

SETTLEMENT AGREEMENT

This SETTLEMENT AGREEMENT (the "Agreement") is made and shall be effective as of June 27, 2018 ("Effective Date"), by and between Tulare Regional Medical Center Medical Staff ("Medical Staff"), on the one hand, and Tulare Local Healthcare District itself and doing business as Tulare Regional Medical Center ("Hospital"), on the other hand. The Medical Staff and the Hospital shall be referred to herein collectively as the "Settling Parties."

RECITALS

WHEREAS, on January 26, 2016, the Hospital, acting through its then-existing Board of Directors, took action purporting to terminate and disaffiliate from the Medical Staff as the organized medical staff at the Hospital in favor of conferring official recognition on an entity known as the Professional Medical Staff of Tulare Regional Medical Center ("Replacement Staff"), which had its own set of leaders and medical staff bylaws that were different and distinct from that of the Medical Staff; and

WHEREAS, disputes have arisen between the Settling Parties over the legality of the Hospital's then-existing board of director's actions purporting to terminate and to replace the Medical Staff, which are the subject of allegations and claims set forth in an action against the Hospital, the Replacement Staff, and the Hospital's former management contractor Healthcare Conglomerate Associates, LLC ("HCC"), entitled *Tulare Regional Medical Center Medical Staff v. Tulare Local Healthcare District itself and d/b/a Tulare Regional Medical Center, Healthcare Conglomerate Associates, LLC, and Professional Medical Staff of Tulare Regional Medical Center*, Tulare County Superior Court Case No. VCU264227 (the "Action"); and

WHEREAS, while the Action was still pending, on September 30, 2017, the Hospital filed an action pursuant to chapter 9 of the United States Bankruptcy Code entitled *In re Tulare Local Healthcare District dba Tulare Regional Medical Center*, United States Bankruptcy Court in the Eastern District of California Case No. 17-13797 ("Bankruptcy Case"), thereby resulting in automatic stay of the Action; and

WHEREAS, the Hospital acknowledges that, by the actions of its then-existing board of directors on and around January 26, 2016, in replacing Plaintiff Medical Staff as the medical staff at the Hospital, the Hospital's then-existing Board violated Plaintiff Medical Staff's rights to medical staff self-governance, as provided for in California law; and

WHEREAS, the Settling Parties now wish to resolve the disputes and controversies between them, including those arising from or related to the facts and circumstances from which the Action arose.

NOW, THEREFORE, in consideration of the foregoing Recitals, and in consideration of the agreements and the releases set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Settling Parties hereby agree as follows:

TERMS AND CONDITIONS OF SETTLEMENT

1. Relief. The Hospital shall undertake the following actions, effective as of the Effective Date:

(a) Dissolution of the Replacement Staff. The Hospital shall not recognize or give any effect to the Replacement Staff, its leaders, or its bylaws.

(b) Reinstatement of the Medical Staff. The Hospital shall immediately reinstate and recognize the Medical Staff, including its duly-elected officers, as the organized medical staff of the Hospital, with all privileges, rights, and status (including the remaining length of officers' and members' terms) that pre-existed the January 26, 2016 actions of the Hospital's then-Board. All department and committee chairs, and any other leadership positions from the Medical Staff who are not elected by the general medical staff membership, shall resume their positions unless they are no longer available or voluntarily resign, and the medical executive committee of the Medical Staff shall promptly fill any such open slots. Upon expiration of their respective terms, all new department and committee chairs shall be elected by their respective departments in accordance with the Medical Staff's bylaws and rules. Nothing herein shall prevent the Medical Staff or its leadership from duly implementing different methods and timelines for reinstatement and replacement of positions of leadership.

(c) Medical Staff Bylaws, Rules, and Policies. The Hospital shall immediately reinstate the Medical Staff's bylaws, rules, and policies that pre-existed the January 26, 2016 actions of the Hospital's then-existing Board. Good faith efforts will be commenced by the Medical Staff or its bylaws committee within a reasonable period of time after such reinstatement to update the Medical Staff's bylaws to conform to any legal or hospital accreditation requirements. At its sole discretion, the Medical Staff or its bylaws committee may consult and work with an independent outside body (e.g., the California Medical Association, the California Hospital Association, outside counsel, and/or other qualified third party) to accomplish the update of the bylaws.

(d) Medical Staff Funds. Hospital shall make best efforts to facilitate the transfer of all membership dues or funds collected by the Replacement to the Medical Staff, and an accounting of the Medical Staff's funds shall commence immediately.

2. Attorneys' Fees and Costs. Except as specified herein, the Parties shall bear their own costs and fees incurred in connection with the Action and waive all rights to collect such costs and fees. The Hospital acknowledges that the Medical Staff is the prevailing party. On that basis, and for the independent basis established by this Agreement, the Hospital shall pay the Medical Staff's reasonable attorneys' fees and costs incurred in connection with the Action. Said payment shall be in the total amount of \$300,000. The Hospital shall pay \$100,000 of this amount four (4) months after the Hospital re-opens; \$100,000 of this amount eight (8) months after the Hospital re-opens; and \$100,000 of this amount twelve (12) months after the Hospital re-opens. Any unpaid amounts due shall be due (18) months after the Settlement Effective Date.

3. Cooperation in Bankruptcy Case. Nothing in any plan of adjustment proposed by the Hospital in its Bankruptcy Case shall be inconsistent with any of the terms of this Agreement. The Hospital shall cooperate with the Medical Staff to take any necessary actions in

the Bankruptcy Case (e.g., lifting of the automatic stay of the Action) to carry out and give full effect to this Agreement in an expeditious and efficient manner.

4. Stipulation for Entry of Stipulated Judgment in the Action. The Settling Parties shall sign the Stipulated Judgment attached hereto as **Exhibit A**. The Settling Parties stipulate and agree to the entry by the Tulare County Superior Court of the Stipulated Judgment in the Action. Within five (5) days of the Effective Date, the Medical Staff shall serve and present the Stipulated Judgment to the Court with a request that the Court enter the Stipulated Judgment. In the event the Court requires that the agreed-upon judgment between the Settling Parties be reflected in a subsequent and/or amended judgment, the Settling Parties agree to cooperate in taking whatever further action is necessary and in preparing such further documents as are necessary to secure the Court's entry of the Stipulated Judgment. The Settling Parties further agree to make such changes in the Stipulated Judgment as may be requested or required by the Court for its issuance, so long as such changes do not alter the basic terms of the Agreement. In the event that the Court requires any changes to the Stipulated Judgment that would alter the basic terms of the Agreement, the Settling Parties agree to negotiate in good faith to determine if they can stipulate to such a change in the Stipulated Judgment.

5. Other Defendants in the Action.

(a) Dismissal with Prejudice. Within five (5) days of the Effective Date, the Medical Staff shall serve and file a request for dismissal with prejudice of HCCA and the Replacement Staff in the Action.

(b) Indemnification of Medical Staff. The Hospital shall indemnify, defend, and hold harmless the Medical Staff and its individual members, officers, and representatives, from and against losses and expenses (including attorneys' fees, judgments, settlements, and all other costs, direct or indirect) alleged by Health Care Conglomerate Associates, LLC or any of its affiliates, members or managers arising from the Action.

6. Mutual Releases.

(a) Definition of "Affiliated Parties." As used in this Agreement, the term "Affiliated Parties" shall refer to any party's current or former owners, affiliates (as defined in Cal. Corp. Code Section 150), partners, directors, officers, shareholders, corporations, partnerships, companies, trusts, beneficiaries, members, agents, representatives, administrators, predecessors, successors, assigns, principals, subsidiaries, divisions, insurers and insurance companies, attorneys, employers and employees, and each of them.

(b) Definition of "Claims." As used in this Agreement, the term "Claims" shall refer to all claims, debts, liabilities, demands, obligations, promises, acts, agreements, fees, disbursements, costs, and expenses (including, but not limited to, actual attorneys' fees and costs), accounts, liens, damages, warranties, actions, causes of action and claims for relief, whether known or unknown, suspected or unsuspected, concealed or overt, patent or latent, contingent or certain, at law or in equity.

(c) Releases by the Medical Staff. Upon full execution and delivery of this Agreement by all Settling Parties, in consideration of the mutual releases and waivers contained

in this Agreement, receipt and sufficiency of which are hereby acknowledged, the Medical Staff for itself and its Affiliated Parties, and each of them, does fully and forever relieve, release and discharge the Hospital and/or its Affiliated Parties, and each of them, from any and all Claims that the Medical Staff or its Affiliated Parties may have against the Hospital and/or its Affiliated Parties for any reason whatsoever, that arise out of, or are in any way related to the Action. Notwithstanding the foregoing, the rights and obligations of the Settling Parties under this Agreement are not included in the scope of the release.

(d) Releases by the Hospital. Upon full execution and delivery of this Agreement by all Settling Parties, in consideration of the mutual releases and waivers contained in this Agreement, receipt and sufficiency of which are hereby acknowledged, the Hospital, for itself and for its Affiliated Parties, and each of them, does fully and forever relieve, release and discharge the Medical Staff and its Affiliated Parties, and each of them, from any and all Claims that the Hospital may have against the Medical Staff and/or its Affiliated Parties for any reason whatsoever that arise out of, or are in any way related to, the allegations or facts at issue in the Action, and any other matters that may or could have been brought by the Hospital in connection therewith related to the claims asserted in the Action or arising out of the filing, prosecution or resolution of the Action. Notwithstanding the foregoing, the rights and obligations of the Settling Parties under this Agreement are not included in the scope of the release.

(e) Non-Assignment of Claims. The Settling Parties, for themselves and their Affiliated Parties, each represent and warrant to and for the benefit of the other Settling Parties that it, he, she or they (i) have not filed any lawsuit, arbitration proceeding or administrative action against any other party to this Agreement in connection with any Claim released in this Agreement, except as set forth in the Action, and (ii) have not previously assigned or transferred, nor will he, it or they in the future in any manner assign or transfer, or purport to assign or transfer, voluntarily or involuntarily, to any person or entity, any Claim released in this Agreement. Further, none of the Settling Parties or their Affiliated Parties, shall initiate or prosecute by claim, cross-claim, counter-claim, third party claim or otherwise, any Claim or action against any party to this Agreement (including all Affiliated Parties released under this Agreement) in connection with any Claim released in this Agreement before any state or federal agency, court or other tribunal of competent jurisdiction which in any manner relates to any or all of the matters which are released in this Agreement, except for enforcement of the obligations of the Settling Parties under this Agreement.

7. Waiver of California Civil Code § 1542.

(a) Waiver. The Settling Parties hereby acknowledge that they are familiar with the provisions of Section 1542 of the California Civil Code and expressly agree that the releases set forth in Paragraph 5 of this Agreement constitute a waiver and release of any rights that they may have thereunder regarding any Claims which accrued on or before the date of execution of this Agreement. In that regard, the Settling Parties, and each of them, acknowledge that they are familiar with, understand, and have been advised by counsel regarding the provisions of Section 1542 of the California Civil Code, which reads as follows:

**A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT
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 Settling Parties, and each of them, hereby knowingly and voluntarily waive any and all rights they may have under Section 1542.

(b) Subsequent Facts. In connection with the waiver and relinquishment of the rights described in California Civil Code Section 1542, the Settling Parties, and each of them, acknowledge that they may hereafter discover facts in addition to or different from those which they know or believe to be true with respect to the releases of the Claims contained in this Agreement, but that it is their intention fully, finally and forever to settle and release the matters, disputes and differences, whether known or unknown, suspected or unsuspected, concealed or overt, patent or latent, contingent or certain, at law or in equity, which accrued or could have accrued prior to the effective date of this Agreement, which may now exist or heretofore have existed with the other parties. This release shall be and remain in effect as a full and complete release notwithstanding the subsequent discovery or existence of any additional or different facts.

8. General Provisions.

(a) Successors. This Agreement is binding upon and shall inure to the benefit of the Settling Parties hereto and to their respective predecessors-in-interest, successors, permitted assigns, agents, employees, board members, directors, officers, stockholders, members and affiliates.

(b) Complete Agreement; Amendment. This Agreement contains the entire agreement between the Settling Parties hereto and supersedes all prior agreements, representations, warranties, statements, promises, and understandings, whether oral or written, with respect to the subject matter hereof. No party shall be bound by any oral or written agreements, representations, warranties, statements, promises, or understandings not specifically set forth in this Agreement or the exhibits hereto, and each party expressly acknowledges that no such oral or written agreements, representations, warranties, statements, promises or understandings have been made to him, her, or it by any person or entity other than as expressly stated in this Agreement. This Agreement may not be amended, altered, or modified except by a writing signed by all Settling Parties hereto.

(c) Governing Law. This Agreement has been entered into in the State of California and all questions with respect to this Agreement and the rights and liabilities of the Settling Parties hereto shall be governed by the laws of that State as would apply to contracts wholly made and executed in that State. The Tulare County Superior Court shall be the sole and exclusive forum for any litigation arising under or related to this Agreement.

(d) Authority to Execute Agreement. Each party or person executing this Agreement in a representative capacity on behalf of a corporate entity hereby represents that he or she is

duly authorized by such entity to execute this Agreement on its behalf, and to bind it to the terms and conditions hereof.

(e) Severability. The provisions of this Agreement are severable, and if any one or more provisions shall be determined to be illegal, invalid, or unenforceable in whole or in part, the remainder of this Agreement and any partially unenforceable provisions to the extent enforceable, nevertheless shall be binding and enforceable.

(f) Counterparts. This Agreement may be executed in any number of counterparts, including signature pages transmitted by facsimile to respective counsel-of-record in the Action, each of which shall be an original, but all of which together shall constitute one instrument.

(g) Waiver. No failure or delay by a party to insist upon the strict performance of any term, condition, covenant or agreement of this Agreement, or to exercise any right, power or remedy hereunder or under law or consequent upon a breach hereof or thereof shall constitute a waiver of any such term, condition, covenant, agreement, right, power or remedy or of any such breach or preclude such party from exercising any such right, power or remedy at any later time or times.

9. Notices.

All notices or other communications required or permitted under this Agreement shall be in writing and shall be delivered by personal service, or by certified or registered mail, postage prepaid, return receipt requested, to the Settling Parties hereto at the addresses herein set forth below:

If to the Hospital:

Tulare Local Healthcare District d/b/a Tulare Regional Medical Center
c/o Todd A. Wynkoop, Esq.
McCormick Barstow LLP
7647 N. Fresno Street
Fresno, California 93720
(Counsel of Record for the Hospital)

If to the Medical Staff:

Medical Staff of Tulare Regional Medical Center
c/o Michael M. Amir, Esq.
Doll Amir & Eley, LLP
1888 Century Park East, Suite 1850
Los Angeles, California 90067
and
John D. Harwell, Esq.
Law Offices of John D. Harwell
225 27th Street
Manhattan Beach, California 90266

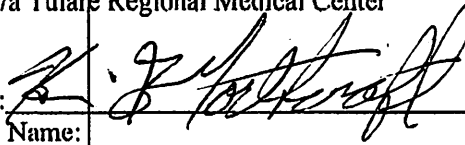
THE SIGNATORIES HAVE CAREFULLY READ THIS ENTIRE AGREEMENT. ITS CONTENTS HAVE BEEN FULLY EXPLAINED TO THEM BY THEIR ATTORNEYS. THE SIGNATORIES FULLY UNDERSTAND THE FINAL AND BINDING EFFECT OF THIS AGREEMENT. THE ONLY PROMISES MADE TO ANY SIGNATORY ABOUT THIS AGREEMENT, AND TO SIGN THIS AGREEMENT, ARE CONTAINED IN THIS AGREEMENT. THE SIGNATORIES ARE SIGNING THIS AGREEMENT VOLUNTARILY.

PLEASE READ CAREFULLY THIS SETTLEMENT AGREEMENT AND RELEASE. THE AGREEMENT INCLUDES A RELEASE OF KNOWN AND UNKNOWN CLAIMS.

IN WITNESS WHEREOF, this Agreement has been executed in the State of California on the dates set forth opposite the signatures below, and subject to full execution and delivery by all signatories, shall be deemed effective as of the date first written above.


Tulare Local Healthcare District itself and
d/b/a Tulare Regional Medical Center

DATED: 29 June, 2018

By: 
Name:
Title:

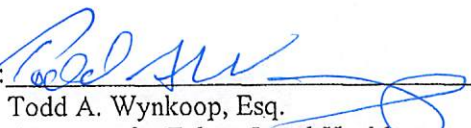
Tulare Regional Medical Center Medical Staff

DATED: 6/27, 2018

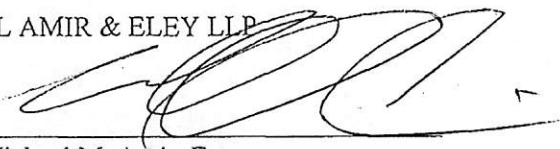
By: 
Name: Abraham Betre
Title: chief of staff

APPROVED AS TO FORM AND CONTENT:

MCCORMICK BARSTOW, LLP

By: 
Todd A. Wynkoop, Esq.
*Attorneys for Tulare Local Healthcare
District itself and d/b/a Tulare Regional
Medical Center*

DOLL AMIR & ELEY LLP

By: 
Michael M. Amir, Esq.
*Attorneys for Tulare Regional Medical
Center Medical Staff*

LAW OFFICES OF JOHN D. HARWELL

By: 
John D. Harwell, Esq.
*Attorneys for Tulare Regional Medical
Center Medical Staff*