Health Services
LOS ANGELES COUNTY

Los Angeles County
Board of Supervisors

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First District

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Director

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Chief Medical Officer

Christina R. Ghaly, M.D.
Chief Operations Officer

313 N. Figueroa Street, Suite 912
Los Angeles, CA 90012

Tel: (213) 240-8101
Fax: (213) 481-0503

www.dhs.lacounty.gov

To ensure access to high-quality, patient-centered, cost-effective health care to Los Angeles County residents through direct services at DHS facilities and through collaboration with community and university partners.

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September ~~13~~27, 2016

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

APPROVAL OF DELEGATION AND ASSIGNMENT OF RIGHT TO OWNERSHIP OF COMMON STOCK IN VIZIENT, INC., AND AN AMENDMENT TO AGREEMENT NO. H-203916 WITH LAC+USC MEDICAL CENTER FOUNDATION
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)

SUBJECT

Request approval to: delegate and assign the right, title and interest in common stock of Vizient, Inc. to LAC+USC Medical Center Foundation; ~~approval to~~ assign the patronage of stockholding rights to LAC+USC Medical Center Foundation; execute an amendment to Agreement No**.** H-203916 with LAC+USC Medical Center Foundation to add terms and conditions regarding the Vizient stock; execute future as-needed amendments; and ~~approval~~ for County employees to serve key roles in the Foundation~~; and accept cash payout from Academic Medical Center Connection~~.

IT IS RECOMMENDED THAT THE BOARD:

1. Authorize the Director of Health Services (Director), or his designee, to sign the Joinder (Exhibit I) in order to delegate and assign the right, title and interest in common stock of Vizient, Inc. (Vizient) to LAC+USC Medical Center Foundation, Inc. (Foundation).

2. Authorize the Director, or his designee, to sign the Assignment of Stockholding Rights (Exhibit II) to assign the patronage of stockholding rights to the Foundation.

3. Authorize the Director, or his designee, to execute Amendment No. 1 (Amendment) to Agreement No. H-203916 (Agreement) with the Foundation to add terms and conditions regarding the Vizient stock.

4. Delegate authority to the Director, or his designee, to execute amendments to the Agreement to: (a) add, delete, and/or change terms and conditions as mandated by Federal or State law or regulation, County policy, and the County Board of Supervisors (Board) and/or Chief Executive Office (CEO); (b) align the Agreement with the County's needs and business direction; with all such actions subject to review and approval by County Counsel.

5. Authorize current and future Health Agency employees to serve key roles within the Foundation, where they can exercise direction and control of Foundation operations, including but not limited to participation in the Foundation's Board of Directors, with two weeks' prior notice to the Board and CEO prior to such future appointments.

6. ~~Authorize Department of Health Services (DHS) to : (a) accept from the Foundation the donation of any and all funds resulting from any redemption or monetization event of the stock; and (b) accept payout from Academic Medical Center Connection (AMCC), formerly known as University Health Consortium (UHC), for the balance of DHS's Patronage Earned Credits (PECs) in the amount of $727,000 and an additional 2.6% of remaining cash from UHC; with such actions subject to notice to the Board and CEO.~~

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

Background

DHS obtained Board approval in November 1997 to become a member of University Health Consortium (UHC), an Illinois-based non-profit member-owned alliance of academic medical centers (AMCs), and its group purchasing organization (GPO). DHS has also accessed commodity agreements through Novation, the UHC co-owned GPO, for various medical, surgical, laboratory, and pharmaceutical supplies. In return, DHS received PECs from UHC, which were applied toward various UHC services. Over the years, DHS has obtained Board approval to access various services offered by UHC, including Safety Intelligence, and Patient Safety Organization (PSO) designation. UHC is now known as Academic Medical Center Connection (AMCC).

By the spring of 2014, UHC maximized the number of entities legally allowed within its cooperative. After exploring potential expansion options, UHC's member board voted on January 15, 2015 to merge with VHA, a longstanding business partner, and also a Novation GPO co-owner. The merger formed a new for-profit entity named Vizient, Inc. (Vizient), which combines the strengths of UHC, VHA, and Novation in supply chain and clinical operation improvements. Vizient has since acquired MedAssets Spend & Clinical Resource Management (SCM) and Sg2. Vizient now represents approximately $90 billion in combined purchase volume and its GPO has the largest market presence in healthcare, ahead of its primary competitors, Premier, Intalere, and HealthTrust Purchasing Group.

Vizient Stock

The UHC-VHA merger included a Stock Purchase Agreement, whereby UHC transferred all of its assets and liabilities to VHA in exchange for VHA's issuance of shares of VHA common voting stock to ~~UHC~~ AMCC. ~~UHC~~AMCC then distributed these Vizient shares to its members based on each former UHC member's participation and patronage during UHC's last seven fiscal years immediately preceding the close of the transaction (2009 through 2015).

Vizient is offering DHS 31,633.8635 shares which is equivalent to 0.51% of the total 6,143,752 shares. No single Vizient stockholder holds more than 1.50% of shares. All of Vizient's stockholders are AMCs and community-based hospitals, with former UHC members constituting about 75% of Vizient stockholders. The stock is not publicly traded, so Vizient's business direction is driven by the stockholding members' input. Under the terms of the stock purchase agreement between UHC and VHA, the stock cannot currently be redeemed, nor can it be sold until the securities are registered for sale on the market. Vizient currently values the stock at $235.28 per share. However the actual present value is difficult to determine, due to restrictions on the ability of stockholders to redeem shares and thus monetize that value.

Recommendations

According to the California State Constitution (Article XVI, Section 6), the County, as a subdivision of the State, is prohibited from holding shares of stock. Therefore, Vizient has permitted DHS to designate an affiliated foundation to accept and hold the stock, on behalf of DHS. The number of shares that DHS received was largely driven by the purchasing volume of LAC+USC Medical Center (LAC+USC MC) within UHC, which accounted for almost half of DHS' combined purchasing power. Therefore the Foundation was selected to accept and hold the stock on behalf of DHS.

Initially Vizient provided DHS a deadline of March 31, 2016 to sign the Joinder (either by itself or with an affiliated foundation or non-profit). However, understanding the unique needs of the County to obtain Board approval and conduct its due diligence

regarding this transaction, Vizient extended the deadline to November 30, 2016 as DHS has shown Vizient we are working in good faith towards a resolution.

Therefore, time is of the essence for DHS to allow an affiliated foundation to accept and hold the stock on our behalf. If DHS and our affiliated foundation do not sign the Joinder by November 30, 2016, Vizient may redeem the stock and the County will lose its right to it. In the event of a future redemption or monetization of stock, the Department will request approval to accept the donation from the Foundation of any and all funds resulting from such event in accordance with Section 2.4.2 of the County's Fiscal Manual.

San Bernardino and Riverside Counties were also members of UHC, and have similarly chosen affiliated foundations to accept and hold their respective stock allocations. San Bernardino's Board of Supervisors approved the recommendation on August 23, 2016.

Approval of the first recommendation will authorize the Director to sign the Joinder (Exhibit I) to agree and consent to the ownership of the Vizient Stock by the Foundation. While the stock currently has no redemption value, the future potential could be a substantial windfall.

Approval of the second recommendation will authorize the Director, or his designee to consent to the assignment of ownership of shares in common stock of Vizient to LAC+USC Medical Center Foundation (Exhibit II).

Approval of the third recommendation will enable the Director to execute Amendment No. 1 (Exhibit III) to Agreement No. H-203916 to provide terms and conditions for the Foundation to accept and hold DHS's distribution of Vizient shares. The Amendment will prohibit the Foundation from assigning its rights and duties under the Agreement without the County's prior written consent, and stipulates that any redemption events are subject to the Director's approval. Under the terms of the proposed Amendment, monetary funds resulting from any redemption events will be donated to DHS. DHS will allocate any funds to DHS facilities based on purchasing volume in the former UHC.

Approval of the fourth recommendation will allow the Director to execute future amendments to the Agreement, for various contractual actions, including but not limited to amendments to ensure that the Agreement remains aligned with the County's business direction, with all such actions subject to review and approval by County Counsel.

Approval of the fifth recommendation will allow current and future Health Agency employees to serve on the Foundation's Board of Directors or hold key Foundation positions, in accordance with the County Fiscal Manual. With the Foundation in control

of interest in stock delegated by DHS, it is in the County's best interests to permit County employees, including DHS and DPH employees, to serve on the Foundation's Board of Directors and hold key positions. This will enable the Department to remain responsive to organizational and strategic changes within the Foundation, and ensure continuity of County representation within the Foundation's decision-making bodies.

~~Approval of the sixth recommendation will enable the Department to accept the accept the donation of any and all funds resulting from any redemption or monetization event of the Foundation's stock and the distribution of cash balance resulting from the dissolution of the member-owned consortium, AMCC.~~ Upon the final dissolution of AMCC (formerly UHC), DHS will receive its PEC balance of $727,000 as a cash payout. In the course of dissolving its assets, AMCC ~~UHC~~ received $95 million in cash. In addition, after AMCC~~UHC~~ ~~pays out~~ disburses all of its member Patronage Earned Credits (PEC) balances, and other operating expenses, DHS will receive approximately 2.6% of the estimated $20 to $25 million in remaining cash balance. This percentage rate is based on DHS's share of ownership in the former ~~the~~ cooperative. DHS can expect to receive an additional $500,000 to $650,000 in cash at that time. At such time, DHS will return to the Board for approval to accept the cash payout and approval of use of those funds. ~~Approval of the sixth recommendation will allow DHS to accept our PEC balance and the 2.6% of UHC's remaining cash upon dissolution; with such actions subject to notice to the Board and CEO~~

Implementation of Strategic Plan Goals

The recommended actions support Goal 1, Operational Effectiveness/Fiscal Sustainability, of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

There is no net cost to County.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

In August 1994, the County Board of Supervisors (Board) authorized ~~Department of Health Services (~~DHS~~)~~ to execute an Agreement with the Foundation, with the purpose of raising funds for the benefit of the LAC+USC Medical Center, specifically in areas of health care delivery, medical research and education.

On August 18 2016, DHS provided the Board notification that DHS has exercised its delegated authority to assign and delegate these contractual relationships to Vizient.

The Foundation's mission is to engage in fundraising to support facility projects, programs, equipment, and to assist in educating the community surrounding LAC+USC about the services and care provided at the LAC+USC Medical Center campus.

The recommended amendment to Agreement H-203916 between the County and the Foundation is pursuant to the County Fiscal Manual, with respect to the continued relationship and activities of each, including financial and conflict of interest reporting, and use of County resources.

The Chapter 16 (Departmental Foundations/Support Groups) of the County Fiscal Manual, requires the District to obtain Board approval if foundation boards and other key foundation positions are filled by County employees.

County Counsel has approved Exhibits I, II and III.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the recommended actions would ensure that the County benefits from any potential future monetary gain from the stock dividends, sale, or redemption of the stock.

Respectfully submitted,

Mitchell H. Katz, M.D. Director

MHK:mm

Enclosures

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors

LAC + USC Medical Center Foundation, Inc.
P.O. Box 33258
Los Angeles, California 90033

EXHIBIT I

8/18/16

Stockholders and Board of Directors of Vizient Inc.
290 E. John Carpenter Freeway
Irving, Texas 75062

To Whom It May Concern:

The undersigned is a member or former member or an affiliate of a member or former member of Academic Medical Center Connection (f/k/a University HealthSystem Consortium, an Illinois nonprofit corporation ("UHC")), which has received shares of common stock, par value $1.00 per share (the "Desired Stock") of Vizient, Inc., a Delaware corporation (f/k/a VHA Inc. and VHA-UHC Alliance NewCo, Inc., the "Company") from UHC.

The undersigned has received and reviewed, among other documents, the Amended and Restated Certificate of Incorporation and Fourth Amended and Restated Bylaws of the Company, each as amended as of the closing of the transactions contemplated in the Stock Purchase Agreement (as defined in the Stockholders' Agreement), and the Eleventh Amended and Restated Stockholders' Agreement (the "Stockholders' Agreement"), dated as of the closing of the transactions contemplated under the Stock Purchase Agreement.

In exchange for the Desired Stock, the undersigned hereby agrees, joins, and consents to being bound to the Stockholders' Agreement and all of its terms and provisions as a "Stockholder" and all of the rights and obligations accorded to a Stockholder under the Stockholders' Agreement as if a signatory thereto, including any provisions of the Stockholders' Agreement that may apply to an Academic Medical Center Affiliate. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Stockholders' Agreement.

The undersigned hereby represents and warrants to you the following:

1. This letter has been duly executed and delivered by the undersigned. The agreement of the undersigned contained herein and the Stockholders' Agreement are the legal, valid and binding obligations of the undersigned enforceable against the undersigned in accordance with their respective terms. The execution, delivery and performance of this letter and the Stockholders' Agreement have been duly authorized by the undersigned by all necessary action and the undersigned has full power and lawful authority to make and perform its obligations under this letter and the Stockholders' Agreement.

LAC + USC Medical Center Foundation, Inc.
P.O. Box 33258
Los Angeles, California 90033

2. The execution, delivery and performance of this letter and the Stockholders' Agreement do not and will not result in any breach or violation of, or constitute a default under, any provision of the undersigned's charter, bylaws or other governing documents, if the undersigned is a corporation, or its enabling legislation or governing documents, if the undersigned is a governmental unit or agency, or any contract, agreement, understanding or arrangement or any ruling, decree, judgment or order of any governmental authority to which the undersigned is a party or by which the undersigned is bound or affected or any law, statute, regulation or ordinance.

3. The undersigned shall become a party to the Stockholders' Agreement and acquire the Desired Stock for its own account for the purpose of investment and not with a view to the distribution or resale thereof. The undersigned has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of becoming a party to the Stockholders' Agreement and acquiring the Desired Stock. The undersigned further represents and warrants to the Company that the undersigned has executed this letter and acquired the Desired Stock for its own account for the purpose of investment and not with a view to the distribution or resale thereof.

4. The name and address of the undersigned appearing below are the legal name and address of the undersigned.

The undersigned understands that the execution and delivery to the Company of this letter is a condition to the acquisition by the undersigned of the Desired Stock.

LAC+USC Medical Center Foundation
Name of Stockholder

By: _____
Rosa Soto
Executive Director
1200 N. State Street, Los Angeles, CA 90033

The undersigned, as a member or former member of UHC, hereby agrees and consents to the ownership of the Desired Stock by the Stockholder.

County of Los Angeles Department of Health Services
Name of Member

Very truly yours,

By: _____ for
Mitchell H. Katz, M.D.
Director of Health Services

EXHIBIT II

Health Services
LOS ANGELES COUNTY

Los Angeles County
Board of Supervisors

Hilda L. Solis
First District

Mark Ridley-Thomas
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Sheila Kuehl
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www.dhs.lacounty.gov

September 13, 2016

Academic Medical Center Connection
(f/k/a University HealthSystem Consortium)
155 North Wacker Drive, Suite 4000
Chicago, IL 60606

To Whom It May Concern:

The undersigned is a member (the "Member") of Academic Medical Center Connection (formerly known as University HealthSystem Consortium), an Illinois nonprofit corporation ("AMCC"), and is entitled to receive shares of common stock, par value $1.00 per share (the "Stock") of Vizient, Inc., a Delaware corporation (the "Company"), from AMCC as a patronage dividend from AMCC after the consummation of the transactions between AMCC and the Company.

The purpose of this letter is to notify AMCC of the Member's intent to delegate and assign any and all of its right, title and interest in the Stock and to effectuate such assignment pursuant to the following paragraph.

The Member hereby transfers, delegates, and assigns to LAC+USC Medical Center Foundation all of the Member's right, title and interest in the Stock as a patronage dividend from AMCC and consents to LAC+USC Medical Center Foundation holding the Stock in the Company.

Very truly yours,

By: _____ for
Mitchell H. Katz, M.D.
Director of Health Services

EXHIBIT III

Agreement No.: H-203916

FUND-RAISING SERVICES AGREEMENT

Amendment No. 1

THIS AMENDMENT is made and entered into this ____ day of September, 2016,

By and between COUNTY OF LOS ANGELES (hereafter "County"),

And LOS ANGELES COUNTY UNIVERSITY OF SOUTHERN CALIFORNIA MEDICAL CENTER FOUNDATION, INC. (hereafter "Foundation")

Business Address:
1200 N. State Street,
Los Angeles, CA 90033

WHEREAS, reference is made to that certain document entitled "Fund-raising Services Agreement," dated August 9, 1994, and further identified as Agreement No. H-203916, and any amendments thereto (all hereafter referred to as "Agreement") and,

WHEREAS, on August 9, 1994, the County Board of Supervisors (Board) authorized Department of Health Services (DHS) to execute an Agreement with the Foundation, with the purpose of raising funds on behalf of LAC+USC Medical Center for various projects;

WHEREAS, on November 18, 1997, the Board authorized DHS to become a member of the University HealthSystem Consortium (UHC), a member-owned alliance of the United States' leading academic medical centers, and UHC's group purchasing organization, formerly known as University HealthSystem Consortium Services Corporation, and as Novation, LLC; and

WHEREAS, effective April 1, 2015, UHC merged with VHA Inc. (VHA), the national health care network of not-for-profit community hospitals, to form Vizient, Inc. (Vizient), the United States' largest member-owned health care company (initially known as "VHA-UHC Alliance NewCo, Inc."); and

WHEREAS, as part of the merger, and under the Stock Purchase Agreement by and between UHC and VHA, UHC transferred substantially all of its assets and liabilities to VHA in exchange for VHA issuing shares of VHA common voting stock to UHC, which UHC distributed to its members based on each UHC member's participation and

patronage during UHC's last seven fiscal years immediately preceding the close of the transaction (2009 through 2015) as Vizient shares; and

WHEREAS, based on UHC's aforementioned stock distribution formula, DHS is entitled to shares in Vizient stock, pursuant to the terms of the merger as set forth in Exhibits I and II, attached hereto and incorporated in this Agreement; and

WHEREAS, California counties are prohibited to own common stock in a privately-held corporation, and Vizient is a privately-held corporation, DHS desires to delegate and assign all of its interest in the Vizient shares to the Foundation as it is unable to own the shares of common stock;

WHEREAS, it is the intent of the parties hereto to amend the Agreement to update certain terms and conditions to the Agreement, and to provide for the other changes set forth herein; and

WHEREAS, Agreement provides that changes in accordance to Paragraph 8 – Alteration of Terms, may be made in the form of a written Amendment which is formally approved and executed by the parties; and

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. This Amendment shall commence and be effective upon execution.

2. Agreement, Paragraph 4, Audit Reports, is deleted its entirety and replaced as follows:

"**4. <u>RECORD RETENTION AND INSPECTION/AUDIT SETTLEMENT:</u>**

4.1 The Foundation shall maintain, and provide upon request by the County, accurate and complete financial records of its activities and operations relating to this Agreement in accordance with generally accepted accounting principles. The Foundation shall also maintain accurate and complete employment and other records relating to its performance of this Agreement.

4.2 The Foundation agrees that the County, or its authorized representatives, shall have access to and the right to examine, audit, excerpt, copy, or transcribe any pertinent transaction, activity, or record relating to this Agreement. All such material, including, but not limited to, all financial records, bank statements, cancelled checks or other proof of payment, timecards, sign-in/sign-out sheets and other time and employment records, and proprietary data and information, shall be kept and maintained by the Foundation and shall be made available to the County during the term of this Agreement and for a period of five (5) years thereafter

unless the County's written permission is given to dispose of any such material prior to such time. All such material shall be maintained by the Foundation at a location in Los Angeles County, provided that if any such material is located outside Los Angeles County, then, at the County's option, the Foundation shall pay the County for travel, per diem, and other costs incurred by the County to examine, audit, excerpt, copy, or transcribe such material at such other location.

4.3 In the event that an audit of the Foundation is conducted specifically regarding this Agreement by any Federal or State auditor, or by any auditor or accountant employed by the Foundation or otherwise, including audits conducted by the Medicare and Medi-Cal programs, or both, then the Foundation shall file a copy of each such audit report, including Service Organization Controls (SOC1) Reports, with the County's Auditor Controller within thirty (30) days of the Foundation's receipt thereof, unless otherwise provided by applicable Federal or State law or under this Agreement. Subject to applicable law, the County shall make a reasonable effort to maintain the confidentiality of such audit report(s).

4.4 Failure on the part of the Foundation to comply with any of the provisions of this Paragraph 4 shall constitute a material breach of this Agreement upon which the County may terminate or suspend this Agreement.

4.5 If, at any time during the term of this Agreement or within five (5) years after the expiration or termination of this Agreement, representatives of the County conduct an audit of the Foundation regarding the work performed under this Agreement, and if such audit finds that the County's dollar liability for any such work is less than payments made by the County to the Foundation, then the difference shall be either: a) repaid by the Foundation to the County by cash payment upon demand or b) at the sole option of the County's Auditor-Controller, deducted from any amounts due to the Foundation from the County, whether under this Agreement or otherwise. If such audit finds that the County's dollar liability for such work is more than the payments made by the County to the Foundation, then the difference shall be paid to the Foundation by the County by cash payment, provided that in no event shall the County's maximum obligation for this Agreement exceed the funds appropriated by the County for the purpose of this Agreement."

3. Agreement, Paragraph 9, Notices, is deleted its entirety and replaced as follows:

"**9. <u>NOTICES:</u>**

9.1 All notices or demands required or permitted to be given or made under this Agreement shall be in writing and shall be hand delivered with signed receipt or mailed by first class registered or certified mail, postage prepaid, addressed to the parties as identified in Subparagraphs 9.2 and 9.3 below. Addresses may be changed by either party giving ten (10) days' prior written notice thereof to the other party.

9.2 Notices to the County shall be addressed to:

(1) Los Angeles County Department of Health Services
313 N. Figueroa St., 6th Floor East
Los Angeles, CA 90012
Attn: Director, Contracts & Grants Division

(2) LAC+USC Medical Center
2051 Marengo Street
Los Angeles, CA 90033
Attn: Chief Executive Officer

9.3 Noticed to the Foundation shall be addressed to:

LAC+USC MC Foundation
1200 N. State Street
Los Angeles, CA 90033
Attn: President"

4. Agreement is modified to add Paragraph 10, Assignment and Delegation, as follows:

"**10. <u>ASSIGNMENT AND DELEGATION</u>**:

10.1 The Foundation shall not assign its rights or delegate its duties under this Agreement, or both, whether in whole or in part, without the prior written consent of the County, in its discretion, and any attempted assignment or delegation without such consent shall be null and void. For purposes of this Paragraph, the County consent shall require a written amendment to the Agreement, which is formally approved and executed by the parties. Any payments by the County to any approved delegate or assignee on any claim under this Agreement shall be deductible, at the County's sole

discretion, against the claims, which the Foundation may have against the County.

10.2 Shareholders, partners, members, or other equity holders of the Foundation may transfer, sell, exchange, assign, or divest themselves of any interest they may have therein. However, in the event any such sale, transfer, exchange, assignment, or divestment is effected in such a way as to give majority control of the Foundation to any person(s), corporation, partnership, or legal entity other than the majority controlling interest therein at the time of execution of the Agreement, such disposition is an assignment requiring the prior written consent of the County in accordance with applicable provisions of this Agreement.

10.3 Any assumption, assignment, delegation, or takeover of any of the Foundation's duties, responsibilities, obligations, or performance of same by any entity other than the Foundation, whether through assignment, subcontract, delegation, merger, buyout, or any other mechanism, with or without consideration for any reason whatsoever without the County's express prior written approval, shall be a material breach of the Agreement which may result in the termination of this Agreement. In the event of such termination, the County shall be entitled to pursue the same remedies against the Foundation as it could pursue in the event of default by the Foundation.

10.4 The County may, at its sole discretion, direct the Foundation to transfer ownership, rights and title of Vizient common stock to another entity of County's choosing. In no event, shall the Foundation transfer ownership, rights and title of the Vizient stock without prior written approval by the Director, or his designee."

5. Agreement is modified to add Paragraph 11, Compliance with Applicable Laws, Rules and Regulations, as follows:

"**11. <u>COMPLIANCE WITH APPLICABLE LAWS, RULES AND REGULATIONS</u>:**

11.1 In the performance of this Agreement, the Foundation shall comply with all current and applicable Federal, State and local laws, rules, regulations, ordinances, directives, guidelines, policies and procedures, including, but not limited to standards of The Joint Commission, its National Patient Safety Goals, California Code of Regulations, Title 22,

Division 5 regulations and all other applicable industry best practices standards. All provisions required thereby to be included in this Agreement are incorporated herein by reference.

11.2 The Foundation shall indemnify, defend, and hold harmless the County, its officers, employees, and agents, from and against any and all claims, demands, damages, liabilities, losses, administrative penalties and fines assessed, costs, and expenses, including, without limitation, defense costs and legal, accounting and other expert, consulting or professional fees, arising from, connected with, or related to any failure by the Foundation, its officers, employees, agents, or subcontractors, to comply with any such laws, rules, regulations, ordinances, directives, guidelines, policies, or procedures, as determined by the County in its sole judgment. Any legal defense pursuant to the Foundation's indemnification obligations under this Paragraph 11 shall be conducted by the Foundation and performed by counsel selected by the Foundation and approved by the County. Notwithstanding the preceding sentence, the County shall have the right to participate in any such defense at its sole cost and expense, except that in the event the Foundation fails to provide the County with a full and adequate defense, as determined by the County in its sole judgment, the County shall be entitled to retain its own counsel, including, without limitation, County Counsel, and reimbursement from the Foundation for all such costs and expenses incurred by the County in doing so the Foundation shall not have the right to enter into any settlement, agree to any injunction or other equitable relief, or make any admission, in each case, on behalf of the County without the County's prior written approval."

6. Agreement is modified to add Paragraph 12, Governing Law, Jurisdiction, and Venue, as follows:

"**12.** **GOVERNING LAW, JURISDICTION, AND VENUE**: This Agreement shall be governed by, and construed in accordance with, the laws of the State of California. The Foundation agrees and consents to the exclusive jurisdiction of the courts of the State of California for all purposes regarding this Agreement and further agrees and consents that venue of any action brought hereunder shall be exclusively in the County of Los Angeles."

7. Agreement is modified to add Paragraph 13, Stockholding Matters, as follows:

"13. **STOCKHOLDING MATTERS:**

13.1 The Foundation shall accept the assignment of shares in Vizient stock and hold in trust pursuant to its nonprofit purposes, in support of the Department of Health Services.

13.2 The Foundation shall agree to hold the shares in Vizient stock in the amount of 31,633.8635 shares in accordance with Exhibit A (Stockholder's Agreement). Vizient will issue the Stock Certificate to the Foundation.

13.3 The Book Value of the Vizient shares is valued at $235.28 per share as of September 30, 2015. The actual redemption value may be less than the Book Value.

13.4 Prior to any proposed redemption of the shares in Vizient stock, the Foundation shall promptly notify DHS in writing of such proposed redemption. The Foundation shall not redeem any shares in Vizient stock without the prior written approval of the Director of DHS or his designee.

13.5 The Foundation shall not take any action with respect to the shares in Vizient stock that would impair DHS in its participation in the health care programs, initiatives and services of the Vizient membership.

13.6 In the event that the Foundation is able, in the future to redeem the Vizient stock for valuable consideration, any such funds received by the Foundation from the sale of the Vizient shares or distribution of dividends shall be solely donated to DHS.

13.7 The Foundation shall take all necessary and appropriate steps to safeguard the shares in Vizient stock."

8. Agreement is modified to add Paragraph 14, Time Off For Voting, as follows:

"14. TIME OFF FOR VOTING: The Foundation shall notify its employees, and shall require each subcontractor to notify and provide to its employees, information regarding the time off for voting law (Elections Code Section 14000). Not less than 10 days before every statewide election, every contractor and subcontractor shall keep posted conspicuously at the place of work, if practicable, or elsewhere where it can be seen as employees come or go to their place of work, a notice setting forth the provisions of Section 14000."

9. Agreement is modified to add Paragraph 15, Survival, as follows:

"**15.** **<u>SURVIVAL</u>:** In addition to any provisions of this Agreement which specifically state that they will survive the termination or expiration of this Agreement and any rights and obligations under this Agreement which by their nature should survive, the following Paragraphs shall survive any termination or expiration of this Agreement:

Paragraph 4 (Record Retention and Inspection/Audit Settlement)

Paragraph 6 (Indemnification)

Paragraph 7 (Insurance)

Paragraph 11 (Compliance with Applicable Laws, Rules and Regulations)

Paragraph 12 (Governing Law, Jurisdiction, and Venue)

Paragraph 15 (Survival)"

10. Agreement is modified to add Exhibit A, Assignment of Stock Rights, attached hereto and incorporated herein by reference.

11. Agreement is modified to add Exhibit B, Joinder, attached hereto and incorporated herein by reference.

12. Except for the changes set forth hereinabove, Agreement shall not be changed in any respect by this Amendment.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be executed by the County's Director of Health Services and Foundation has caused this Amendment to be executed on its behalf by its duly authorized officer, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By _____

Mitchell H. Katz, M.D.

Director of Health Services

FOUNDATION

LOS ANGELES COUNTY UNIVERSITY
OF SOUTHERN CALIFORNIA MEDICAL
CENTER FOUNDATION, INC.

By _____
Signature

_____
Printed Name

_____
Title

APPROVED AS TO FORM:
MARY C. WICKHAM
County Counsel

By_____
James Johnson
Deputy County Counsel