

Sample Four: Physician and Hospital Contract

This Physician Recruitment Agreement (the "Agreement") is made and entered into as of the DATE day of MONTH, YEAR, ("Effective Date") by and between HOSPITAL CORPORATION NAME (the "Corporation"), PHYSICIAN NAME ("Physician").

BACKGROUND AND RECITALS

The Corporation is organized and existing pursuant to the General Statutes of STATE NAME and is a tax-exempt entity operating for, among other things, the public and charitable purpose of providing medical care, treatment and education. The Corporation desires to recruit, on behalf of the communities which it serves, certain needed and qualified physicians to render medical services to the residents of NAME OF COUNTY County, STATE NAME and surrounding areas (the "Service Area"). The Corporation has determined that a present need exists for additional Surgeons in its Service Area, and the Corporation has determined that its assistance to Physician as set forth herein will facilitate the establishment and improvement of medical services available within the Service Area and will therefore substantially contribute to the promotion of quality healthcare within the Service Area, thereby promoting the charitable purposes of the Corporation.

Physician is presently, or will be prior to the Practice Date, licensed to practice medicine in the State of STATE NAME and specializes in PHYSICIAN SPECIALTY and currently does not practice medicine in the Corporation's Service Area. Physician is considering establishing a medical practice in the Service Area (the "Practice"), provided certain assistance is afforded to him during the transition phase of establishing his Practice. The Corporation is willing to provide assistance to Physician on the terms and conditions expressed herein, which are consistent with and in furtherance of the Corporation's charitable purposes.

NOW THEREFORE, in consideration of the foregoing premises and of the mutual covenants, representations and obligations set forth herein and other consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1 DEFINITIONS

1.1 Definitions.

(a) Expenses - The term "Expenses" shall mean, for each month during the Initial Practice Year, those reasonable expenses paid by Physician that directly relate to the conduct and operation of the Practice. All Expenses shall be subject to approval by the Corporation, such approval not to be unreasonably withheld.

(b) Initial Practice Year - The term "Initial Practice Year" shall mean the period commencing on the first day of the month in which the Practice Date falls and

ending on the last day of the month in which the first anniversary of the Practice Date falls.

(c) Monthly Advance - The term "Monthly Advance" shall mean the amount advanced to the Physician each month, if and to the extent necessary, during the Initial Practice Year pursuant to Section 3.1(a) hereof.

(d) Monthly Guaranteed Amount - The term "Monthly Guaranteed Amount" shall mean Twenty-Five Thousand Dollars (\$25,000.00), provided that in the event the Practice Date falls on a day other than the first (1st) day of the month, the Monthly Guaranteed Amount for the first month of the Initial Practice year shall be prorated by multiplying \$25,000.00 by a fraction, the numerator of which is the number of days from (and including) the Practice Date to the end of the month and the denominator of which is the total number of days in the first month.

(e) Monthly Net Revenue - The term "Monthly Net Revenue" shall mean, for each month during the Initial Practice Year, the net cash receipts for the performance of medical or professional services for patients (whether for cash, check, credit or otherwise and whether billed to insurance companies, individuals, Medicare, Medicaid or other payors and including capitation payments from HMOs, PPOs and other managed care payors) for such month received by Physician or Practice attributable to the professional activities of Physician *plus* any fees paid to Physician for Physician's teaching, writing or speaking activities concerning medical or related matters for such month *plus* any other revenue generated or produced from any other medically-related services performed by Physician (including revenue resulting from ancillary and technical charges billed incident to Physician's services).

(f) Net Income - The term "Net Income" shall mean, for each month during the Initial Practice Year, Monthly Net Revenue minus Expenses for the applicable calendar month. Net Income may be a negative number if expenses exceed Monthly Net Revenue. Net Income shall be calculated without deduction for: (i) any taxes owing by Physician or Practice on such collections, or (ii) payment to any deferred compensation plans or to any qualified retirement plans of Physician.

(g) Physician's Adjusted A/R - The term "Physician's Adjusted A/R" shall mean an amount equal to all accounts receivable of the Practice existing on the last day of the Initial Practice Year that are attributable to (i) the professional medical services rendered by Physician as an employee of the Practice, and (ii) all ancillary and technical charges billed incident to such services, multiplied by 60% (which the parties acknowledge represents a reasonable collection rate for similar medical practices).

(h) Practice Date - The term "Practice Date" shall mean the date Physician begins practice in the Service Area, as set forth in Section 2.2(a) hereof.

(i) Termination Date - The term "Termination Date" shall mean the date this Agreement expires or is terminated pursuant to Article 7.

ARTICLE 2 OBLIGATIONS OF PHYSICIAN

2.1 Professional Services. Physician shall provide full-time professional services in his specialty for both inpatients and outpatients of the Corporation and for other persons residing in the Service Area in need of such services on an emergent, urgent and routine basis. During the term of this Agreement, Physician shall be available to see patients during normal business hours and shall be available for his specialty services on an as-needed basis when requested by the Corporation. Physician shall be available to treat unassigned patients of the emergency room who in the opinion of the emergency room physician may require treatment and possible hospitalization for his specialty-related injury or illness.

2.2 Additional Obligations. In addition, Physician shall:

(a) establish his office location in the Service Area and begin practice on or before _____, 2003 (the "Practice Date");

(b) use diligent efforts and professional skill and judgment in rendering services to patients and devote full time and effort to the practice of medicine in his specialty and participate with other physicians in the Service Area in providing coverage of Physicians and their medical practices during off-hours.

(c) maintain his license to practice medicine without restriction in the State of STATE NAME in good standing;

(d) obtain and maintain membership on the medical staff of the Corporation with appropriate privileges necessary to perform the services required hereunder and be subject to all the responsibilities of that membership;

(e) comply with all the bylaws, rules and regulations and policies of the Corporation and the medical staff of the Corporation and provide evidence of insurance upon request of the Corporation;

(f) attend such administrative meetings as shall be requested by the Corporation, assist in auditing medical records, when appropriate, assist in implementing and monitoring quality assurance, cost control, utilization review, compliance, risk management and peer review policies and procedures of the Corporation and prepare and furnish reports as requested by the Corporation from time to time.

(g) perform such administrative and other services as may be reasonably requested by the Corporation which may include, without limitation, being available to advise and consult with the Corporation, the medical staff of the Corporation and emergency department physicians to assure the Corporation's compliance with the requirements of federal and state "anti-dumping" requirements, including the Emergency Medical Treatment and Active Labor Act, 42 U.S.C. § 1395dd, as amended;

(h) promptly bill each patient for services rendered and make reasonable efforts to collect charges for professional services and establish and maintain an effective billing system to facilitate cash flow;

(i) purchase and maintain professional liability insurance from a reputable insurance company authorized to sell insurance in the State of STATE NAME and acceptable to the Corporation in amounts not less than those required by the bylaws, rules or regulations of the Corporation and the medical staff of the Corporation as well as prior acts coverage or an extended reporting endorsement (tail coverage) for the Physician's practice of medicine prior to this Agreement and after this Agreement is terminated or has expired;

(j) participate in third-party payor and managed care plans in which the Corporation participates or is a party; and

(k) enroll in and accept patients participating in the Medicare and Medicaid programs, provide uncompensated charity health care to persons in the Service Area who are unable to pay for services, and accept patients from community agencies. Physician will diligently pursue obtaining a Medicare and Medicaid provider number.

ARTICLE 3 FINANCIAL ASSISTANCE TO PHYSICIAN

3.1 Income Guarantee.

(a) **Monthly Advances.** The Corporation shall, subject to the limitations and procedures set forth herein, guarantee that, for each month during the Initial Practice Year, Physician's Net Income will not be less than the Monthly Guaranteed Amount for each such month. Accordingly, but subject to the terms and conditions hereof, the Corporation shall make Monthly Advances to Physician in an amount equal to the Monthly Guaranteed amount for such month minus the Net Income for such month. However, in no event shall the Corporation be obligated to make any further advances to Physician once the sum of (i) the aggregate amount of all Monthly Advances made by the Corporation to Physician hereunder *plus* (ii) the aggregate of the Physician's monthly Net Income during the Initial Practice Year *exceeds* the amount of Three Hundred Thousand Dollars (\$300,000.00). The Monthly Advances made by the Corporation shall be evidenced by a promissory note from Physician, bearing interest at the rate provided therein (the "Income Guarantee Loan Rate"), payable to the order of the Corporation, dated the date of this Agreement, in the amount of up to Three Hundred Thousand Dollars (\$300,000.00), in the form attached hereto as **Exhibit 3.1(a)**, (the "Income Guarantee Note") and secured by a Security Agreement and Financing Statements in form and substance required by the Corporation.

(b) **Monthly Advance Procedures.** On the Practice Date, the Corporation shall advance to Physician the Monthly Guaranteed Amount applicable to the first month of the Initial Practice Year. By the fifth (5th) business day of each month thereafter during Initial Practice Year and continuing each and every month during the Initial Practice Year, Physician shall submit to the Corporation a statement of his

monthly Net Income in a form satisfactory to the Corporation in its reasonable discretion for the immediately preceding month (the "Monthly Statement"). Within fifteen (15) days thereafter, but subject to, among other things, Section 3.1(a) hereof, the Corporation shall advance to Physician the amount, if any, by which the Monthly Guaranteed Amount for previous month exceeds the monthly Net Income for such previous month. In any month where Physician's monthly Net Income exceeds the Monthly Guaranteed Amount, Physician will pay any such overage to the Corporation toward payment and satisfaction of Physician's repayment obligation set forth in paragraph 3.2 below.

(c) Final Statement. Within forty-five (45) days following the end of the Initial Practice Year, Physician shall submit to the Corporation a certified statement of his aggregate Net Income for the Initial Practice Year (the "Final Statement").

(d) Examination Procedures. The Corporation may examine, at the Corporation's expense and through the Corporation's auditors or accountants or other Corporation personnel, all of the books and records of Physician and the Practice relating to Physician's practice, including without limitation, bank statements, work papers, ledgers, tax returns and other books of account, during the Physician's and the Practice's normal business hours. The Corporation, in its sole discretion, may conduct monthly audits during the Initial Practice Year. Physician and the Practice shall cooperate and assist with such audits and examinations.

3.2 Repayment by Physician of Income Guarantee.

(a) Calculation of Repayment Obligations. Within fifteen (15) days of the end of the Initial Practice Year, the Corporation shall provide Physician with a calculation of the sum of (i) the aggregate amount of all Monthly Advances made by the Corporation to Physician during the Initial Practice Year, less any monthly overage payments which have been paid by Physician to the Corporation under paragraph 3.1(b) and (ii) all interest accrued during the Initial Practice Year from the date each such Monthly Advance was made by the Corporation to Physician. Such total Monthly Advances and accrued interest shall be referred to herein as the "Income Guarantee Loan." Interest shall continue to accrue on the outstanding balance of the Income Guarantee Loan at the Income Guarantee Loan Rate until the Income Guarantee Loan is paid in full in accordance with this Section 3.2.

(b) Repayment and Forgiveness.

(i) Physician shall repay the aggregate amount of the Income Guarantee Loan, together with accrued interest thereon, as provided in the Income Guarantee Note.

(ii) The Income Guarantee Loan shall be deemed abated and paid by crediting and forgiving each monthly installment of the Income Guarantee Note as it becomes due, provided on such due date Physician continues to practice in the Service Area and to meet all obligations set forth in Article 2 hereof. The Corporation shall credit such deemed repayment against the outstanding Income Guarantee Loan balance.

(iii) In the event that Physician fails to continue practice in the Service Area and to meet all obligations set forth in Article 2 hereof prior to payment in full of the Income Guarantee Note, the entire principal and all accrued interest shall become immediately due and payable.

(c) Expenses for Account of Physician. Physician agrees that all costs incurred by Physician in connection with, and/or that are necessary and appropriate for carrying on, the practice of Physician in the Service Area and the providing of medical services hereunder including, without limitation, all wages and other payroll expenses of nurses, technicians and other personnel employed by Physician, all costs of equipment and the installation thereof, all costs and premiums of any insurance obtained by Physician and other costs and expenses shall be obligations of Physician unless otherwise provided herein. Physician shall pay and be responsible for all such costs and expenses and in no event shall the Corporation be under any obligation to pay the same.

3.3 Relocation Expenses. In addition to the Income Guarantee described in Section 3.1, the Corporation shall reimburse the Physician for Physician's reasonable relocation expenses, up to a maximum of \$15,000.00. Such reimbursement shall be paid on a date mutually agreed upon by the Corporation and the Physician. Physician shall document all relocation expenses to the Corporation's reasonable satisfaction before the Corporation shall be obligated to make reimbursement hereunder.

3.4 Signing Bonus. In consideration of Physician's agreement to relocate and practice medicine in the Corporation's Service Area, upon execution of this Agreement the Corporation shall pay to Physician a signing bonus in the amount of \$25,000.00, and six months after commencing practice in the service area Corporation shall pay to Physician an additional signing bonus in the amount of \$25,000, which amount shall be in addition to the Income Guarantee set forth herein. If for any reason Physician fails to commence practice in the Service Area by the Practice Date, Physician shall immediately reimburse to the Corporation the full amount of the Signing Bonus then advance.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

In performing services hereunder, Physician covenants, agrees, and represents and warrants as follows:

4.1 License. Physician is, or will be by the Practice Date, licensed to practice medicine without restriction in the State of STATE NAME.

4.2 Board Certification. Physician shall maintain at all times during the term of this Agreement board certification in PHYSICIAN SPECIALTY.

4.3 Membership on Staff. Physician has never been denied membership or reappointment to membership on the medical staff of any health care facility; no medical staff membership or clinical privileges of Physician at any health care facility have ever been suspended, curtailed or revoked, either voluntarily or involuntarily; nor has Physician ever been terminated from employment by any health care facility or sanctioned by a third-party payor. Physician shall notify the Corporation immediately of any denial, suspension, revocation, curtailment or termination of licensure status, Medicare or Medicaid participation, medical staff membership or clinical privileges, or employment held by Physician with any hospital or health care facility.

4.4 Notification of Claims. Physician has notified the Corporation of each action or claim alleging professional negligence filed or asserted against Physician within the previous three (3) years and the current status and/or ultimate resolution of such claim. In addition, Physician shall notify the Corporation immediately in writing of (a) any action or claim alleging professional negligence lodged against Physician or any other partnership or professional corporation with which Physician is affiliated; or (b) any notice received from the Medical Review of STATE NAME, Inc. or any other professional review organization concerning a potential or final investigation or determination relating to the quality of care rendered by Physician.

4.5 Standards of Practice. Physician shall perform his work and functions and provide services which are at all times in strict conformance with currently approved methods and practices in his medical specialty in a competent, ethical, and professional manner. In addition, Physician shall comply with all applicable provisions of law and other rules and regulations of any and all governmental authorities related to the licensing and regulation of physicians and hospitals.

4.6 Disclosure. Physician has not executed any agreement, oral or written, which limits or attempts to limit the ability of Physician to practice in the Service Area during the term of this Agreement. Physician shall immediately notify the Corporation of the execution or pending execution of such an agreement. Physician has notified the Corporation of all recruiting arrangements to which Physician is a party; further, Physician shall notify the Corporation of any such arrangement to which Physician becomes a party.

4.7 Business Purpose. All Monthly Advances by the Corporation shall be used by Physician and the Practice solely for business purposes associated with the medical practice of Physician. Physician shall exercise fiscal responsibility in the conduct of his medical practice.

4.8 No Sanctions. Physician hereby affirmatively warrants that he has never been sanctioned by or excluded from participation in Medicare or Medicaid or any other government-related healthcare payor program.

ARTICLE 5 TERM AND TERMINATION

5.1 Term. Unless otherwise terminated as provided herein, the term of this Agreement shall become effective on the Effective Date and shall continue for a term of five (5) years.

5.2 Termination.

(a) Notwithstanding the provisions of Section 6.1, this Agreement may be terminated at any time upon mutual agreement of the parties.

(b) In addition, this Agreement may be terminated immediately by the Corporation upon the occurrence of any one or more of the following events (whether or not such event was within the control of Physician):

(i) the breach of any material provision of this Agreement by Physician which breach is not cured within fifteen (15) days following written notice of such breach given by the Corporation to Physician.

(ii) any conduct of Physician which, if not immediately remedied, would jeopardize either the health or safety of any patient or person, or the safety or regular functions of the Corporation, which conduct is not corrected by Physician immediately upon verbal communication by the Corporation thereof;

(iii) any conduct of Physician that is considered by the Corporation, in its reasonable discretion, to be materially adverse to the interest, reputation, or business of the Corporation or Physician, which conduct is not corrected by Physician within fifteen (15) days following written notice by the Corporation thereof;

(iv) the failure of Physician to provide the services described in Article 2 above; or

(v) there shall be filed by or against Physician a petition for bankruptcy under the Bankruptcy Code of 1978, as amended (or other applicable insolvency law) or the appointment of any receiver or trustee for Physician and/or the assets of Physician.

(c) In addition, the Corporation shall have the right to terminate this Agreement and recover from Physician all payments determined by a court or applicable governmental agency to be illegal or inconsistent with the Corporation's tax-exempt status.

5.3 Effect of Termination. Except as provided in Section 7.16 hereof, upon termination or expiration of this agreement, neither party shall have any further obligations or duties to the other. In the event of termination, the Income Guarantee Loan and Student Loan Reimbursement shall be immediately due and payable.

5.4 Renegotiation. This Agreement shall be renegotiated, at the Corporation's sole discretion, if it is determined that for any reason this Agreement affects or may affect the tax-exempt status of the Corporation or if it is determined that this Agreement violates or may violate any federal or state laws, rules, or regulations. All parties agree to negotiate in good faith, and if the parties fail to reach agreement concerning any amendment proposed by the

Corporation within thirty (30) days after Physician's receipt of said proposed amendment, this Agreement shall immediately terminate.

ARTICLE 6 MISCELLANEOUS

6.1 Status of Physician. Subject to the limitations described in this Agreement, the parties understand and agree that Physician is an independent contractor and not an employee of the Corporation. The Corporation shall neither have nor exercise any control or direction over the methods or manner by which Physician or his personnel perform their professional services and functions. Physician and his personnel or those of the Practice shall not be subject to any procedures applicable to hospital employees, shall not be eligible for any employee benefit plan offered by the Corporation, and shall not be entitled to employee benefits including vacation pay, sick leave, retirement benefits, Social Security, Workers' Compensation, disability or unemployment insurance benefits that may be provided to the Corporation's employees.

6.2 Payment of Taxes. Physician acknowledges that he will have sole responsibility for the payment of all federal, state and local estimated, withholding and employment taxes arising out of his relationship with the Corporation and the performance of the professional services for patients in the Service Area. Physician acknowledges and agrees that the Corporation will not withhold on his behalf any sums for income tax, unemployment insurance, social security or any other withholding pursuant to any law or requirement of any governmental body. Each and every one of such payments, withholding and benefits, if any, is the sole responsibility of Physician or the Practice. Physician agrees to indemnify and hold the Corporation harmless from any and all loss or liability arising with respect to the failure of Physician or the Practice to withhold or make such payments, withholdings and benefits, if any.

6.3 Reporting of Income. The parties agree and acknowledge that any assistance provided by the Corporation pursuant to Article 3 of this Agreement constitutes income to Physician reportable in accordance with IRS regulations. The parties further agree and acknowledge that the Corporation shall submit the appropriate information return (e.g., Form 1099) to the IRS and Physician.

6.4 No Referral Contingency. The parties specifically acknowledge and agree that this Agreement is not intended to require, be contingent upon, or induce, the admission or referral of any of the patients of Physician or Practice to the Corporation. In addition, there is no requirement that Physician make or influence referrals to, or otherwise generate business for, the Corporation.

6.5 No Medical Staff Member Restriction. The parties specifically acknowledge and agree that Physician retains the right during and after the term of this Agreement to establish medical staff privileges at any health care facility of his choosing.

6.6 Non-Exclusive Agreement. In no event shall this Agreement be considered exclusive or be construed to imply that Physician has the exclusive right to perform professional medical services for the Corporation.

6.7 Assignment. This Agreement shall not be assigned by Physician.

6.8 Amendments. This Agreement may be amended at any time by mutual agreement of the parties hereto, but any such amendment shall not be operative or valid unless the same is reduced to writing and approved by Physician, the Practice and The Corporation.

6.9 Notice. Whenever any notice, demand or consent is required or permitted under this Agreement, such notice, demand or consent shall be sufficiently given if personally delivered or if mailed by registered or certified mail, postage prepaid to the following addresses:

If to Physician: PHYSICIAN NAME

If to the Practice: _____

If to The Corporation: HOSPITAL NAME AND ADDRESS

Any notice shall be deemed to have been delivered or received on the date delivered, if delivered personally, or on the third day following the date on which the same was deposited in a regularly maintained receptacle for the deposit of United States Mail, if addressed and sent as aforesaid. Either party may change its address for purposes of notice by providing notice of such change to the other party hereto, in writing, in the manner herein specified.

6.10 Severability. Unless otherwise provided herein, if any provision of this Agreement is held to be illegal, invalid or unenforceable under the present or future laws or regulations effective during the term of this Agreement, the legality, validity or enforceability of the remaining provisions of this Agreement shall not be affected thereby.

6.11 Governing Law. This Agreement shall be construed in accordance with the laws of the State of STATE NAME.

6.12 Entire Agreement. This Agreement constitutes the entire understanding of the parties and supersedes all prior negotiations and agreements between the parties both oral and written.

6.13 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

6.14 Headings. Captions and headings are set forth for convenience only and shall not be used in construing the agreement.

6.15 Waiver. No consent or waiver, express or implied, by either party to or of any breach or default by the other party hereto in the performance of such party's obligations under this Agreement shall be deemed or construed to be a consent to or waiver of any other breach

or default in the performance by such other party of the same or any other obligation of such other party under this Agreement.

6.16 Survival of Obligations. Any and all of the representations and warranties contained in this Agreement shall survive the termination or expiration of this Agreement. It is expressly understood and agreed that Physician's and the Practice's obligations to provide Monthly Statements and the Final Statement to the Corporation and to cooperate in any the Corporation request to review the Physician's and the Practice's books and records in regard to such Monthly Statements and the Final Statement, and to repay any amounts due under the Income Guarantee Note shall survive the termination of this Agreement.

6.17 Binding Effect. This Agreement shall be binding and shall inure to the benefit of all parties and their respective successors, heirs, permitted assigns and legal representatives.

6.18 Access to Records. Physician and the Practice acknowledge that Section 952 of the Omnibus Reconciliation Act of 1980 (P.L. 96-499) requires the Corporation to include in this Agreement a provision requiring Physician and the Practice to allow the Secretary of the Department of Health and Human Services ("HHS"), and other authorized federal officials, access to Physician's and the Practice's books and records as they relate to services provided under this Agreement. Accordingly, if the value or cost of services rendered to the Corporation pursuant to this Agreement is \$10,000 or more over a twelve-month period, Physician and the Practice shall, until the expiration of four (4) years after the furnishing of any services pursuant to this Agreement, upon written request, make available to the Secretary of HHS, the Secretary's duly authorized representatives, the Comptroller General or the Comptroller General's duly authorized representatives, this Agreement and such books, documents and records as may be necessary to certify the nature and extent of the cost or value of services performed by Physician hereunder.

6.19 Change in Law. Notwithstanding other provisions of this Agreement, if any federal state, or local government agency passes, issues, or promulgates any law, rule, regulations, standard, or interpretation, or if any court of competent jurisdiction renders any decision or issues any order, at any time during the term of this Agreement that renders any part of this Agreement illegal or that places the legality of this Agreement in question, any party may give the other parties notice of intent to amend this Agreement to comply with such law, rule, regulation, standard, interpretation, decision, or order. Upon the giving of such notice, the parties agree to negotiate in good faith concerning the proposed amendments. If the parties fail to reach an agreement concerning any proposed amendment with thirty (30) days after the notice of intent to amend, this Agreement shall immediately terminate.

6.20 Confidentiality. The Corporation, the Practice and Physician each agree that they will keep the terms of this Agreement confidential and shall not disclose same or otherwise allow knowledge concerning this Agreement's contents to be known except to their respective attorneys or accountants or as such disclosure may be required by law.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

HOSPITAL CORPORATION NAME

By: _____

Title: _____

PHYSICIAN

PHYSICIAN NAME

SCHEDULE 1.1(a)

Expenses

Expenses as defined in Section 1.1(a) are as follows:

a. Staff Salaries - The term "Staff Salaries" shall mean the actual cost of reasonable staffing expenses of the Practice.

b. Staff Benefits - The term "Staff Benefits" shall mean the actual cost of employment taxes and non-cash benefits paid by the Practice and provided in addition to Staff Salaries.

c. Equipment Rental - The term "Equipment Rental" shall mean the actual cost to the Practice of equipment rental for additional furniture, fixtures and equipment, including computer hardware and software licenses.

d. Utilities - The term "Utilities" shall mean the cost to the Practice for the use of telephone and other utilities (such as gas, electric and water).

e. Office Supplies - The term "Office Supplies" shall mean the actual cost of expendable office supplies for the Practice, not to exceed _____% of cumulative gross charges generated by Physician through end of the Initial Practice Year.

f. Medical Supplies - The term "Medical Supplies" shall mean the cost of expendable medical supplies for the Practice, not to exceed _____% of cumulative gross charges generated by Physician through end of the Initial Practice Year.

g. Advertising - The term "Advertising" shall mean the actual cost of advertising for the Practice, not to exceed \$2,000.00 per year.

h. Repairs and Maintenance - The term "Repairs and Maintenance" shall mean the actual cost of repairs and maintenance for the Practice.

i. CME, Dues and Journals - The term "CME, Dues and Journals" shall mean the actual cost of continuing medical education (including meals and travel), professional dues and licenses, and medical journals, not to exceed \$2,000.00 per year for Physician.

j. Office Rent - The term "Office Rent" shall mean the cost to the Practice of rent for office space, not to exceed fair rental value.

k. Fees and Other Expenses - The term "Fees and Other Expenses" shall mean the actual cost of routine professional fees to professional advisors, not to exceed \$2,000.00 per year.

1. Insurance – The term “Insurance” shall mean the actual cost to Physician and/or Practice of establishing and maintaining professional liability coverage for all professional personnel of the Practice and general liability insurance for the Practice.

EXHIBIT 3.1(a)

INCOME GUARANTEE NOTE

\$ AMOUNT OF GUARANTEE

Date: _____

FOR VALUE RECEIVED, the undersigned (“Physician”) promises to pay to the order of HOSPITAL CORPORATION NAME (hereafter, together with any holder hereof, called “Holder”) at the offices of the Holder located at STREE, CITY, STATE, ZIPCODE, or at such other place as the Holder may designate in writing to the undersigned, in lawful money of the United States of America, and in immediately available funds, the principal sum of AMOUNT OF GUARANTEE (\$) or such lesser amount as may be the aggregate principal amount of loans outstanding hereunder.

Interest shall accrue from the date of each advance hereunder at the rate of six percent (6%) per annum. The undersigned agrees to pay the principal balance plus all accrued interest in forty-eight (48) equal monthly installments beginning on the 1st day of the second month following the expiration of the Initial Practice Year (as defined in the Agreement). Holder shall provide Physician within fifteen (15) days after the expiration of the Initial Practice Year an amortization table setting forth the payment schedule.

The date and amount of each advance made by the Holder to the undersigned under the Agreement, each payment of principal in respect thereof and the accrual of interest under this Note, shall be recorded by the Holder on its books; provided however, that the failure of the Holder to make any such recordation shall not affect the obligation of the undersigned to make a payment when due of any amount owing under this Note. Any such recordations made by the Holder on its books shall be prima facie evidence of the amounts recorded therein.

This Note is the “Income Guarantee Note” referred to in that certain Physician Recruitment Agreement dated as of MONTH, DAY, YEAR, (as amended, restated, supplemented or otherwise modified from time to time, the “Agreement”), by and among the undersigned and the Holder, and is subject to, and entitled to, all provisions and benefits thereof. Capitalized terms used herein and not defined herein shall have the respective meanings given to such terms in the Agreement. The Agreement, among other things, (a) acknowledges that the Holder has advanced to the undersigned the Dollar amount first above-mentioned, and (b) provides for the acceleration of the obligations of the undersigned under the Agreement and this Note upon the occurrence of certain specified events.

The undersigned hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF STATE NAME.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Note under seal as of the date and year first written above.

PHYSICIAN NAME