

***PRIVILEGED & CONFIDENTIAL
SETTLEMENT COMMUNICATION***

**SETTLEMENT AGREEMENT
and
GENERAL RELEASE**

This Settlement Agreement and General Release (“Agreement”) is made effective on the last date set forth below (“Effective Date”) by and between the Tulare Local Healthcare District dba Tulare Regional Medical Center (the “District”) on the one hand and Healthcare Conglomerate Associates LLC (“HCCA”), Medflow PC (“Medflow”), Tulare Asset Management LLC (“TAM”), Vi Healthcare Finance, Inc. (“Vi”) and Yorai Benny Benzeevi, M.D. (collectively “HCCA Parties”) on the other hand . The District and the HCCA Parties are at times referred to as “Party” or “Parties.”

I. Recitals

This Agreement is based upon the following Recitals:

1. The District owns a hospital (“Hospital”) and other healthcare facilities in Tulare, California, including real property. One real property hold consists of land and a commercial building located at 1425 East Prosperity Avenue, Tulare, California 93274 (“Property”).

2. In 2014, the District and HCCA entered into a Management Services Agreement and related agreements, including an option agreement recorded July 3, 2014 (“2014 Option Agreement” and collectively the “MSA”).

3. On September 15, 2017, HCCA filed suit against the District in Los Angeles Superior Court (Case No. BC676133) for breach of contract and declaratory relief (“LASC Action”). The District disputes the allegations in the complaint.

4. On September 28, 2017, HCCA caused to be recorded a Short Form Deed of Trust and Assignment of Rents (Tulare County Official Records Document No. 2017-0059339) purporting to secure indebtedness against the Property (“Deed of Trust”).

5. On September 30, 2017, the District filed a case under Chapter 9 of the United States Bankruptcy Code (Case No. 17-13797) in the United States Bankruptcy Court for the Eastern District of California, Fresno Division (“Bankruptcy Case” filed in the “Bankruptcy Court”).

6. Pursuant to an order entered on November 1, 2017, the District rejected the MSA, and pursuant to an order entered on November 17, 2017, by the Bankruptcy Court, the rejection became effective on November 22, 2017.

7. On December 28, 2017, the District removed the LASC Action to the Bankruptcy Court. HCCA’s motion to remand the LASC Action to Los Angeles County Superior Court is pending in the Bankruptcy Court.

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8. On January 4, 2018, the District filed its answer in the LASC Action and filed a counterclaim against HCCA. HCCA disputes the allegations of the answer and counterclaim. On January 29, 2018, HCCA moved to dismiss, or in the alternative to strike portions of the District's counterclaim and moved to strike portions of the District's answer. HCCA's motions to strike portions of the answer and to dismiss the counterclaim are pending in the Bankruptcy Court.

9. On January 23, 2018, the District filed an adversary proceeding against HCCA in the Bankruptcy Court (Case No. 18-01005), alleging, among other things, that HCCA received a preference or fraudulent transfer (the "Preference Action"). As relevant to this Agreement, among other things, the Preference Action sought to avoid and/or void the Deed of Trust. HCCA disputes the allegations in the Preference Action.

10. HCCA and certain of the HCCA Parties' prior or current personnel claim they are entitled to a defense and indemnity from the District and its insurers in disputes and litigation matters that arise out of or relate to their conduct for, on behalf of, or benefiting the District as prescribed by the MSA, the District's By-Laws and any other applicable law. The District disputes the defense and indemnification claims.

11. HCCA asserts claims before the Bankruptcy Court in excess of \$15 million against the District for, among other things, monetary loans and advances made pursuant to the MSA and memorialized by promissory notes and for damages caused by rejection of the MSA (the "Claims"). HCCA asserts that the claims memorialized by the notes, including interest, exceed \$5.9 million and that such notes are secured by the Deed of Trust and by a lien on other assets, including accounts receivable and the proceeds thereof, which deed of trust and lien pre-date the Bankruptcy Case. The District disputes the Claims and contends that the Deed of Trust is not valid. The District filed a motion for summary judgment in the Preference Action regarding the Deed of Trust, which has been opposed by HCCA. The Preference Action is pending before the Bankruptcy Court.

12. The California Labor Commissioner's Officer has brought claims approaching \$1,400,000 against HCCA on behalf of HCCA employees working at the District pursuant to the MSA for monies HCCA asserts are for employee costs not reimbursed by the District as prescribed by the MSA.

13. In order to avoid the costs, inconvenience and uncertainty of litigation and the outcome of the issues faced by the Parties, the Parties have agreed to settle their disputes, including their claims and rights asserted against one another pursuant, to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the foregoing, and of the mutual covenants and conditions in this Agreement and with the intent to be legally bound, the Parties agree as follows:

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II. Payment by the District to HCCA

Upon Closing (as defined below), which shall not be later than Sixty (60) days after the Effective Date (“Closing Date”), the District will pay to HCCA the total sum of one million eight hundred thousand dollars (\$1,800,000) by wire transfer (“Settlement Payment”) as set forth in this Agreement.

III. Reconveyance of Deed of Trust And Termination of 2014 Option Agreement

HCCA and the HCCA Parties shall reconvey the Deed of Trust to the District on the Closing Date, and the promissory notes secured by such Deed of Trust, as well as any other promissory notes of which the District is the obligor and HCCA is the payee (collectively “Promissory Notes”) shall be deemed paid in full on the Closing Date. At Closing, the 2014 Option Agreement shall be terminated, and the Parties agree to record whatever documents are reasonably necessary to give record notice of such termination. Before and after the Closing Date, HCCA agrees to cooperate in taking whatever measures are reasonably necessary to reconvey the Deed of Trust, cancel the Promissory Notes and terminate the 2014 Option Agreement, including but not limited to signing whatever documents are reasonably necessary to accomplish such actions.

IV. Simultaneous Closing

The District shall pay the Settlement Amount and HCCA shall provide all documents necessary to (a) reconvey the Deed of Trust to the District, (b) retire as paid the Promissory Notes; and (c) terminate the 2014 Option Agreement (collectively “Closing Documents”) in a simultaneous closing (“Closing”) in the manner prescribed in this Section IV. HCCA shall five (5) days prior to the Closing Date deliver to Klein, DeNatale, Goldner, Cooper, Rosenlieb & Kimball, LLP (“Klein DeNatale”) fully executed originals, suitable for recordation of the Closing Documents. Klein DeNatale shall on the same day deposit originals of the Closing Documents with an escrow company mutually acceptable to the Parties (“Escrow Company”) and provide McCormick, Barstow, Sheppard, Wayte & Carruth, LLP (“McCormick”) copies of the Closing Documents for review. Upon McCormick’s acceptance of the Closing Documents as complying with this Agreement, which acceptance will not be unreasonably withheld, and no later than three (3) days after receipt of copies of the Closing Documents, the District shall via wire transfer deposit the Settlement Amount with the Escrow Company. At Closing, the Escrow Company shall provide McCormick the Closing Documents and transfer the Settlement Amount via wire transfer to an account designated by HCCA. The Parties shall, not less than twenty (20) days prior to the Closing Date, mutually retain the Escrow Company and provide the Escrow Company written escrow instructions in substantial conformance with this Section IV.

V. HCCA Parties Cooperation in Bankruptcy Case

With the exception of not releasing or disclosing privileged and/or confidential attorney-client documents and information or work product, the HCCA Parties will reasonably cooperate with the District in the Bankruptcy Case, including with regard to any preference issues, by, upon request of the District, providing the District documents and other information in the

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HCCA Parties possession, custody or control, necessary, to determine the District's obligations and responsibilities in the Bankruptcy Court, including without limitation bank statements and financial information showing or tending to show the expenditure of District funds from accounts held by the District or by the HCCA Parties on behalf of the District. The District agrees not to proceed with any preference claims or other avoidance actions, whatsoever, or related issues regarding the HCCA Parties.

VI. Ongoing Discovery

With the exception of not releasing or disclosing privileged and/or confidential attorney-client documents and information or work product, in any ongoing discovery in any litigation between the District and a third party or HCCA and a third party, the Parties will cooperate with one another as reasonably necessary to the extent permitted by law.

VII. Baker Hostetler Lawsuit

All claims of any nature by either Party against Baker Hostetler, LLP ("Baker Hostetler") (including claims arising out of Baker Hostetler's representation of the District or the HCCA Parties with respect to either the District or Southern Inyo Healthcare District), including all present and former attorneys of Baker Hostetler, are fully reserved, to the full extent possible. With the exception of not releasing or disclosing privileged and/or confidential attorney-client documents and information or work product, the Parties further mutually agree to reasonably cooperate with one another, and direct their respective counsel to cooperate, in any lawsuit that either Party brings against Baker Hostetler and any and all attorneys who were, or who may or may not currently be, part of or affiliated in any way with Baker Hostetler for actions representing the District, the HCCA Parties, or Southern Inyo Healthcare District.

VIII. Defense and Indemnification of Litigation and Disputes

The District shall have no obligation to pay nor otherwise reimburse HCCA or the HCCA Parties for any attorneys' fees or costs or settlement payments that HCCA incurred prior to execution of the Settlement Agreement. Specifically, to the extent HCCA or the HCCA Parties incurred attorneys' fees or costs related to any action prior to the Closing Date, HCCA or the HCCA Parties, the District shall not be liable for such attorneys' fees or costs.

HCCA Parties shall have no obligation to pay nor otherwise reimburse the District for any attorneys' fees or costs or settlement payments that the District incurred prior to execution of the Settlement Agreement. Specifically, to the extent the District incurred attorneys' fees or costs related to any action prior to the Closing Date, the HCCA Parties shall not be liable for such attorneys' fees or costs.

The Parties anticipate that the District's insurer will defend and indemnify or continue to defend and indemnify HCCA in the following lawsuits: *Anderson v. Gupta*; *Brooks v. TRMC*; *Cabrera v. TRMC*, *Calderon v. TRMC*, *Dominguez v. TRMC*; *Ibarra v. TRMC*; *Metcalf v. TRMC*; *Opper v. TRMC*; *Torrez III v. TRMC*; *B. Torrez v. TRMC*; and *Zulim v. TRMC* (Tulare Superior Court Case No. 274358 filed on June 18, 2018). To the extent the District's insurer does not defend and indemnify or continue to defend and indemnify HCCA or the HCCA parties

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in the lawsuits referenced in this paragraph, the District will indemnify and defend HCCA and the HCCA parties in accordance with the terms of the MSA.

The indemnity and defense provisions contained in the MSA shall govern any claims, actions, liabilities, losses, costs and expenses of any nature whatsoever against HCCA or the HCCA Parties made by any third parties except that the District's obligation to defend and/or indemnify any of the HCCA Parties shall not extend beyond four years from the Execution Date, except with respect to any pending litigation.

IX. Complete Releases

A. Releases by the District

As a material inducement to HCCA to enter into this Agreement, and subject to its terms, conditions and obligations, the District for itself and on behalf of the District Releasees, as defined below in Section IX.B. hereof, hereby irrevocably and unconditionally releases, waives and discharges the HCCA Parties and their Personnel, including past, current and future officers and board members, and each and all of their past, current and future owners, members, predecessors, successors, assigns, agents, directors, officers, employees, representatives, including, but not limited to, attorneys (excluding Baker Hostetler and its current and former lawyers), accountants, insurers, parent companies, divisions, subsidiaries, affiliates and agents (and their respective owners, members, predecessors, successors, assigns, agents, directors, officers, employees, representatives, attorneys (excluding Baker Hostetler and its current and former lawyers), accountants, insurers, parent companies, divisions, subsidiaries, affiliates) and all persons acting by, through or under or in concert with any of them (collectively "HCCA Releasees") from any and all individual, class, and representative claims (including, but not limited to, derivative and qui tam claims), causes of action, demands, complaints and liabilities of any kind whatsoever, whether now known or unknown, suspected or claimed, which the District has or may have or may claim to have against any HCCA Releasee relating to or arising out of any matter or thing which occurred at any time from the beginning of time to the present date, including, but not limited to, those referred to and those related to any allegations made at any time, including, but not limited to, any of the matters referred to in the recitals in this Agreement, provided, however, that the foregoing shall not release the HCCA Releasees from any of their obligations under this Agreement.

B. Releases by HCCA Parties

As a material inducement to the District to enter into this Agreement, and subject to its terms, conditions and obligations, HCCA Parties, for themselves and on behalf of the HCCA Releasees, hereby irrevocably and unconditionally release, waive and discharge the District and its personnel, including its past, current and future officers and board members, and each and all of their past, current and future owners, members, predecessors, successors, assigns, agents, directors, officers, employees, representatives, attorneys (excluding Baker Hostetler and its current and former lawyers), accountants, insurers, parent companies, divisions, subsidiaries, affiliates and agents (and their respective owners, members, predecessors, successors, assigns, agents, directors, officers, employees, representatives, attorneys (excluding Baker Hostetler and

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its current and former lawyers), accountants, insurers (except as such rights are referred to or preserved in this Agreement), parent companies, divisions, subsidiaries, affiliates) and all persons acting by, through or under or in concert with any of them (collectively “District Releasees”) from any and all individual, class, and representative claims (including, but not limited to, derivative and qui tam claims), causes of action, demands, complaints and liabilities of any kind whatsoever, whether now known or unknown, suspected or claimed, which any of the HCCA Parties and HCCA Releasees has or may have or may claim to have against any District Releasee relating to or arising out of any matter or thing which occurred at any time from the beginning of time to the present date, including those referred to and those related to any allegations made at any time in any of the matters referred to in the recitals in this Agreement, provided, however, that the foregoing shall not release the District Releasees from any obligations under this Agreement

X. Waiver of Known and Unknown Claims, Including A Specific Waiver of California Civil Code Section 1542

It is the intention of the Parties and of each of them, that this Agreement shall be effective as to bar all actions, claims, assertions of wrongdoing, causes of action, obligations, costs, fees, damages, liabilities and demands of whatever character, known or unknown, suspected or unsuspected, including but not limited to those herein specified to be barred. The Parties, and each of them, acknowledge and assume the risk that it, he and they may hereafter discover facts in addition to or different from those which are now known or believed by it, he or them to be true with respect to the subject matter of this Agreement, but it is its, his or their intention to fully, finally and forever release all released matters, disputes, allegations of wrongdoing and differences known or unknown, suspected or unsuspected, including, but not limited to, those matters referred to in the recitals in this Agreement. To that end, each of the Parties expressly waives all rights afforded by any statute (including Section 1542 of the Civil Code of the State of California or any other comparable statute) which limits the effect of a release with respect to unknown claims. The Parties, and each of them, understand the significance of their release of unknown claims and their waiver of statutory protection against a release of unknown claims (such as under Section 1542 of the California Civil Code or any other comparable state statute). For instance, the Parties, and each of them, expressly waive any and all rights and benefits under Section 1542 of the Civil Code of the State of California, which states as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

The Parties and each of them, hereby specifically acknowledge and agree that their waiver of known and unknown claims and of Section 1542 of the Civil Code of the State of California is knowing and voluntary.

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To the extent the Parties here release persons or entities who are not signatories to this Agreement, they acknowledge and agree their releases extend to and are made for the benefit and use of said non-signatories other than Baker Hostetler and its current and former lawyers.

XI. Dismissals with Prejudice

In consideration of this Agreement, the following legal proceedings shall be dismissed with prejudice by the initiating party, such dismissals and any necessary stipulations of the Parties to be exchanged on the Closing Date, unless otherwise provided herein:

A. Healthcare Conglomerate Associates LLC vs Tulare Regional Healthcare District dba Tulare Regional Medical Center, originally filed as Case No. BC 676133 in the Los Angeles Superior Court and now pending in the United States Bankruptcy Court, for the Eastern District of California, Fresno Division, Case No. 17-13797-9-B (i.e., the LASC Action). Dismissal with prejudice of the Complaint in the LASC Action will be filed by HCCA.

B. In the Bankruptcy Case, the Counterclaim filed as an adversary proceeding, Adv. Proc. No. 17-01095-B by the District against HCCA (i.e., the counterclaim in the LASC Action). Dismissal with prejudice of the Counterclaim and adversary proceeding in the LASC Action will be filed by the District.

C. In the Bankruptcy Case, the Complaint to Avoid Preferential Transfers, Fraudulent Conveyances and for Declaratory Relief filed as an adversary proceeding, Adv. Proc. No. 18-01005-B by the District against HCCA (i.e., the Preference Action). Dismissal with prejudice of the complaint and adversary proceeding in the Preference Action will be filed by the District.

D. In the Bankruptcy Case, the Notice of Secured Claim of Healthcare Conglomerate Associates, LLC, filed on November 14, 2017 by HCCA claiming a security interest in the accounts receivable generated by the District. HCCA will withdraw this notice and claim to the District's accounts receivable on the Closing Date.

E. HCCA and the HCCA Parties shall withdraw all filed proofs of claims in the Bankruptcy Case.

XII. Settlement Terms Non-Modifiable by Plan of Adjustment

The District shall not modify the terms of the Settlement Agreement in any plan of adjustment it may propose in its current or in any future bankruptcy proceeding.

XIII. Non-Admission of Liability

Neither the transfer of any consideration, the performance of any of the acts referred to in this Agreement, nor anything else contained or done as provided for herein shall be taken or construed to be an admission on the part of any of the Parties or of any Personnel of any wrongdoing, claims, liabilities, obligations, damages, losses or expenses that could have been asserted in any claim, demand, debt, account, cause of action or obligation of any kind

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whatsoever.

XIV. Entire Agreement

This is the entire Agreement between the Parties and supersedes any and all prior agreements or understandings between them. This Agreement may only be amended or modified by a written document signed by the HCCA Parties and the District. The Parties and each of them acknowledge and agree that they are not relying on any representations or promises made by anyone to them other than those expressly set forth or referred to in this Agreement.

XV. Right to Consult an Attorney

The Parties acknowledge and agree that they (i) have consulted with an attorney prior to signing this Agreement; and (ii) are signing this Agreement knowingly and voluntarily, after having had the opportunity to consult with their independent legal counsel, and intend to be legally bound by its terms.

XVI. Construction

This Agreement has been negotiated at arm's length, with the participation of counsel for each Party. No Party shall be deemed to be the drafter of this Agreement or of any particular provision or provisions, and no part of this Agreement shall be construed against any Party on the basis of that Party's identity as the drafter of any part of this Agreement. The language of all parts of this Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against any Party. The titles of various sections in this Agreement are intended solely for convenience of reference, and are not intended and shall not be deemed for any purpose whatsoever to modify, explain or place construction upon any of the provisions of this Agreement and shall not affect the meaning or interpretation of this Agreement.

XVII. Dispute Resolution; Governing Law

The Parties shall attempt in good faith to resolve any disputes arising out of or relating to this Agreement promptly by negotiation. Any Party may give the other Party written notice of any dispute not resolved in the normal course of business. Within 10 (ten) days after delivery of the notice, the receiving Party shall submit to the other a written response. The notice and response shall include with reasonable particularity a statement of each Party's position and a summary of arguments supporting that position. Within 10 (ten) days after delivery of the notice, the executives of the Parties shall meet at a mutually acceptable time and place.

Any disputes, claims or controversies arising out of, in relation to, or in connection with this Agreement, including any question regarding its existence, validity, or termination, that are not resolved amicably shall be finally resolved by arbitration. The arbitration shall be held in Fresno, California. The arbitration shall be conducted by a single arbitrator mutually agreed upon by the Parties. In the event the Parties are unable to agree, they shall select a third party who shall choose the arbitrator. The dispute resolution proceedings set forth in this

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Section XVII shall be the exclusive means to resolve any dispute, claim or controversy arising out of or otherwise related to this Agreement or any transaction related to this Agreement.

Unless otherwise agreed in writing between the Parties, this Agreement shall be subject to and construed and interpreted exclusively in accordance with the laws of the State of California, without regard to any conflicts of laws principles.

XVIII. Cooperation

The Parties agree that they will cooperate and use their best efforts to perform the promises set forth herein and to ensure that the other Party receives the benefit of the bargain set forth herein. Among other things, the Parties agree they will not unreasonably withhold consent to any matters herein requiring consent and will sign documents reasonably required to effectuate the agreements herein.

XIX. Miscellaneous

A. Should any portion of this Agreement be declared or determined by any court or arbitrator to be illegal, invalid or unenforceable, the illegal, invalid, or unenforceable portion of this Agreement shall be interpreted as narrowly as possible and shall be deemed stricken and severed from this Agreement, and all other parts, terms, provisions and portions of this Agreement shall remain unaffected and shall be given full force and effect.

B. This Agreement may be executed and delivered in two or more counterparts, each of which when so executed and delivered shall be deemed original, but such counterparts together shall constitute one and the same instrument. Facsimile and pdf documents are as good as originals.

C. Each Party hereto agrees to bear his/her and its own costs, expenses, attorneys' fees and any other expenditures incurred in connection with the disputes described herein, in any arbitration demand, as well as the drafting and negotiation of this Agreement. In any action arising out of or related to this Agreement, including to enforce or for breach of this Agreement, the prevailing party shall be entitled to an award of reasonable attorneys' fees and costs.

D. This Agreement shall be governed by the laws of the State of California without reference to its choice of law rules.

E. The signatories to this Agreement represent and warrant that they have the full authority to execute on behalf of each Party. The District further represents and warrants that the signatures of any three (3) District Board Members constitutes sufficient authority to bind the District to this Agreement.

[Signatures on Following Pages]

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By: _____
Yorai Benny Benzeevi, M.D.
Managing Member, HCCA

Date Signed: _____

By: _____
Kevin B, Northcraft
District Board Member

Date Signed: _____

By: _____
Yorai Benny Benzeevi, M.D.
An individual

Date Signed: _____

By: _____
Mike Jamaica
District Board Member

Date Signed: _____

By: _____
Yorai Benny Benzeevi, M.D.
Managing Member, TAM

Date Signed: _____

By: _____
Senovia Gutierrez
District Board Member

Date Signed: _____

By: _____
Yorai Benny Benzeevi, M.D.
President, Medflow, PC

Date Signed: _____

By: _____
Xavier J. Avila
District Board Member

Date Signed: _____

By: _____
Yorai Benny Benzeevi, M.D.
President, Vi Healthcare Finance, Inc.

Date Signed: _____

By: _____
Stephen Harrell
District Board Member

Date Signed: _____

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APPROVED AS TO FORM:

DATED: _____, 2018

Todd Wynkoop, Esq.
McCormick Barstow LLP
Attorneys for the Plaintiffs

DATED: _____, 2018

Oliver W. Wanger
Wanger Jones Helsley PC
Attorneys for Yorai Benny Benzeevi, M.D., Tulare
Asset Management, LLC, Medflow, PC, Vi
Healthcare, Inc. and Healthcare Conglomerate
Associates LLC

DATED: _____, 2018

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