsel: Jennings, Strouss & Salmon, PLC
Primary Individual Contact at Disclosure Counsel: George Spilsbury, Esq.

5. Please include any facts that the Self-Reporting Entity would like to provide to assist the staff of the Division of Enforcement in understanding the circumstances that may have led to the potentially inaccurate statements (attach additional sheets if necessary):

Please see attached sheet.

On behalf of

I hereby certify that the Self-Reporting Entity intends to consent to the applicable settlement terms under the MCDC Initiative.

By: _____

Name of Duly Authorized Signer:

Title:

5. For the 1999 revenue bonds continuing disclosure annual reports were posted on EMMA on time. For the 2006 revenue bonds the audited financial statements were posted on EMMA on time while operating data was posted late for one year. For the 2008 general obligation bonds the audited financial statements were posted on EMMA on time, but the operating data was posted late. The assessed value and tax delinquency operating data was difficult to compile each year due to the two counties not being familiar with the information that was needed to be collected for the dissemination agent. Some of the late quarterly and annual reports were due to the dissemination agent not posting to EMMA on time even though they were provided the required information on a timely basis from the District. Also, while a new Information Technology system was being implemented, there was a delay in obtaining necessary operating and financial information for the continuing disclosure requirements. The District's board has approved and its management team is implementing post-issuance compliance procedures for its continuing disclosure requirements. Furthermore, in 2014 the District has changed to a new dissemination agent.

Because the District posted its annual financial information on a timely basis and made substantial efforts to get its operating data posted, albeit that data was often posted late, it believes it had materially complied with its continuing disclosure undertakings as of the date of the official statement in question.



**U.S. SECURITIES AND EXCHANGE COMMISSION
DIVISION OF ENFORCEMENT**

**MUNICIPALITIES CONTINUING DISCLOSURE COOPERATION INITIATIVE
QUESTIONNAIRE FOR SELF-REPORTING ENTITIES**

NOTE: The information being requested in this Questionnaire is subject to the Commission's routine uses. A list of those uses is contained in SEC Form 1662, which also contains other important information.

1. Please provide the official name of the entity that is self-reporting ("Self-Reporting Entity") pursuant to the MCDC Initiative along with contact information for the Self-Reporting Entity:

Individual Contact Name: Crystal Betts
Individual Contact Title: Chief Financial Officer
Individual Contact telephone: 530-582-6656
Individual Contact Fax number: 530-587-2532
Individual Contact email address: cbetts@tfhd.com

Full Legal Name of Self-Reporting Entity: Tahoe Forest Hospital District
Mailing Address (number and street): 10121 Pine Avenue
Mailing Address (city): Truckee
Mailing Address (state): Select a state... California
Mailing Address (zip): 96160

2. Please identify the municipal bond offering(s) (including name of Issuer and/or Obligor, date of offering and CUSIP number) with Official Statements that may contain a materially inaccurate certification on compliance regarding prior continuing disclosure obligations (for each additional offering, attach an additional sheet or separate schedule):

State: Select a state... California
Full Name of Issuing Entity: Tahoe Forest Hospital District
Full Legal Name of Obligor (if any):
Full Name of Security Issue: Tahoe Forest Hospital District (Placer and Nevada Counties, California) General Obligation Bonds, Election of 2007, Series B (2010)
Initial Principal Amount of Bond Issuance: \$26,100,000
Date of Offering: 08/02/2012
Date of final Official Statement (format MMDDYYYY): 07/11/2012
Nine Character CUSIP number of last maturity: 873822EU0

3. Please describe the role of the Self-Reporting Entity in connection with the municipal bond offerings identified in Item 2 above (select Issuer, Obligor or Underwriter):

- Issuer
- Obligor
- Underwriter

4. Please identify the lead underwriter, municipal advisor, bond counsel, underwriter's counsel and disclosure counsel, if any, and the primary contact person at each entity, for each offering identified in Item 2 above (attach additional sheets if necessary):

Senior Managing Underwriting Firm: Citigroup Global Markets, Inc.

Primary Individual Contact at Underwriter: Kelly Jocoy, Director Underwriter

Financial Advisor: G.L. Hicks Financial, LLC

Primary Individual Contact at Financial Advisor: Gary Hicks, President

Bond Counsel Firm: Quint & Thimmig LLP

Primary Individual Contact at Bond Counsel: Brian Quint, Esq.

Law Firm Serving as Underwriter's Counsel:

Primary Individual Contact at Underwriter's Counsel:

Law Firm Serving as Disclosure Counsel: Jennings, Strouss & Salmon, PLC

Primary Individual Contact at Disclosure Counsel: George Spilsbury, Esq.

5. Please include any facts that the Self-Reporting Entity would like to provide to assist the staff of the Division of Enforcement in understanding the circumstances that may have led to the potentially inaccurate statements (attach additional sheets if necessary):

See Attached Sheet

On behalf of

I hereby certify that the Self-Reporting Entity intends to consent to the applicable settlement terms under the MCDC Initiative.

By: _____

Name of Duly Authorized Signer:

Title:

5. For the 1999 revenue bonds continuing disclosure annual reports were posted on EMMA on time. For the 2006 revenue bonds the audited financial statements were posted on EMMA on time while operating data was posted late for one year. For the 2008 general obligation bonds and the 2010 general obligation bonds the audited financial statements were posted on EMMA on time, but the operating data was posted late. The assessed value and tax delinquency operating data was difficult to compile each year due to the two counties not being familiar with the information that was needed to be collected for the dissemination agent. Some of the late quarterly and annual reports were due to the dissemination agent not posting to EMMA on time even though they were provided the required information on a timely basis from the District. Also, while a new Information Technology system was being implemented, there was a delay in obtaining necessary operating and financial information for the continuing disclosure requirements. The District's board has approved and its management team is implementing post-issuance compliance procedures for its continuing disclosure requirements. Furthermore, in 2014 the District has changed to a new dissemination agent.

Because the District posted its annual financial information on a timely basis and made substantial efforts to get its operating data posted, albeit that data was often posted late, it believes it had materially complied with its continuing disclosure undertakings as of the date of the official statement in question.

Tahoe Forest Hospital District

Post-Issuance Compliance Procedures for Outstanding Tax-Exempt Bonds

The purpose of these Post-Issuance Compliance Procedures, established by Tahoe Forest Hospital District (the “District”), is to maximize the likelihood that post-issuance requirements of federal income tax law and continuing disclosure requirements applicable to the various issues of bonds (the “Bonds”) are met. The District reserves the right to change these policies and procedures from time to time.

Post-Issuance Compliance Requirements

External Advisors / Documentation

The District shall consult with bond counsel and other legal counsel and advisors, as needed, throughout the Bond issuance process to identify requirements and to establish procedures necessary or appropriate so that the Bonds will continue to qualify for tax-exempt status. The District also shall consult with bond counsel and/or other legal counsel and advisors, as needed, following issuance of the Bonds to ensure that all applicable post-issuance requirements in fact are met. This shall include, without limitation, consultation in connection with any potential changes in the use of Bond-financed or refinanced assets.

The District shall determine (or obtain expert advice to determine) whether arbitrage rebate calculations have to be made for the Bond issue. If it is determined that such calculations are, or are likely to be required, the District shall engage expert advisors (each a “Rebate Service Provider”) to assist in the calculation of arbitrage rebate payable in respect of the investment of Bond proceeds. The District shall make any rebate payments required on a timely basis including the signing and filing of appropriate IRS forms (e.g., Form 8038-T). Unless otherwise provided by the indenture (or similar document) relating to the Bonds, unexpended Bond proceeds shall be held by a trustee or other financial institution (unless the Bonds are general obligation bonds), and the investment of Bond proceeds shall be managed by the District. The District shall prepare (or cause the trustee or other financial institution to prepare) regular, periodic statements regarding the investments and transactions involving Bond proceeds. The statements shall include a certification of compliance and a summary of information collected by the District.

Arbitrage Rebate and Yield

The Chief Financial Officers shall be responsible for overseeing compliance with arbitrage rebate requirements under federal tax law:

(1) If, at the time of Bond issuance, based on the District’s reasonable expectations, it appears likely that the Bond issue will qualify for an exemption from the rebate requirement, the District may defer taking any of the actions set forth in subsection (2) below. Not later than the time of completion of construction or acquisition of the capital projects financed with proceeds of the Bonds, and depletion of all funds from the project fund, the District shall make, determine, or cause its Rebate Service Provider to determine, whether any of the Bond proceeds qualified for a spending exception or other exception from the rebate requirements. If a rebate exception is determined to be applicable for all of the proceeds of the Bonds, the District shall prepare and keep in the permanent records of the Bond issue a

memorandum evidencing this conclusion together with records of expenditure (or other records) to support such conclusion. If the transaction does not qualify for an exception to the rebate requirement, for all of the proceeds of the Bonds, the District shall initiate the steps set forth in subsection (2) below.

(2) If, at the time of Bond issuance it appears likely that arbitrage rebate calculations will be required, or upon determination that calculations are required pursuant to subsection (1) above, the District shall:

- engage the services of a Rebate Service Provider and, prior to each rebate calculation date, cause the trustee or other financial institution investing Bond proceeds to deliver periodic statements concerning the investment of Bond proceeds to the Rebate Service Provider;
- provide to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider;
- monitor the efforts of the Rebate Service Provider;
- assure the payment of required rebate amounts, if any, no later than 60 days after each 5-year anniversary of the issue date of the Bonds, and no later than 60 days after the last Bond of each issue is redeemed;
- during the construction period of each capital project financed in whole or in part by Bonds, monitor the investment and expenditure of Bond proceeds and consult with the Rebate Service Provider to determine compliance with any applicable exceptions from the arbitrage rebate requirements, including during each 6-month spending period up to 6 months, 18 months or 24 months, as and if applicable, following the issue date of the Bonds;
- retain copies of all arbitrage reports and trustee statements as described below under “Record Keeping Requirements” and, upon request, provide such copies to the trustee; and
- establish procedures to ensure that investments that are acquired with Bond proceeds are so acquired at their fair market value.

Use of Bond Proceeds and Bond Financed or Refinanced Assets

The Chief Financial Officer shall be responsible for monitoring the use of Bond proceeds and Bond financed assets:

- monitoring the use of Bond proceeds (including investment earnings and including reimbursement of expenditures made before Bond issuance) and the use of Bond-financed or refinanced assets (e.g., facilities, furnishings or equipment) throughout the term of the Bonds to ensure compliance with covenants and restrictions set forth in the Tax Certificate relating to the Bonds;
- maintaining records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of Bonds (including investment earnings and including reimbursement of expenditures made before Bond issuance), including a final allocation of Bond proceeds as described below under “Record Keeping Requirements”;
- consulting with bond counsel and other legal counsel and advisers in the review of any change in use, or potential change in use, of Bond-financed or refinanced assets to ensure compliance with all covenants and restrictions set forth in the Tax Certificate relating to the Bonds;
- maintaining records for any contracts or arrangements involving the use of Bond-financed or

refinanced assets as described below under “Record Keeping Requirements”; and conferring at least annually with personnel responsible for Bond-financed or refinanced assets to identify and discuss any existing or planned use of Bond-financed or refinanced assets and to ensure that those uses are consistent with all covenants and restrictions set forth in the Tax Certificate relating to the Bonds; and to the extent that the District discovers that any applicable tax restrictions regarding use of Bond proceeds and Bond-financed or refinanced assets will or may be violated, consulting promptly with bond counsel and other legal counsel and advisers to determine a course of action to remediate all nonqualified Bonds or take other remedial action, if such counsel advises that a remedial action is necessary. All relevant records and contracts shall be maintained as described below.

Record Keeping Requirement

The Chief Financial Officer shall be responsible for maintaining the following documents for the term of each issue of Bonds (including refunding Bonds, if any) plus at least three years:

- a copy of the Bond closing transcript(s) and other relevant documentation delivered to the District at or in connection with closing of the issue of Bonds;
- a copy of all material documents relating to capital expenditures financed or refinanced by Bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, as well as documents relating to costs reimbursed with Bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with Bond proceeds, including a final allocation of Bond proceeds;
- a copy of all contracts and arrangements involving the use of Bond-financed or refinanced assets; and
- a copy of all records of investments, investment agreements, credit enhancement, arbitrage reports and underlying documents, including trustee statements, in connection with any investment agreements, and copies of all bidding documents, if any.

Continuing Disclosure Compliance Requirement

The Chief Financial Officer shall be responsible for maintaining the following Continuing Disclosure items for each issue of Bonds:

- Annual Reports (send to Dissemination Agent 15 business days prior to the due date of December 31st for the revenue bonds and March 31st for the general obligation bonds)
 - Revenue Bonds: Audited financials, licensed beds, historical utilization, age distribution of active medical staff and admission percentage of top ten admitters, capitalization, days cash on hand, and debt service coverage ratio.
 - General Obligation Bonds: Audited financials, assessed value of taxable property in the District as shown on the recent equalized assessment role and the Placer County and Nevada County portion of property tax levies, collections and delinquencies for the most recent completed fiscal year.
- Quarterly Reports (Send to Dissemination Agent 10 business days prior to the due dates April 30, July 31, October 31 and January 31):
 - Revenue Bonds: Unaudited quarterly balance sheet and statement of revenues and expenditures.
 - General Obligation Bonds: None required.

- Reporting to Dissemination Agent any of the following listed events within 10 business days of event:
 - Reportable Events:
 - Principal and interest payment delinquencies.
 - Unscheduled draws on debt service reserves reflecting financial difficulties.
 - Unscheduled draws on credit enhancements reflecting financial difficulties.
 - Substitution of credit or liquidity providers, or their failure to perform.
 - Defeasances.
 - Rating changes.
 - Tender offers.
 - Bankruptcy, insolvency, receivership or similar event of the obligated person.
 - Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
 - Material Reportable Events:
 - Non-payment related defaults.
 - Modifications to rights of security holders.
 - Bond calls.
 - The release, substitution, or sale of property securing repayment of the securities.
 - The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relation to any such actions, other than pursuant to its terms.
 - Appointment of a successor or additional trustee, or the change of name of a trustee.
- Maintain the following “best practices” for upholding the continuing disclosure responsibilities, including, in particular:
 - Establish written policies and procedures to ensure that the District submits all documents, reports and notices required to be submitted to EMMA/MSRB in a timely manner.
 - Review offering documents, including the Continuing Disclosure Certificate, confirm compliance with existing continuing disclosure obligations at the time of each new issue and promptly rectify any continuing disclosure lapses.
 - Disclose in each official statement any instances during the prior five years of any failure to comply in all material respects with applicable continuing disclosure obligations.
 - Implement annual training for personnel involved in the bond offering and disclosure process, including familiarity with the significant events described in the Continuing Disclosure Certificate and an understanding of the District’s written policies and procedures

governing disclosure practices, including continuing disclosure.

- Identify an individual or individuals who will be responsible for reviewing and complying with the District's continuing disclosure obligations on a regular basis.
- Maintain a complete and accurate record of the District's continuing disclosure undertakings and filings, including electronic confirmation of continuing disclosure submissions.
- Develop a calendar reminder system to track annual filing deadlines and requirements.
- Consult with counsel as needed to resolve potential issues and address any questions.

Education and Training

The District shall provide responsible staff with education and training on federal tax requirements for post-issuance compliance applicable to the Bonds. The District will enable and encourage responsible staff to attend and participate in educational and training programs offered by professional organizations and other entities with regard to monitoring compliance with federal tax requirements for the Bonds.

DATED: By: _____

Title: _____

**TAHOE FOREST HOSPITAL DISTRICT
RESOLUTION NO. 2014-04**

**2015 BOND REFUNDING FOR THE DISTRICT'S 2006 REVENUE BONDS AND
ITS 2008 GENERAL OBLIGATION BONDS**

WHEREAS, TAHOE FOREST HOSPITAL DISTRICT ("District") is a hospital district duly organized and existing under the "Local Health Care District Law" of the State of California; and

WHEREAS, The District's Board of Directors (the "Board") is being asked to authorize management of the District to take steps necessary for the issuance of revenue refunding bonds and general obligation refunding bonds (the "2015 Refunding Bonds") in an amount not exceeding the amount necessary to provide for the refunding of the District's outstanding 2006 Revenue Bonds and its 2008 General Obligation Bonds (the "Bonds to be Refunded"). **Authorization to proceed forward with steps necessary for the issuance of the 2015 Refunding Bonds does not give management the authority to issue the 2015 Refunding Bonds as final authority for issuance of the 2015 Refunding Bonds will be sought at a subsequent Board meeting, and will be contingent upon the facts, circumstances and conditions that exist at that time.**

WHEREAS, favorable tax-exempt interest rates currently available offer the District an opportunity to generate significant debt service savings relative to the Bonds to be Refunded. While interest rates for underwritten bonds are not determined until the bonds are actually sold, the current interest rate environment suggests a likely yield of approximately 3.25% to refund the 2008 General Obligation Bonds based upon discussions with selected underwriters. Without changing the maturity date of the 2008 General Obligation Bonds (August 1, 2038), we estimate that total debt service savings over the remaining 24-year life of the 2008 General Obligation Bonds to be approximately \$3.8 million. This estimated savings, if achieved, would reduce property taxes for District property owners by approximately \$160,000 annually.

WHEREAS, the current interest rate environment suggests a likely yield of approximately 3.70% to refund the 2006 Revenue Bonds based upon discussions with selected underwriters. Without changing the maturity date of the 2006 Revenue Bonds (July 1, 2036), we estimate that total debt service savings over the remaining 21-year life of the 2006 Revenue Bonds to be approximately \$1.0 million. This estimated savings would reduce the District's debt service payments by approximately \$48,000 annually.

NOW THEREFORE BE IT RESOLVED, by the Board of Directors of Tahoe Forest Hospital District as follows:

1. This preliminary resolution is required by the Health & Safety Code and is preliminary to any final resolution to be considered for approval by the Board in 2015, subject to the facts, circumstances and conditions that exist at that time.
2. This preliminary resolution limits the proceeds of the 2015 Refunding Bonds only to refinance the Bonds to be Refunded, it establishes a limit of the principal amount of the 2015 Refunding Bonds to the amount needed to refund the Bonds to be Refunded and establishes a minimum net present value of savings of 4% of the par amount of Bonds to be Refunded.
3. The President of the Board, the District's Chief Executive Officer and/or its Chief Financial Officer is authorized to take any and all necessary action needed to carry out the intended purposes of this preliminary resolution.

PASSED AND ADOPTED at the meeting of the Tahoe Forest Hospital District Board of Directors held on the ___ day of ___, 20__ by the following vote:

AYES: _____, _____, _____,

NOES: _____

ABSENT: _____

ABSTAIN: _____

 John Mohun
 President, Board of Directors
 Tahoe Forest Hospital District

ATTEST:

 Patricia Barrett
 Clerk, Board of Directors
 Tahoe Forest Hospital District