

HOSPITAL AND PHYSICIAN AGREEMENT

THIS AGREEMENT is made and entered into as of this 3rd day of February, 1998, by and between _____, a non-profit corporation (hereinafter referred to as "Hospital"), and _____, (hereinafter referred to as "Physician").

PART I RECITALS

1.01 Hospital, under the authority of R.C.W. 70.44, which owns and operates _____ located at _____, _____, Washington, has determined that recruitment of a physician in the specialty of General Surgery is in the best interest of the Hospital, its patients and the community and wishes to assist Physician in establishing his medical practice in _____, Washington and become a member of the Hospital's medical staff.

1.02 Physician, who is now or will become duly qualified to practice medicine in the State of Washington, wishes to establish a medical practice in the specialty of General Surgery in _____, Washington and become a member of the Hospital's medical staff.

1.03 Both Hospital and Physician, as parties to this Agreement, wish to establish a relationship, as hereinafter described, to ensure their mutual success and to define their respective rights and responsibilities each to the other.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises and covenants hereinafter contained, the parties agree as follows:

PART II RESPONSIBILITIES OF HOSPITAL

2.01 Income Guarantee: Because of a need to provide quality health care to the community and other benefits to Hospital of Physician becoming a member of its medical staff, Hospital agrees to underwrite Physician's Net Practice Income during the term of this Agreement. Hospital guarantees Physician an annual Net Practice Income of \$_____ for Physician's first twelve months of practice, renewable for an additional twelve months at physician's request, which shall be made in writing at least sixty days before the expiration of the twelve months. For purposes of this Agreement, Net Practice Income is defined as follows:

- a. Net Practice Income shall equal gross collections less reasonable professional and office overhead expenses (Expenses) necessary to conduct the practice of medicine during the term of this Agreement. Allowable expenses are described in paragraph 2.02 below.
- b. Gross collections shall include all monies collected by Physician for professional fees in office or hospital practice, and any other income from the practice of medicine.

- c. For purposes of determining monthly advances from Hospital, Physician shall submit a monthly report, including the following data for the month: gross billings, gross collections, Expenses.

2.02 Expense Allowances and Limitations: Expenses shall include all expenses normally and reasonably associated with the operation of the medical practice described herein and which are deductible for federal income tax purposes during the term of this Agreement including rent, utilities, employee salaries, office supplies, telephone, insurance, accounting, and equipment costs. Reasonable expense allowances shall not exceed _____ for the twelve month term of this agreement and a like amount if it is extended. The following additional provisions shall govern expenses:

- a. Physician may include expenditure for office equipment and furnishings for the term of this agreement for,
 1. Total lease expense therefor, and/or
 2. One-fifth of the purchase cost thereof.
- b. Premiums for one year of life (\$50,000), family health and disability and medical malpractice insurance shall be allowable in full.
- c. Contributions by Physician to Pension Plans or Deferred Compensation arrangements shall not be an allowable expense when calculating the Guaranteed Net Income.

2.03 Payment and Repayment of Guarantee: Physician shall receive monthly advances in the amount of \$_____per month for the length of this agreement. The first monthly advance of \$_____ shall be paid to the Physician on the date that Physician reports to the Hospital to begin his practice, and all subsequent monthly advances by Hospital will be paid within 10 days of the closing of the Physician's books of account for any such month. Physician will monthly render an accounting to reveal Net Income and a statement showing the same shall be submitted by the Physician to the Hospital; within ten (10) days of providing this statement to Hospital, if the amount shown is less than \$_____, then the difference will be paid to the Physician; if the amount shown is more than \$_____, Physician will reimburse Hospital within ten (10) days of receipt of the statement rendered by the Hospital the difference up to the total of all previous advances, as illustrated in Addendum "A", "Analysis of Guarantee", the same being attached hereto and marked Addendum "A". The addendum is for illustrative purposes only and where a conflict between that document and the terms of this Agreement arises, the terms of the Agreement shall control. The Hospital retains the right to audit upon reasonable notice, at its expense, the Physicians financial records to determine the accuracy of the Physician's accounting.

2.04 Final Accounting: Within a ninety (90) day period after the term of this Agreement, Physician shall submit a statement of net practice income for the twelve month period covered or the twenty-four month period if the contract is extended. Such statement shall provide reasonable detail of gross collections and professional expenses and a computation of the guaranteed amount. Any underpayment or overpayment of the guaranteed amount due Physician, as determined by the District's auditor, shall be paid by the appropriate party within

sixty (60) days after submission of the above statement to the Hospital. To the extent physicians net practice income during the contract period exceeds the guarantee and repayment has been made of advances, physician retains such income.

2.05 Repayment of Advance: At the end of the contract period and so long as Physician is engaged in a Full Time Practice as it is defined in paragraph 3.01, any amounts advanced but not repaid shall be paid back in equal annual installments over three years plus interest on the declining balance at the rate of 10% per annum. There will be no prepayment penalty. If the Physician terminates his Full Time Practice as defined herein, or the contract is earlier terminated because of the Physician's breach of any provision herein then the amount which the Physician is obligated to repay herein shall be immediately due and payable. For every year after the termination of this contract that Physician maintains a Full Time Practice as defined herein and resides in _____ County, one-third of the balance due on the repayment including interest will be forgiven.

2.06 Relocation Costs: Hospital agrees to reimburse reasonable relocation costs associated with moving Physician's family and practice to _____, Washington, not to exceed \$5000.00 which shall be paid upon Physician's submitting receipts. Any amounts paid to Physician by the Hospital shall be repaid immediately if Physician ceases to maintain a Full Time Practice as it is defined in paragraph 3.01 within _____ County within four years of the commencement of the Physician practice.

2.07 Other Assistance: Hospital agrees to assist Physician in initially setting up office, ordering supplies, locating personnel and developing accounting records, and expenses incurred for these will be charged to physician operating expenses.

PART III RESPONSIBILITIES OF PHYSICIAN

3.01 Full Time Practice: Physician agrees to operate a full time practice in the specialty of General Surgery, at the rate of 4.5 days per week and a minimum of 9 days per 14 day period, with a minimum rolling average every four weeks of 36 hours per week, and a minimum of forty-eight (48) weeks per year; provided, however, that Physician may take two (2) weeks of vacation and up to an additional two (2) weeks for continuing medical education. Physician agrees to arrange continuous call coverage for his patients and participate in the established rotation for call in the emergency room. Physician agrees to open his practice on or before October 1, 1998.

3.02 Hospital Privileges: Physician agrees to maintain the requirements for active staff privileges at _____ Hospital during the term of this Agreement. Physician further agrees to fulfill the obligations attendant to granting of such privileges, as defined in the Bylaws of Hospital's medical staff.

3.03 Professional Liability Insurance: Physician agrees to provide Hospital proof of required professional liability insurance for a minimum of \$2,000,000.00/\$6,000,000.00 prior to starting practice.

3.04 License: Physician shall maintain an unrestricted license to practice medicine in the State of Washington.

3.05 Access to Financial Records: Physician agrees to keep and maintain accounting books and records reflecting all fees billed for professional services and all revenues received from all sources in connection with the practice of medicine and agrees to allow a designated officer or employee of the Hospital to inspect such books and records at the end of each month and at other convenient times, while this agreement shall be in effect, if so requested.

3.06 Residence: Physician understands the communities strong preference that he reside in _____ County. Physician agrees at a minimum to reside within 20 minutes of the hospital in order to be available when on call.

PART IV GENERAL PROVISIONS

4.01 Independent Contractor: In performing the services herein specified, Physician will be acting as an independent contractor. Hospital and Physician agree that neither Physician nor any of her staff are employees of the Hospital. Nothing contained in this Agreement shall be construed to create a partnership or joint venture between Hospital or Physician.

4.02 Term of Agreement: The term of this Agreement shall be for a period of twelve-months (unless extended as permitted under paragraph 2.01), beginning with the date Physician reports to the Hospital, having fulfilled the requirements of paragraphs 3.03, 3.04 and 3.06, and begins his practice, which requirements will have been completed not later than October 1, 1999; provided, however, that the Physician is obligated to have his office open during regular hours to receive patients within a month of reporting to the Hospital. This Agreement may be terminated before the end of the twelve month period on the occurrence of any of the following events:

- a. If total revenues are greater than total expenses Physician may terminate this agreement with 90 days written notice, or sooner (if agreed upon by Hospital).
- b. By written mutual agreement of the parties hereto.
- c. Failure of Physician to meet the requirements for the medical staff membership of Hospital or failure of Physician to be approved and appointed to the medical staff of Hospital in accordance with its bylaws.
- d. Dismissal of Physician from said medical staff for cause, subject to due

process and approval of termination by the Board.

- e. A material breach of the Agreement by Physician or Hospital.
- f. Death or disability of Physician.
- g. When Physician has repaid all amounts advanced under this agreement.

In the event of termination as aforesaid except for material breach of Agreement by Hospital, death, or disability, of Physician all monies paid by Hospital must be reimbursed by Physician.

4.03 Assignment: Nothing contained in this Agreement shall be construed to permit the assignment or delegation by Hospital or Physician of any rights or obligations hereunder and such assignment is expressly prohibited.

4.04 Warranty of Authority: Hospital represents and warrants to Physician that it has the full power and authority to enter into this Agreement, that all required corporate action has been duly taken in connection herewith, and that upon execution of this Agreement by Hospital, this agreement shall become a binding obligation of Hospital, enforceable against Hospital in accordance with its terms and applicable law.

4.05 Severability: If any term, covenant, or condition of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable, the remainder of this Agreement and the application of any term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby, and all other terms shall be valid and enforceable to the fullest extent permitted by law. Washington State law shall govern this Agreement and venue for action brought to enforce this Agreement or to sue for damages by reason of a breach of the Agreement shall be in _____ County Superior Court.

4.06 Entire Agreement: This instrument contains the entire Agreement of the parties. It may not be changed orally but only by an Agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement effective the date first above written.

_____ PUBLIC HOSPITAL PHYSICIAN'S NAME
DISTRICT NO. _____

Date

Date