

Before the Board of Supervisors in and for the
County of Monterey, State of California

Agreement No: A - 11514

Approve and authorize the Purchasing Manager of Natividad Medical)
Center (NMC) to execute an Agreement with UCSF Department of)
Pediatrics in an amount not to exceed \$1,050,000 for Professional)
Neonatologist services at Natividad Medical Center for the period of)
November 1, 2008 through October 31, 2011.)

Upon motion of Supervisor Potter, seconded by Supervisor Parker, and carried by those members present, effective August 25, 2009, the Board hereby:

Approved and authorized the Purchasing Manager of Natividad Medical Center (NMC) to execute an Agreement with UCSF Department of Pediatrics in an amount not to exceed \$1,050,000 for Professional Neonatologist services at Natividad Medical Center for the period of November 1, 2008 through October 31, 2011.

PASSED AND ADOPTED this 25th day of August, 2009, by the following vote, to wit:

AYES: Supervisors Armenta, Salinas, Calcagno, Parker, Potter

NOES: None

ABSENT: None

I, Gail T. Borkowski, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof of Minute Book 75 for the meeting on August 25, 2009.

Dated: August 26, 2009

Gail T. Borkowski, Clerk of the Board of Supervisors
County of Monterey, State of California

By P. Parker
Deputy

PROFESSIONAL SERVICES AGREEMENT

This Memorandum of Agreement (the "Agreement") entered into by and between The Regents of the University of California, a California Constitutional corporation, on behalf of the University of California, San Francisco, School of Medicine, Department of Pediatrics (hereinafter referred to as "UCSF"), and Natlidad Medical Center (hereinafter referred to as "HOSPITAL"), a general acute care teaching hospital wholly owned and operated by the County of Monterey, a political subdivision of the State of California, sets forth the terms and conditions under which UCSF will provide professional medical services to HOSPITAL. This "Agreement" replaces and supercedes any previous Professional Services Agreement for the same professional medical services.

RECITALS

- A. The County of Monterey is the owner and operator of Natlidad Medical Center, an acute care hospital which offers a variety of medical services, including Level III neonatal intensive care services.
- B. UCSF operates a School of Medicine which includes a Department of Pediatrics and employs or contracts with physicians ("Physicians") who are licensed to practice medicine in the State of California and are qualified to provide the services identified in this Agreement for the HOSPITAL'S patients;
- C. HOSPITAL desires to provide for Services to be performed for its patients and does not have the capability to do so; and
- D. UCSF desires to provide those services through its Physicians as set forth in this Agreement. In doing so, UCSF shall support the mission of the University of California by providing teaching through medical student and family practice resident rotations as well as involvement in research.

NOW, THEREFORE, for and in consideration of the mutual covenants, conditions and restrictions set forth herein, the parties agree as follows:

1. RESPONSIBILITIES OF UCSF

1.1. Administrative Services. During the term of this agreement, UCSF shall provide a Physician acceptable to HOSPITAL, as described in Exhibit 1.1 to serve as Medical Director of the Neonatal Intensive Care Nursery (NICU), in accordance with the terms of this Agreement. The Medical Director, at all times during the term of this Agreement, shall be duly licensed as a physician under California law, shall be board certified or eligible in neonatology, shall be a member in good standing of the active Medical Staff of the HOSPITAL, shall comply with all applicable standards and recommendations of The Joint Commission (TJC), and shall hold all

clinical privileges on the active Medical Staff of HOSPITAL appropriate to the discharge of his or her obligations under this Agreement.

1.1.2. Medical Director Administrative Duties. Medical Director shall perform the Administrative Services as set forth in Exhibit 1.1, attached hereto and incorporated herein by this reference. Medical Director and HOSPITAL shall meet monthly to discuss the performance of Administrative Services in the Department.

1.2 Professional Services and Coverage. During the term of this Agreement, UCSF Physicians shall provide professional services to HOSPITAL patients as scheduled by HOSPITAL in mutual agreement with UCSF. UCSF shall have authority and responsibility for providing the UCSF Physicians to HOSPITAL (including recruiting, hiring, promoting, compensating, and disciplining) and for establishing the terms of his or her employment with UCSF. The UCSF Physicians shall be employees of UCSF and shall be carried on UCSF's payroll.

1.3 Scope of Services. The Services to be provided under this Agreement shall include provision of professional services as well as neonatal medical direction (the "Services") on patients at HOSPITAL. A more detailed description of the Services is described in Exhibit 1.3, attached hereto and incorporated herein by reference.

1.4 Physician Qualifications. UCSF Physicians providing services under this Agreement shall be licensed in California as a physician and surgeon and board certified or eligible in Neonatology with medical staff privileges at HOSPITAL.

1.5 Hours of Availability. UCSF Physicians will provide in house neonatal services 8 hours per day, 5 days per week, provide inpatient neonatal attending coverage on weekends, and be available for neonatal call 24x7 (unless other arrangements have been made as agreed to in writing by the parties). UCSF Physicians will comply with the physician standards for neonatology established by the California Children's Services (CCS) program for a community level III NICU and as defined by the local county CCS offices covering patients hospitalized at HOSPITAL.

1.6 Standards. Each UCSF Physician providing services hereunder shall perform his or her professional medical duties in accordance with: (a) HOSPITAL'S Medical Staff Bylaws, rules and regulations, and policies; (b) all rules and regulations generally applicable to physicians practicing medicine in California; and (c) the standards and recommendations of TJC.

2. RESPONSIBILITIES OF HOSPITAL

HOSPITAL shall provide the following: space, equipment, services, supplies and personnel in this Article 2 in accordance with sound medical and legal practices and any applicable federal and state laws and regulations, including the requirements of TJC, and the Medicare Conditions of Participation, and all hospital requirements necessary to comply with standards established by California Children's Services (CCS) and the individual county CCS

offices covering patients hospitalized at HOSPITAL. A more detailed description of the HOSPITAL's Scope of Services is described in Exhibit 2, attached hereto and incorporated herein by reference.

2.1 Space. HOSPITAL shall provide UCSF Physicians with suitable space to perform the Services at the times set forth in Section 1.5 above. The site that has been designated by HOSPITAL is currently licensed as a Level III Community Neonatal Intensive Care Nursery and is located at Natividad Medical Center. UCSF Physicians will perform the services for HOSPITAL solely at this location as set forth in this Agreement. HOSPITAL shall remain responsible for the overall operation of the Neonatal Intensive Care Nursery and shall maintain such space and facilities in good and sanitary order, condition, and repair.

HOSPITAL shall be solely responsible for complying with all federal, state and local environmental and health and safety laws, regulations and ordinances ("Environmental Laws") and all environmental and health and safety permits, licenses and authorizations ("Environmental Permits"), and for otherwise operating its premises (including that which it provides to Physician) in a manner which is protective of human health and the environment. The responsibilities of HOSPITAL include, but are not limited to: (a) obtaining and maintaining all necessary Environmental Permits, (b) being the designated generator of wastes and otherwise arranging for the lawful treatment, storage, disposal, transport and other management of medical and hazardous materials, chemicals and wastes associated with the activities conducted by Physician, (c) providing any reports, warnings or other notifications that may be required of HOSPITAL or Physicians providing care at HOSPITAL under any Environmental Laws or Environmental Permits, (d) identifying, investigating and remediating any threatened or actual releases of medical or hazardous materials, chemicals or wastes to the environment, whether or not caused by Physician, and (e) providing for the safety and well being of persons who enter its premises, including but not limited to, the exposure of persons to medical and hazardous materials, chemicals, wastes building materials, and environmental media or other conditions at and in the vicinity of such premises. HOSPITAL on its own behalf and on behalf of any persons entering the premises provided to UCSF Physicians expressly waives and releases any claims against Physician, UCSF and their respective successors, members, officers, directors, employees and agents in connection with the environmental matters addressed herein.

2.2 Equipment. HOSPITAL shall furnish such equipment and supplies necessary for UCSF Physicians to perform the Services. HOSPITAL will be responsible for ensuring that the equipment used by UCSF Physicians pursuant to this Agreement is maintained in good operating order, including any necessary maintenance and/or repairs.

2.3 Services and Supplies. HOSPITAL shall provide or arrange for the provision of janitorial services, housekeeping services, laundry and utilities, together with such other services, including medical records, administrative and engineering services, and expendable supplies as HOSPITAL and UCSF agree is necessary for the proper operation and conduct of the Neonatal Intensive Care Nursery.

2.4 Personnel. HOSPITAL shall employ or otherwise retain all other physician and non-physician personnel required to meet CCS requirements for a community level III Intensive Care Unit, as well as a sufficient number of neonatal nurse practitioners to provide in house after hours coverage for the NICU, technicians, therapists, other ancillary support personnel, and clerical personnel necessary for the proper operation and conduct of the Neonatal Intensive Care Nursery. This includes personnel required to ensure that all activities needed for the timely authorization and reimbursement of physician services by third party insurance carriers are met, and for providing UCSF or its agents with timely and accurate registration, patient demographic, and insurance billing data required for professional fee billing, as described in Exhibit 2. HOSPITAL shall also be responsible for obtaining authorization for hospitalization, providing and coordinating with UCSF to obtain authorization for physician professional services, and providing clinical documentation required to ensure timely and appropriate payment for professional services provided by UCSF Physicians. HOSPITAL shall ensure that such personnel are appropriately trained and certified or licensed as necessary and are covered by HOSPITAL'S insurance or have obtained equivalent coverage. HOSPITAL shall be solely responsible for satisfying any and all obligations for any personnel it retains, employs or contracts with to assist it to perform this Agreement. Such obligations shall include, but are not limited to, paying all federal and state withholding taxes applicable to employees, complying with federal and state wage-hour obligations (including overtime), workers compensation obligations, unemployment insurance obligations, and other applicable taxes and contributions to government mandated employment related insurance and similar programs.

3. COMPENSATION AND BILLING

3.1 Compensation to UCSF. HOSPITAL agrees as follows:

a) The HOSPITAL agrees to pay to UCSF a total of \$50,000 for services of one physician as Medical Director. HOSPITAL agrees that all infants admitted to the Neonatal Intensive Care Unit shall be admitted to the service of a UCSF physician, provided that the Intensive Care Unit is fully staffed by UCSF Physicians.

b) HOSPITAL will provide payment for medical direction services rendered pursuant to this Agreement at the commencement of the Agreement and annually thereafter. Payment shall be made by check made payable to "The Regents of the University of California" and mailed to: Department of Pediatrics, 505 Parnassus Avenue, San Francisco, CA 94143-0110.

c) The HOSPITAL also agrees to pay to UCSF the difference (backstop) between the salaries for two UCSF Neonatal physicians (negotiated salaries plus 25% for benefits) plus other direct costs associated with the billing and collected professional fees, not to exceed 12.5% of net revenue collections, and actual matched professional fees collections performed under this Agreement. The HOSPITAL backstop shall be capped at \$300,000 per year in year one (1) of the Agreement. However, the backstop amount will proportionately be increased by any current or future reduction in the Medi-Cal and/or CCS reimbursement fee schedule. The backstop amount shall be adjusted annually in accordance with University

approved faculty salary and benefit increases and to reflect any mutually agreed upon changes by the Department of Pediatrics and HOSPITAL.

d) On a quarterly basis, UCSF will submit an invoice to HOSPITAL for the actual difference between unmatched professional fee collections and total compensation during that quarter. Final reconciliation of the backstop payments will occur between UCSF and Nativity based on matched payments once all matched payments are collected; this reconciliation will take place no later than 12 months after the end of each fiscal year, and with mutual agreement may be sooner.

e) UCSF shall submit to HOSPITAL a quarterly invoice on a form acceptable to HOSPITAL, an example of which is attached hereto and incorporated by reference as Exhibit 3.1. The invoice shall set forth the amounts in compliance with Section 3.1.(c) above for the previous period, together with an itemized basis for the amounts invoiced. HOSPITAL shall promptly submit such invoice to the County Auditor-Controller for payment. The County Auditor-Controller shall pay the amount certified by HOSPITAL within 30 days of receiving the certified invoice. Payment shall be made by check made payable to "The Regents of the University of California" and mailed to: Department of Pediatrics, 505 Parnassus Avenue, San Francisco, CA 94143-0110.

3.2 Billing. UCSF shall bill and collect for professional services provided by UCSF Physicians. UCSF shall comply with applicable laws and customary professional practices governing billing for Medicare and Medi-Cal programs.

3.3 Compliance with Laws. HOSPITAL represents that it maintains a compliance program designed to promote adherence to applicable federal and state laws, regulations, and interpretations. HOSPITAL shall use its best efforts to ensure that all claims relating to the Services satisfy all applicable payor rules, regulations, and instructions. Without limiting the scope of the indemnification provided in Section 7.1 below, HOSPITAL shall indemnify, defend and hold harmless UCSF and UCSF physicians from any liability, loss, damage, claim, fine, or expense, including costs and reasonable attorneys' fees, arising from any actual or alleged billing errors, false claims, or insurance fraud relating to claims for any Service.

4. TERM AND TERMINATION

4.1 Term. The term of this Agreement shall be for a three (3) year period beginning on November 1, 2008, and shall continue for an additional one (1) year term unless terminated as set forth hereunder. UCSF will be responsible for providing the 2 neonatologists for the HOSPITAL NICU on a continuing and ongoing basis, including coverage schedule and the costs associated with neonatologist physician coverage under the terms of this Agreement.

4.2 Termination Without Cause. After one (1) year, either party may terminate this Agreement without cause upon at least ninety (90) days' prior written notice to the other party.

4.3 Termination With Cause. Either party may terminate this Agreement upon the material breach of this Agreement by the other party by giving the other party thirty (30) days' prior written notice of such breach. If such breach is not cured by the breaching party within thirty (30) days of receipt of this notice, this Agreement shall terminate at the end of such thirty (30) day period.

4.4 Immediate Termination. Notwithstanding any other provision herein, this Agreement may be terminated immediately by either party if: (a) UCSF Physicians or HOSPITAL have their respective license to practice medicine in the State of California suspended or revoked; (b) if the insurance coverage for UCSF physicians or HOSPITAL, as required hereunder, is canceled or modified; or (c) if HOSPITAL fails to maintain its TJC accreditation or meet the requirements of the Medicare conditions of participation.

4.5 Compliance. The Compliance Officer of either party, on advice of legal counsel, may terminate the Agreement at any time upon notice to the other party based upon a determination, in the Compliance Officer's reasonable discretion, that this Agreement presents a compliance risk for that party.

5. MEDICAL RECORDS

5.1 Confidentiality. The parties agree to maintain the confidentiality of all medical records pertaining to the provision of services under this Agreement in accordance with applicable federal and state laws and regulations including, but not limited to, the Health Information Portability and Accountability Act (HIPAA), the California Confidentiality of Medical Records Information Act, codified at Section 56.1 of the California Civil Code and California Evidence Code Sections 1156 and 1157.

5.2 Ownership. All medical records and charts created at HOSPITAL by UCSF Physicians pursuant to this Agreement shall be and remain the property of HOSPITAL. Both during and after the term of this Agreement, UCSF and/or UCSF Physicians shall be permitted to inspect and/or duplicate at HOSPITAL expense any individual charts or obtain copies of all such records which are: (1) necessary for billing purposes; (2) necessary to assist in the defense of any malpractice or similar claim; and/or (3) relevant to any disciplinary action. Both during and after the term of this Agreement, UCSF shall be permitted to inspect and/or duplicate at UCSF's expense any individual charts or records which are for educational or research purposes. Such inspection and/or duplication shall be permitted and conducted pursuant to commonly accepted standards of patient confidentiality in accordance with applicable federal, state, and local law upon request.

6. STATUS OF THE PARTIES

6.1 It is the express intention of the parties that the legal status of UCSF to HOSPITAL shall be that of an independent practice, furnishing the services of its employees to HOSPITAL under a contractual arrangement which constitutes neither a partnership, joint venture, or a cost-sharing arrangement. UCSF shall be solely responsible for paying or

withholding all relevant taxes arising from the compensation of the UCSF Physicians, and UCSF shall be solely responsible for all other governmental requirements applicable to UCSF and the UCSF Physicians arising out of their employment relationship. The UCSF Physicians shall have no claim under this Agreement, or otherwise, against HOSPITAL for workers' compensation, unemployment compensation, vacation pay, sick leave, retirement benefits, Social Security benefits, disability insurance benefits, unemployment insurance benefits, or any other employee benefits, all of which shall be the sole responsibility of UCSF.

7. INDEMNIFICATION AND INSURANCE

7.1 Indemnification by HOSPITAL. HOSPITAL shall defend, indemnify and hold UCSF, UCSF Physicians, its officers, employees and agents harmless from and against any and all claims, liabilities, losses, demands, actions, suits, or expenses whatsoever (including damages to property and injuries to or death of persons, court costs, and reasonable attorneys' fees) arising out of the performance of this Agreement, but only in proportion to and to the extent such claims, liabilities, losses, demands, actions, suits, or expenses whatsoever (including damages to property and injuries to or death of persons, court costs, and reasonable attorneys' fees) are caused by or result from the negligent or intentional acts or omissions of HOSPITAL, its officers, employees, or agents.

HOSPITAL shall defend, indemnify and hold The Regents of the University of California, its officers, employees and agents harmless from and against any and all Director & Officer ("D&O") claims, liabilities, losses, demands, actions, suits, or expenses whatsoever (including damages to property and injuries to or death of persons, court costs, and reasonable attorneys' fees) by reason of any event or occurrence related to the fact that the Medical Director is or was serving at the request of HOSPITAL in that capacity.

7.2 Indemnification by UCSF. UCSF shall defend, indemnify and hold HOSPITAL, its officers, employees, and agents harmless from and against any and all claims, liabilities, losses, demands, actions, suits, or expenses whatsoever (including damages to property and injuries to or death of persons, court costs, and reasonable attorneys' fees) arising out of the performance of this Agreement, but only in proportion to and to the extent such claims, liabilities, losses, demands, actions, suits, or expenses whatsoever (including damages to property and injuries to or death of persons, court costs, and reasonable attorneys' fees) are caused by or result from the negligent or intentional acts or omissions of UCSF, its officers, employees, or agents.

7.3 Insurance for HOSPITAL. HOSPITAL shall secure and maintain the insurance coverage described in Exhibit 7.3, a copy of which is attached hereto and incorporated herein by this reference.

7.4 Insurance for UCSF Physicians. The University of California shall secure and maintain professional medical and hospital insurance on behalf of UCSF Physicians in accordance with University policies and procedures described in Exhibit 7.4, attached hereto and incorporated herein by this reference.

8. USE OF NAME AND MARKETING

8.1 Use of Name. The parties agree that any use of the "UCSF," or the "University of California" name or other similar references to the University of California San Francisco, its physicians or facilities, shall be subject to the prior written approval of the Director of Marketing for the UCSF Medical Center and the Vice Dean for Compliance and Academic Affairs for the School of Medicine in accordance with the provisions of applicable law, including but not limited to California Education Code Section 92000.

8.2 Marketing of UCSF Physicians. HOSPITAL shall not advertise or use any of the UCSF Physician's names in any marketing materials without UCSF's prior written consent.

9. COOPERATION IN DISPOSITION OF CLAIMS.

UCSF and HOSPITAL agree to cooperate with each other in the timely investigation and disposition of audits, peer review matters, disciplinary actions and third-party liability claims arising out of any services provided under this Agreement or in the operation of the Program. The parties shall notify one another as soon as possible of any adverse event which may result in liability to the other party. It is the intention of the parties to fully cooperate in the disposition of all such audits, actions or claims. Such cooperation may include, but is not limited to, timely notice, joint investigation, defense, disposition of claims of third parties arising from services performed under this Agreement, and making witnesses available.

To the extent allowed by law, HOSPITAL and UCSF shall have reasonable and timely access to the medical records, charts, applicable Medical Staff minutes and/or quality assurance data of the other party relating to any claim or investigation related to services provided pursuant to this Agreement; provided, however, that nothing shall require either HOSPITAL or UCSF to disclose any peer review documents, records or communications which are privileged under Section 1157 of the California Evidence Code, under the Attorney-Client Privilege or under the Attorney Work-Product Privilege.

10. PATIENT RECORDS.

Any and all of HOSPITAL'S medical records and charts created at HOSPITAL'S facilities as a result of performance under this Agreement shall be and shall remain the property of HOSPITAL. Both during and after the term of this Agreement, UCSF shall be permitted to inspect and/or duplicate, at HOSPITAL'S expense, any individual charts or records which are: (1) necessary to assist in the defense of any malpractice or similar claim; (2) relevant to any disciplinary action; and/or (3) for educational or research purposes. Such inspection and/or duplication shall be permitted and conducted pursuant to commonly accepted standards of patient confidentiality in accordance with applicable federal, state and local laws.

11. COMPLIANCE WITH LAWS

The parties shall comply with all applicable state and federal laws and regulations and with the requirements of the TIC and CCS.

12. GENERAL

12.1 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with and subject to the laws of the State of California.

12.2 Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions hereto shall remain in full force and effect and shall in no way be affected, impaired or invalidated as a result of such decision.

12.3 Assignment. Neither party may assign, delegate or transfer in any manner the obligations and rights set forth in this Agreement, in whole or in part, without the prior written consent of the other; provided however, that this Agreement may be assigned to the County of Monterey, as HOSPITAL owner.

12.4 Amendments. This Agreement or any part of it may be amended only by the mutual written consent of the duly authorized representatives of the parties unless otherwise provided in this Agreement.

12.5 Entire Agreement. This Agreement is the entire agreement between the parties relating to the subject matter of the Agreement and shall supersede all prior arrangements, negotiations, and understandings between the parties, whether oral or written. No waiver of any term, provision or condition of this Agreement shall be deemed to be, or shall constitute a waiver of any term, and no waiver of any present condition shall constitute a waiver of such condition occurring in the future.

12.6 Notice. Any written notification required hereunder shall be personally served or mailed by certified mail, return receipt requested, to the following:

If to UCSF: Samuel Hawgood
Chairman
Department of Pediatrics
505 Parnassus Avenue
San Francisco, CA 94143-0110

If to Hospital:
Attn: Chief Executive Officer
Natividad Medical Center
1441 Constitution Blvd., Bldg. 300
Salinas, CA 95912-1611

12.7 Change in Law. In the event that a change in state or federal law, statute, regulation, or enforcement or same materially affects this Agreement, the parties agree to negotiate immediately, in good faith, any necessary or appropriate amendment(s) to the terms of this Agreement. If the parties fail to reach a mutually agreeable amendment within thirty (30) days of such negotiation period, this Agreement shall terminate at the end of such thirty- (30) day period.

12.8 Third Parties. This Agreement is not intended and shall not be construed to create any rights for any third party.

12.9 Exhibits. All Exhibits referred to herein are hereby incorporated herein. In the event that any provision of this Agreement conflicts with any Exhibit to this Agreement, the Exhibit shall control with respect to the subject matter of such Exhibit.

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

12.11 Ability to Enter Agreement. Each party represents and warrants that it is free to enter into this Agreement and to perform each of the terms and conditions of the Agreement.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective as of the day and year set forth in Article 4 above.

THE REGENTS OF THE UNIVERSITY OF
CALIFORNIA, on behalf of UCSF,
Department of Pediatrics ("UCSF")

NATIVIDAD MEDICAL CENTER
("HOSPITAL")

By: Sam Hawgood
Samuel Hawgood, M.D.

By: [Signature]
Title: Chief Executive Officer

Title: Chair, Department of Pediatrics

Date: 6/24/09

Date: 9-3-09

Approved as to Legal Form

CHARLES J. MCKEE
County Counsel

By: [Signature]
Neal H. Cohen, M.D.

By: [Signature]
Deputy County Counsel

Title: Vice Dean of
Medicine

School

Date: 6/24, 2009

Date: 9-8-09

Approved as to Fiscal Provisions

Auditor/Controller

By: [Signature]

Date: 6-25, 2009

RISK MANAGEMENT
Approved as to Indemnity Provisions
COUNTY OF MONTEREY
APPROVED AS TO INDEMNITY/
INSURANCE LANGUAGE

By: [Signature]
Date: 6/25/09, 2009

EXHIBIT 1.1

UCSF PHYSICIANS PROVIDING SERVICES

Any UCSF staff necessary to provide the 2 FTE coverage required in the Agreement.

EXHIBIT 1.3

UCSF SCOPE OF SERVICES

- The UCSF Department of Pediatrics will provide 2 full-time equivalent neonatologists to staff the Level III Neonatal Intensive Care Unit.
- Upon approval of Natividad Medical Center, one of the UCSF Children's Hospital physicians will be designated as Medical Director of the Neonatal Intensive Care Unit at Natividad Medical Center. The Neonatal Medical Director shall report to the Chairman, Department of Pediatrics at UCSF and the Chief Medical Officer at Natividad Medical Center.
- Physician coverage to be provided shall include:
 - Medical Direction to a Level III Neonatal Intensive Care Unit
 - Attending physician coverage for all infants admitted to the Neonatal Intensive Care Unit
 - Attending physician coverage for babies born without a pediatrician identified
 - Supervision of UCSF medical students and/or residents
- Additional responsibilities of the Neonatal service Medical Director include the following:
 - Management and oversight of quality of medical care for all infants
 - Development and annual review of clinical policies and procedures including coordination with related ancillary services
 - Oversight of a continuous performance improvement program
 - Medical supervision of nurse practitioners in the Neonatal Intensive Care Unit
 - Monitoring of patient, physician and staff satisfaction
 - Participation in staff training and continuous education
 - Participation in Natividad committee structure on behalf of the NICU and its ambulatory clinics
 - Participation in maintaining California Children's Services approval for a Level III Neonatal Intensive Care Unit.
 - Participation in outreach and community relations activities
 - Participation in marketing activities including the establishment of transfer agreements with surrounding hospitals for neonatal services.
- UCSF shall provide initial and ongoing consultation and educational services to physicians and non-physician employees through a Neonatal/Perinatal Outreach Agreement
- UCSF physicians shall timely and accurately complete daily time studies for each day of the month as required by MediCal for cost report purposes. Time studies will be submitted on a monthly basis by the 10th business day after the close of each month. Timely completion of the required time studies will be factored into the bonus payment criteria for UCSF faculty at Natividad. Natividad agrees to inform UCSF of delinquent time studies by the 15th business day after the close of each month.

EXHIBIT 2

HOSPITAL SCOPE OF SERVICES

- The Hospital (Natividad Medical Center) shall be responsible for providing UCSF Neonatal Physicians with space, equipment, services, supplies and other physician and non-physician personnel required to operate a CCS approved Community Level III Intensive Care Nursery as described in the CCS Manual of Procedures, Chapter 3.35.
- The Hospital shall designate an Administrative Manager with oversight responsibilities for the Intensive Care Nursery to serve as liaison to the UCSF Department of Pediatrics Revenue Management Unit.
- The duties of the Administrative Manager will include the establishment, implementation and ongoing maintenance of procedures developed in collaboration with UCSF to ensure the accurate and timely billing of professional fee reimbursements for clinical services provided by UCSF Physicians:
 - Specific billing and reimbursement data to be furnished include but are not limited to: providing UCSF with complete and accurate patient/family demographic, registration and insurance information no later than 14 days post admission.
 - Notification and Referral of patients/families to appropriate county CCS office within 5 days admission
 - Respond to and provide County CCS offices with requested information required for CCS authorizations or processing of professional fee reimbursements within 10 days of CCS request.
 - The Administrative Manager will be available to consult with and work with UCSF Revenue Management Managers not less than once per month and will participate in a regularly scheduled monthly conference call to coordinate and resolve professional fee billing issues.
 - The Hospital will also obtain the authorization for Hospital services and assist when required UCSF in obtaining authorization for physician services.

EXHIBIT 3.1

HOSPITAL INVOICE

See attached

[PLACE HOLDER FOR SAMPLE INVOICE]

EXHIBIT 7.3

HOSPITAL INSURANCE

HOSPITAL certifies that it maintains a program of insurance and self-insurance that covers its activities in connection with this Agreement as follows:

1. **Professional Medical Liability Insurance or Self-Insurance** HOSPITAL shall maintain insurance or a self-insurance program with financially-sound and reputable companies; HOSPITAL shall carry healthcare entity comprehensive liability coverage with minimum limits of \$2 Million (\$2,000,000) per claim and \$5 Million (\$5,000,000) aggregate limits for the hospital and its employed staff other than physicians and allied healthcare professionals covered under its policy. Physicians and allied healthcare professionals shall carry individual coverage of \$1 Million per claim and \$3 Million aggregate, which are sub-limits and are intended to be inclusive of the Hospital's \$2 Million/\$5 Million limits. If such insurance is written on a claims-made form, it shall continue for three (3) years following termination of this Agreement. The insurance shall have a retroactive date prior to coinciding with the effective date of this Agreement. In the event that a claims-made policy is canceled or non-renewed, then HOSPITAL shall obtain extended reporting (tail) coverage for the remainder of the three (3) year period.
2. **General Liability Insurance or Self-Insurance** HOSPITAL shall maintain insurance or a self-insurance program with financially-sound and reputable companies; HOSPITAL shall carry general liability insurance or a self-insurance program with a minimum one (\$1,000,000) million per claim and five (\$5,000,000) million coverage in the aggregate for the hospital and its employed staff other than physicians and allied healthcare professionals covered under its policy. Physicians and allied healthcare professionals shall carry \$1 Million per claim and \$3 Million aggregate limits of liability when insured under the HOSPITAL's policy.
3. **Workers' Compensation Insurance** in a form and amount covering HOSPITAL's full liability as required by law under the Workers' Compensation Insurance and Safety Act of the State of California as amended from time to time.

The coverage referred to in Section 2 above shall be endorsed to include UCSF as an additional insured. Such a provision, however, shall only apply in proportion to and to the extent of the negligent acts or omissions of HOSPITAL, its officers, agents, and/or employees. HOSPITAL upon execution of this Agreement, shall furnish UCSF with Certificates of Insurance evidencing compliance with all requirements. Certificates shall further provide for thirty (30) days advance written notice to UCSF of any modification, change or cancellation of any of the above insurance coverages.

EXHIBIT 7.4

UCSF PHYSICIANS' INSURANCE

The University certifies that it maintains a program of self-insurance that covers its activities in connection with this Agreement as follows:

1. **Professional Medical and Hospital Liability Insurance.** UCSF maintains a program of professional liability self-insurance with self-insured retention levels of five million dollars (\$5,000,000).

If UCSF opts to purchase insurance and coverage is written on a claims-made form, it shall continue for three (3) years following termination of the Agreement. The insurance shall have a retroactive date prior to or coinciding with the effective date of the Agreement. In the event that a claims-made policy is canceled or non-renewed, then UCSF shall obtain extended reporting (tail) coverage for the remainder of the three (3) year period.

2. **Comprehensive General Liability Insurance.** UCSF maintains a program of general liability self-insurance with self-insured retention levels of five million dollars (\$5,000,000).

If UCSF opts to purchase insurance and coverage is written on a claims-made form, it shall continue for three (3) years following termination of the Agreement. The insurance shall have a retroactive date prior to or coinciding with the effective date of the Agreement. In the event that a claims-made policy is canceled or non-renewed, then UCSF shall obtain extended reporting (tail) coverage for the remainder of the three (3) year period.

3. **Worker's Compensation Liability Insurance** with self-insured retention in amounts required by the State of California.

The coverage referred to in Section 2 above shall be endorsed to include the HOSPITAL as an additional insured. Such a provision, however, shall only apply in proportion to and to the extent of the negligent acts or omissions of UCSF, its officers, agents, and/or employees. UCSF, upon execution of this Agreement, shall furnish HOSPITAL with Certificates of Insurance evidencing compliance with all requirements. Certificates shall further provide for thirty (30) days advance written notice to HOSPITAL of any modification, change, or cancellation of any of the above insurance coverages.